# Lions Gate Metals Inc.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**For the three and six month periods ended June 30, 2011**

August 25, 2011

## 1.1 Introduction

This Management's Discussion and Analysis ("MD&A"), dated August 25, 2011, focuses upon the activities, results of operations, liquidity, financial condition and capital resources of Lions Gate Metals Inc. (the "**Company**" or "**Lions Gate**" or "**LGM**") for the six month period ended June 30, 2011. In order to better understand the MD&A, it should be read in conjunction with the unaudited financial statements and notes thereto for the three and six month periods ended June 30, 2011 and the audited financial statements, notes and MD&A for the year ended December 31, 2010. 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 Company's financial statements have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting* ("IAS 34") using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

These are the Company's second condensed interim financial statements prepared in accordance with IAS 34 and IFRS using accounting policies consistent with IFRS. The accounting policies have been selected to be consistent with IFRS as is expected to be effective on December 31, 2011, the Company's first annual IFRS reporting date. These condensed interim financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the Company's first condensed interim financial statements prepared in accordance with IAS 34 and IFRS dated March 31, 2011 as well as the Company's annual financial statements for the year ended December 31, 2010 prepared in accordance with previous Canadian Generally Accepted Accounting Principles ("Canadian GAAP").

The preparation of consolidated financial statements in conformity with IFRS 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 August 25, 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 International Financial Reporting Standards ("**IFRS**") 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 six-month period ended June 30, 2011, the Company reported a net loss of $1,011,368 and as at that date had working capital of $4,248,109 and an accumulated deficit of $14,596,487. 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. The Company has raised 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

The Company is actively exploring its properties and looking for opportunities to maximize the value of its resource properties. The key milestones achieved over the past several months include the following:

- A 10,000 metre drill program commenced on the Poplar Property on August 25, 2011, results of this program are expected to be completed during the 4th Quarter of 2011.
- A revised NI43-101 compliant analysis of the Poplar resources was completed in the last several weeks. This report will be posted on the Company website and published on SEDAR.
- A program of grid establishment and surface sampling on a number of the geophysical targets located around the Poplar deposit was completed. The Company awaits completion of assays, and compilation of the results of this program are ongoing.
- The Company has completed a work program on its Hudson Bay Mountain property and expects to implement a spin out of this property during Q4 of 2011.
- The Company initiated a program of geological mapping and sampling at the Rok-Coyote property located adjacent to Imperial Metals Red Chris property.

***Poplar Property***

The Company has completed a preliminary resource estimate for its 100% owned Poplar Project in north central British Columbia. The National Instrument 43-101 Inferred Resource of 245 million tonnes averaging 0.27% Cu at the BC Poplar Project, contains over 1.4 Billion pounds of copper at a 0.15% Cu cut-off.

The preliminary resource estimates are NI 43-101 compliant and have been prepared by Gary H. Giroux, MASc., P.Eng., of Giroux Consultants Limited. Mr. Giroux is a Qualified Person as defined by NI 43-101 and is independent of the Company.

**POPLAR MINERALIZED ZONE - INFERRED RESOURCE**

| Cu Cut-off | Tonnes> Cut-off | Grade > Cut-off | | Contained Metal | |
|---|---|---|---|---|---|
| (%) | (tonnes) | Cu | Mo | Million | Million |
| | | (%) | (%) | lbs of Cu | lbs of Mo |
| 0.05 | 372,299,000 | 0.21 | 0.005 | 1748.558 | 41.046 |
| 0.10 | 334,563,000 | 0.23 | 0.006 | 1689.359 | 44.263 |
| 0.15 | 245,855,000 | 0.27 | 0.007 | 1442.013 | 37.948 |
| 0.20 | 180,304,000 | 0.30 | 0.008 | 1192.711 | 31.806 |
| 0.25 | 122,988,000 | 0.34 | 0.009 | 908.482 | 24.407 |
| 0.30 | 78,076,000 | 0.37 | 0.010 | 636.983 | 17.216 |
| 0.35 | 41,029,000 | 0.41 | 0.010 | 372.732 | 9.047 |
| 0.40 | 17,835,000 | 0.47 | 0.009 | 182.867 | 3.539 |
| 0.45 | 8,137,000 | 0.52 | 0.008 | 92.761 | 1.435 |
| 0.50 | 3,861,000 | 0.57 | 0.008 | 48.272 | 0.681 |
| 0.55 | 1,857,000 | 0.62 | 0.007 | 25.264 | 0.287 |
| 0.60 | 953,000 | 0.66 | 0.006 | 13.953 | 0.126 |
| 0.65 | 447,000 | 0.71 | 0.004 | 6.998 | 0.039 |
| 0.70 | 177,000 | 0.77 | 0.002 | 3.005 | 0.008 |

The resource estimate is based on 105 historical diamond drill holes completed by Utah Mines Limited and other operators between 1974 and 2005, totaling approximately 23,000 metres of drilling, and an additional 5,569 metres of diamond drilling in 13 holes, completed by Lions Gate in the spring of 2011.

A three dimensional grade zone solid was produced in Gemcom Software for drill holes with assay intervals greater than 0.1% Cu. This solid served to constrain the resource estimate. Assays were capped for Cu and Mo to reduce the effects of erratic outliers. Uniform down hole composites 5 m in length were used to model the grade continuity with variography. Bulk density was established from 121 measured samples. Blocks 20 x 20 x 10 m in dimension, within the mineralized solid, were estimated for Cu and Mo by ordinary kriging. At this stage of the project all blocks were classified as inferred.

The drilling completed by Lions Gate has confirmed the high quality of the work completed by Utah Mines and previous operators. Lions Gate's drilling has extended the mineralized zone to depth and laterally, and the mineralization remains open in all directions. Higher grade zones indentified by P. Ogryzlo, M. Sc., P. Geo. have been extended to the west and northwest, and remain open in both these directions.

Lions Gate has commenced a Phase 2, 10,000 metre follow-up diamond drill program at Poplar. This drilling will further define the mineralized zone, and is expected to extend the higher grade mineralization. The additional gold and silver analyses will provide enough data for an estimate of the gold and silver grade to be calculated. The results of the Phase 2 drill program will be incorporated into an updated resource estimate, expected in early 2012. A preliminary metallurgical test is scheduled to commence in early September.

Andrew Gourlay, P. Geo., 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 which grants Lions Gate an option (the "**Option**") to acquire a seventy-five percent (75%) interest in the ROK-Coyote Mineral property (the "**Property**") located in the Stikine Arch region of northwestern British Columbia from Firesteel Resources Inc. ("**Firesteel**").

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.

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.

The summer exploration season will include expansion of the existing grids, ground geophysical survey, geological mapping and sampling and the identification of drill targets. The drill program will be initiated in the summer of 2012 rather than in late season as was previously reported.

### *Hudson Bay Mountain Property*

In May 2005, the Company acquired claims located on Hudson Bay Mountain. Additional claims surrounding the Hudson Bay Mountain Property were obtained in July 2010.

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 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.

### *Copperline Property*

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. 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.

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.

### *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 is planned on this property.

### 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 | $ - | $ - |

The audited financial statements for the years ended December 31, 2008, 2009 and 2010 were prepared in CDN GAAP.

## 1.4 Results of Operations

For the three months ended June 30, 2011, the Company had a net comprehensive loss of $444,014 compared to a net loss of $330,516 for the same period in 2010. The $113,498 increase in comprehensive loss for the second quarter was due primarily to increased stock-based compensation expenses. For details of all significant variances, please refer to section 1.5 'Summary of Quarterly Results'.

### 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 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. As at June 30, 2011, the reclamation bonds total $44,098, including interest.

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.

During the past 12 months the Company conducted a 5,500m drilling program on the Poplar property. The results of this drilling was combined with the historical results and an updated NI 43-101 compliant resource was recently announced.

The results of this report were to upgrade the quality of the resource estimate. The compliant resource is less than the historical resource because of the application of more stringent standards that were applied to the data. There appears to be creditable amounts of gold and silver in the recent results but no amounts were included in the resource estimate because there is not sufficient data to allow for this inclusion in the resource estimate. We are also encouraged that results of the best hole of the winter 2011 drill program were not fully included as they were seen as an outlier without other corroborating data, the current program will include some holes which will attempt to corroborate this data.

Particularly encouraging was the conclusion that the highest grade portion resource is open to the north and northwest end of the mineralized area and there is a possibility that this may be confirmed with future drilling.

The new drilling program has been designed to test the north west area which is currently open and to test a deep horizon that was not sufficiently tested in last winter's program. Management is encouraged by these potentials and have allocated sufficient funds to complete the drilling program which commenced on August 25, 2011.

***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"). 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.

***Rok-Coyote***

Permits were received in August, 2011 on the Rok-Coyote property. The work program will commence in September and will consist of rock and soil sampling, geological mapping, and ground geophysics.

***Copperline***

There is no activity anticipated on the Copperline property at this time.

## Summary of Exploration and Evaluation Assets for the six months ended June 30, 2011:

| Mineral Property Interests (Omineca Mining Division of BC) | Balance December 31, 2010 | 2011 Costs Incurred | Write-Down for Valuation | Balance June 30, 2011 |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| Poplar mineral property - 100% interest | 787,205 | 29,625 | - | 816,830 |
| Kelly Creek mineral property - 100% interest | 1 | - | - | 1 |
| Hudson Bay Mountain mineral property - 100% interest | 1,160,245 | - | - | 1,160,245 |
| Copperline mineral property - 60% interest | 1,630,760 | - | - | 1,630,760 |
| ROK – Coyote mineral property - 75% interest | - | 234,000 | - | 234,000 |
| | **3,578,211** | **263,625** | **-** | **3,841,836** |
| **Deferred Exploration Expenditures** | | | | |
| **Poplar** | **Balance December 31, 2010** | **2011 Costs Incurred** | **Write-Down for Valuation** | **Balance June 30, 2011** |
| | $ | $ | $ | $ |
| Airborne survey | 334,129 | - | - | 334,129 |
| Assays/Metallurgy | 32,891 | 6,464 | - | 39,355 |
| Camp costs | 228,999 | 248,610 | - | 477,609 |
| Consulting | 416,184 | 160,899 | - | 577,083 |
| Drilling | 297,579 | 524,074 | - | 821,653 |
| Environmental | 94,545 | 11,111 | - | 105,656 |
| Field expenditures and personnel | 291,257 | 162,194 | - | 453,451 |
| Geophysical/I.P. magnetic survey | 99,435 | 141,994 | - | 241,429 |
| Maps and reports | 813 | 1,418 | - | 2,231 |
| Miscellaneous | 58,113 | 7,200 | - | 65,313 |
| Telecommunications | 5,460 | 2,566 | - | 8,026 |
| Community Relations/Traditional use study | - | 45,608 | - | 45,608 |
| Travel and accommodation | 70,382 | 13,326 | - | 83,708 |
| Mining exploration tax credits claimed | (286,369) | - | - | (286,369) |
| | **1,643,418** | **1,325,463** | **-** | **2,968,882** |
| Hudson Bay Mountain | | | | |
| Consulting | 10,000 | 15,803 | - | 25,803 |
| Camp costs | - | 5,945 | - | 5,945 |
| Field expenditures and personnel | - | 7,315 | - | 7,315 |
| ROK – Coyote | | | | |
| Consulting & Community Relations | - | 19,713 | (2,050) | 17,663 |
| Miscellaneous | - | 1,292 | - | 1,292 |
| | 1,653,418 | 1,375,531 | (2,050) | 3,026,899 |
| **Total** | **5,231,629** | **1,639,156** | **(2,050)** | **6,868,736** |

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

| Mineral Property Interests (Omineca Mining Division of BC) | Balance Jan. 1, 2010 $ | 2010 Costs Incurred $ | Write-Down for Valuation $ | Balance Dec. 31, 2010 $ |
|---|---|---|---|---|
| Poplar mineral property - 100% interest | 661,214 | 125,991 | - | 787,205 |
| Kelly Creek mineral property - 100% interest | 1 | 16,000 | (16,000) | 1 |
| Hudson Bay Mountain mineral property - 100% interest | 125,000 | 1,086,959 | 51,714 | 1,160,245 |
| Copperline mineral property - 60% interest | - | 1,630,760 | - | 1,630,760 |
| | **786,215** | **2,859,710** | **(67,714)** | **3,578,211** |

<u>**Deferred Exploration Expenditures**</u>

| **Poplar** | Balance Jan. 1, 2010 $ | 2010 Costs Incurred $ | Write-Down for Valuation $ | Balance Dec. 31, 2010 $ |
|---|---|---|---|---|
| Airborne survey | 322,406 | 11,723 | - | 334,129 |
| Assays | 29,301 | 3,590 | - | 32,891 |
| Camp costs | 191,826 | 37,173 | - | 228,999 |
| Consulting | 307,322 | 108,862 | - | 416,184 |
| Drilling | 297,579 | - | - | 297,579 |
| Environmental | 85,232 | 9,313 | - | 94,545 |
| Field expenditures and personnel | 291,057 | 200 | - | 291,257 |
| Geophysical/I.P. 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 | - | 23,912 |
| Telecommunications | 2,103 | 3,357 | - | 5,460 |
| Travel and accommodation | 65,138 | 5,244 | - | 70,382 |
| Mining 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) | - |
| | 1,742,549 | (86,092) | (3,039) | 1,653,418 |
| **Total** | **2,528,764** | **2,773,618** | **(70,753)** | **5,231,629** |

## 1.5 Summary of Quarterly Results

The following selected quarterly consolidated financial information is derived from the financial statements of the Company and has been prepared in accordance with Canadian GAAP pre and post the adoption of IFRS as indicated.

***Summary of quarterly financial information and discussion***

| | Jun 30, 2011 | Mar 31, 2011 | Dec 31, 2010 | Sept 30, 2010 |
|---|---|---|---|---|
| | IFRS | | | |
| Total assets | $ 11,428,033 | $ 11,535,595 | $ 6,071,756 | $ 6,084,747 |
| Working capital | 4,248,109 | 4,228,727 | 590,171 | 733,952 |
| Shareholders' equity | 11,178,333 | 10,806,199 | 5,865,803 | 5,932,530 |
| Loss (income) | 421,789 | 686,426 | 423,266 | 412,257 |
| Loss (income) per share | $ 0.02 | $ 0.04 | $ 0.02 | $ 0.03 |

| | Jun 30, 2010 | Mar 31, 2010 | Dec 31, 2009 | Sept 30, 2009 |
|---|---|---|---|---|
| | IFRS | | Canadian GAAP (Pre-IFRS) | |
| Total assets | $ 4,050,633 | $ 3,201,060 | $ 3,808,863 | $ 4,592,649 |
| Working capital | 1,234,931 | 464,130 | 1,010,597 | 2,347,726 |
| Shareholders' equity | 3,741,154 | 3,096,491 | 3,551,361 | 4,295,235 |
| Loss (income) | 201,410 | 532,791 | (487,388) | 147,257 |
| Loss (income) per share | $ 0.02 | $ 0.05 | $ (0.04) | $ 0.05 |

For the three months ended June 30, 2011, the Company had a net comprehensive loss of $444,014 compared to a net comprehensive loss of $330,516 for the same period in 2010. The $113,498 increase in comprehensive loss for the second quarter was due primarily to increased stock-based compensation expenses. Other significant variances over the three month period include:

Accounting and audit fees increased by $22,420 in Q2 2011 relative to the same period in the prior year due to the increased activity and complexity of the Company, the audit of the Company's IFRS transition and a Q2 review of the financial statements.

Stock-based compensation expense increased by $146,074 due to $66,699 of options issued to employees, $45,972 of options issued to a director, and $33,403 issued to consultants.

Consulting and management fees decreased from $130,266 in Q2 2010 to $39,500 in the current quarter. This is primarily due to the CEO and CFO becoming salaried employees as opposed to consultants in February, 2011.

Salaries and benefits increased by $63,628 due to the CEO and CFO becoming salaried employees as opposed to consultants in February, 2011.

Investor relations expense increased from $Nil in Q2 2010 to $21,264 in the current year. The increase in expense relates to the Company's IR consultants in efforts to increase the Company's profile.

There were no securities sold in Q2 2011, as opposed to the loss which was generated in Q2 2010 of $13,511.

## 1.6 & 1.7 Liquidity and Capital Resources

The Company's cash and cash equivalents position at June 30, 2011 was $4,150,360. 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.

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.

On February 24, 2011, $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 other than the requirement to spend certain amounts on Canadian Exploration Expenses as defined in the *Income Tax Act (Canada)*.

On March 10, 2011, the Company completed a two-tranche brokered private placement, consisting of the issue and sale of 1,052,632 flow-through shares at a price of $0.95 per flow-through share and 6,289,000 common share units at a price of $0.80 per unit, for aggregate gross proceeds of $6,031,200. Each common share unit consisted of one common share and one-half of one common share purchase warrant. Each whole common share purchase warrant entitles the holder to purchase one additional common share of the Company at a price of $1.20 per share for a period of two years after the closing of the offering.

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 quarter ended June 30, 2011, the Company entered into related-party transactions with the following individuals:

| | |
|---|---|
| Arni Johannson | CEO & Chairman |
| Michael Sweatman | CFO |
| Blair McIntyre | President |

In addition, the Company entered into related-party transactions with the following corporations:

| | |
|---|---|
| Canadian Nexus Ventures Ltd. ("CNV") | Corporation controlled by CEO |
| MDS Management Ltd. ("MDS") | CFO exercises significant influence over corporation |

The following is a summary of the Company's related party transactions during the period:

a) **Consulting Fees**

For the three months ended June 30, 2011, the Company paid or accrued consulting fees totaling $54,150 plus HST (three months ended June 30, 2010: $92,566) to directors, officers, and companies subject to their influence. The consulting fees consisted of $27,188 to the VP of Exploration, $18,000 to the President, and $8,962 to MDS.

For the six months ended June 30, 2011, the Company paid or accrued consulting fees totaling $134,788 plus HST (six months ended June 30, 2010: $195,102) to directors, officers, and companies subject to their influence.

b) **Administrative Expenses**

The Company paid or accrued administrative expenses totaling $32,451 (three months ended June 30, 2010: $33,445) which are disclosed as office, rent and telephone, accounting and audit, and legal fees in the Company's consolidated statement of operations, to related companies. These costs were reimbursements for various administrative and overhead expenses which consisted of the following: $11,100 for office rent (June 30, 2010 - $11,100), $3,100 related to shared office consultants (June 30, 2010 - $13,350), $2,423 related to telephone expenses (June 30, 2010 - $2,423) and the balance of $15,828 (June 30, 2010 - $6,572) related to general office and administration expenses. All administrative expenses were reimbursed to CNV.

For the six month period ended June 30, 2011, the Company paid or accrued administrative expenses totaling $54,633 (six months ended June 30, 2010: $76,191).

c) **Director Loan**

During the first quarter, the Company received a loan from the CEO for $50,000. The loan bore interest at prime plus two percent, is unsecured, non-interest bearing and is due on demand. Interest of $329 was accrued for the three months ended June 30, 2011 and totaled $616 for the six months ended June 30, 2011 (three and six months ended June 30, 2010 - $Nil). The loan and associated interest was repaid in full on May 12, 2011.

d) **Key Management Compensation**

Key management personnel compensation is comprised of:

| | Three months ended June 30 | | Six months ended June 30 | |
|---|---|---|---|---|
| | **2011** | **2010** | **2011** | **2010** |
| | **$** | **$** | **$** | **$** |
| Short term employee benefits and director fees | 108,938 | 67,500 | 220,876 | 160,250 |
| Share-based payments | 45,972 | - | 328,883 | 126,561 |
| | **154,910** | **67,500** | **549,759** | **286,811** |

e) **Substantial Shareholder**

John Icke, a director of the Company, is also the President and CEO of Resinco Capital Partners ("Resinco"). Resinco is a greater than 10% shareholder of the Company. For the three and six months ended June 30, 2011, Resinco was reimbursed $13,602 for joint expenses incurred in relation to the Company's European road show (three and six months ended June 30, 2010 - $5,201).

**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.

To date, the Company's flow-through share commitments are as follows:

| | $ |
|---|---|
| **Balance at December 31, 2010** | **987,204** |
| Proceeds from March 10, 2011 issuance | 1,000,000 |
| Qualifying expenditures | (1,285,128) |
| **Balance at June 30, 2011** | **702,076** |

**1.10 Fourth Quarter**

**N/A**

**1.11 Proposed Transactions**

The Company is giving serious consideration to financing the next round of expenditures on its Hudson Bay Property 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.

During the first quarter, John Tapics and Gordon Keevil were appointed to the Board in replacement of Mark Hewett - who will join the Advisory Board - and Blair McIntyre, who will remain as President. In addition, Richard Schroeder, CA, was appointed to the Board of Directors effective July 1, 2011.

**1.12 Critical Accounting Estimates**

The preparation of consolidated financial statements in accordance with IFRS 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.

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

***International Financial Reporting Standards***

### Transition to IFRS from GAAP

The Canadian Accounting Standards Board declared that International Financial Reporting Standards is to replace Canadian GAAP for publicly accountable enterprises for financial periods beginning on or after January 1, 2011.

In order to produce the required financial statements in accordance with IAS 34, the Company used accounting policies consistent with IFRS as issued by the IASB and interpretations of IFRIC.

The condensed interim financial statements for the period ended June 30, 2011 are the Company's second condensed interim financial statements prepared in accordance with IAS 34 using accounting policies consistent with IFRS. The accounting policies have been selected to be consistent with IFRS as is expected to be effective on December 31, 2011, the Company's first annual IFRS reporting date. These condensed interim financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the Company's first condensed interim financial statements prepared in accordance with IAS 34 and IFRS dated March 31, 2011.

The adoption of IFRS resulted in changes to the accounting policies as compared with the most recent annual financial statements prepared under Canadian GAAP. The accounting policies set out in the Company's financial statements have been applied consistently to all periods presented.

### IFRS Conversion

The Company's IFRS conversion plan was comprehensive and addressed matters including changes in accounting policies, restatement of comparative periods, organizational and internal controls and any required changes to business processes. To facilitate this process and ensure the full impact of the conversion was understood and managed reasonably, the Company provided time for the Controller and CFO to attend externally provided IFRS training sessions. In addition, the CEO, CFO, and certain other directors currently sit on the Boards of companies that report under IFRS and possess knowledge of IFRS. Through training and management's decision to engage outside professionals to guide us through the process, the preparation of reconciliations of historical Canadian GAAP financial statements to IFRS, - primarily in the form of "position papers" - which include an analysis and discussion on key differences between Canadian GAAP versus IFRS and documentation of expected disclosures and optional exemptions, the Company believes that its accounting personnel have obtained a thorough understanding of IFRS for Canadian reporting purposes.

The Company has also reviewed its current internal and disclosure control processes and believes they will not need significant modification as a result of conversion to IFRS.

### Impact of IFRS

IFRS employs a conceptual framework that is similar to Canadian GAAP; however significant differences exist in certain matters of recognition, measurement and disclosure. While the adoption of IFRS does not change the actual cash flows of the Company, the adoption does result in changes to the reported financial position and comprehensive income or loss of the Company. In order to allow the users of the financial statements to better understand these changes, the Company has provided the reconciliations between Canadian GAAP and IFRS in Note 19 to the condensed interim consolidated financial statements. The adoption of IFRS has had no significant impact on the statements of financial position, comprehensive income/loss, or cash flows of the Company.

**Initial Adoption of IFRS**

The Company has adopted IFRS on January 1, 2011 with a transition date of January 1, 2010. Under IFRS 1 *'First-time Adoption of International Financial Reporting Standards'*, the IFRS are applied retrospectively at the transition date with all adjustments to assets and liabilities as stated under Canadian GAAP taken to retained earnings unless certain exemptions are applied.

The Company elected to take the following IFRS 1 optional exemptions:

(a) IAS 17, *Leases*: Any IFRIC 4 applicable arrangements not reassessed;

(b) IFRS 2, *Share-Based Payments*: Not applied retrospectively to fully vested equity settled grants;

(c) IAS 23, *Borrowing Costs*: No requirement to justify lack of qualifying assets and/or borrowing costs;

The following key areas of financial reporting are significantly affected by the adoption of IFRS:

**Flow-through shares**: Current Canadian tax legislation permits mining entities to issue flow-through shares to investors. Flow-through shares are securities issued to investors whereby the deductions for tax purposes related to resource exploration and evaluation expenditures may be claimed by investors instead of the entity. Under Canadian GAAP, in accordance with EIC-146 , *Flow-through Shares*, a deferred tax liability is recognized on the date that the Company files renouncement documents with the Canadian tax authorities assuming there is reasonable assurance the expenditures will be made.

Consistent with IFRS, the issue of flow-through shares is in substance an issue of ordinary shares and the sale of tax deductions. At the time the Company issues flow-through shares, the sale of tax deductions is deferred and presented as other liabilities in the statement of financial position to recognize the obligation to incur and renounce eligible resource exploration and evaluation expenditures. Accordingly, the Company examined the flow-through share issuance in fiscal 2010 and noted that as the market value was equal to the price of the flow-through units, no liability was incurred on issuance of the flow-through shares.

**Share-based Compensation**: Under Canadian GAAP, the Company measured share-based compensation related to share purchase options at the fair value of the options granted using the Black-Scholes option pricing model and recognized this expense over the vesting period of the options. IFRS 2, *Share-based payments*, similar to Canadian GAAP, requires the Company to measure share-based compensation related to share purchase options granted at the fair value of the options on the date of grant and to recognize such expense over the vesting period of the options. However, under IFRS 2, the definition of an employee is broader allowing the Company to group employees and others providing similar services together. As all stock options issued to transition had already vested, no adjustment was necessary.

***Outstanding Share Data***

The Company's authorized share capital is an unlimited number of common shares without par value. As at June 30, 2011, there were 23,660,826 common shares outstanding, 1,803,000 stock options outstanding and 9,769,769 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 $1.20. As at the date of this management discussion and analysis the Company has 23,660,826 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 March 31, 2011 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 Dick Schroeder, 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. Gordon is a senior executive at Imperial Metals Corp. and brings a wealth of technical and corporate experience in the management financing and operation of resource companies. Dick recently retired as a partner of a major accounting firm and has 35 years experience auditing and advising public companies in the mining and securities businesses.

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

Andrew Gourlay P Geol. 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

August 25, 2011