# GULFSIDE MINERALS LTD.

MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE PERIOD ENDED MARCH 31, 2011

REPORT DATE
June 29, 2011

This Management Discussion and Analysis (the "MDA") provides relevant information on the operations and financial condition of Gulfside Minerals Ltd. (the "Company") for the period ended March 31, 2011. This MDA has been prepared as of June 29, 2011.

The Company's activities are primarily directed towards acquisition and exploration of resource properties. The realization of amounts shown for resource properties is dependent upon the discovery of economically recoverable reserves and future profitable production, or proceeds from the disposition of these properties. The carrying values of resource properties do not necessarily reflect their present or future values.

All monetary amounts in this MDA and in the financial statements are expressed in Canadian dollars, unless otherwise stated. Financial results are now being reported in accordance with International Financial Reporting Standards ("IFRS"). As a result, accounting policies, presentation, financial statement captions and terminology used in this discussion and analysis differ from those used in previous financial reporting. Further details on the transition to IFRS are included in Notes 2 and 3 of the financial statements for the quarter ended March 31, 2011.

The MDA should be read in conjunction with the Company's interim consolidated financial statements and notes thereto for the quarter ended March 31, 2011 herein that are prepared in accordance with IFRS, all of which can be found on SEDAR at www.sedar.com.

The Company is a reporting issuer in each of the provinces of British Columbia and Alberta. Its head and principal office is located at 212 – 475 Howe Street Vancouver, British Columbia, V6C 2B3. It's registered and records office is located at 1500 – 1055 West Georgia Street Vancouver, British Columbia, V6E 4N7.

## OVERALL PERFORMANCE

The Company is searching out coal properties that would have the potential to create a cash flow within a reasonable period of time with an achievable investment strategy. During the 2011 fiscal year, the main focus will be as follows:

### British Columbia, Canada – Northern Treasure

The Company entered into an option agreement to acquire a 100% interest in the project, the Company must make cash payments totaling $30,000, incur $225,000 in work over three years and issue 400,000 common shares of the Company. In addition, the Company has agreed to issue a further 400,000 common shares upon the property going into commercial production. The optionee retains a 1% net smelter royalty ("NSR") which the Company may purchase for $1,000,000. The Company received TSX Venture Exchange ("TSXV") approval on the option agreement.

The property is located 150 km NW of Dease Lake, B.C. and is comprised of 1,211.0066 hectares (2,992.41 acres) in three mineral tenures. The claims are on trend 12 km from the Inlaw/Trapper Lake group and 70 km from the Golden Bear mine and mine access road which was developed by Chevron Minerals of Canada.

The property was located on a BC Geological Survey regional Stream Sediment geochemical sample of 609 ppb gold in stream sediments. The area to the east is known for high gold anomalies in soils and rocks from work done in the early 1980's by Chevron Minerals of Canada who outlined a large scale, high-tenor gold in soil geochemical anomaly on what is now known as the Trapper Lake Property.

These claims are located in a trend of mineralized rocks trending northwest, anchored on one end by the Golden Bear deposit and on the western end by the Tulsequah gold deposit. Numerous gossans which may be intensely oxidized, weathered or decomposed rock have been observed over a large area on the claims in images from air photos.

The Company anticipates a program of surface exploration this year to further upgrade the property.

Alex Burton, P. Eng. P. Geo., a Qualified Person as defined by National Instruments 43-101, has read and approved the technical information in this MDA.

British Columbia, Canada – Bryer

The Company entered into an option agreement to acquire a 100% interest in the Bryer property and will make cash payments totaling $15,000, incur $225,000 in expenditures over three years and issue 300,000 common shares of the Company. In addition, the Company has agreed to issue a further 400,000 common shares upon the property going into commercial production. The optionee retains a one percent (1%) NSR. The Company received TSXV approval on the option agreement.

The property is located approximately 150 km northwest of Dease Lake, BC and 120 km south of Atlin, BC. The property is comprised of 149 units totaling 2,528.85 hectares (6,246.27 acres) in seven mineral tenures and is in the Atlin Mining Division in northwestern British Columbia.

The claims are on trend approximately 9 km southeast of the Company's Northern Treasure claims, which are on geological trend northeasterly from the Thorn group (Brixton Metals (BBB)) and the Inlaw/Trapper Lake group (Ocean Park Ventures (OCP)) and approximately 70 km from the former Golden Bear mine and mine access road which was developed by Chevron Minerals of Canada.

In 1988, Cominco Ltd. took a sample on the property which assayed 17.043 g/t Au (BC Assessment Report 19326). In 2004, Rimfire Minerals Corp. took a grab sample on the property that assayed 10.7 g/t Au, 2.2 g/t Ag, and 0.047% Cu. (BC Assessment Report 27589).

The Company anticipates a program of surface exploration this year to further upgrade the property.

British Columbia, Canada – Argonaut

The Company entered into an option agreement to acquire a 100% interest in the Argonaut property and will make cash payments totaling $2,500 and a one percent NSR royalty to the vendor. The property is located approximately 150 km northwest of Dease Lake, B.C. and 120 km south of Atlin, BC. The property is composed of five claims totaling 1924.7 Ha, and lies approximately 11km east of the Bryer Group.

British Columbia, Canada – Golden Fleece

The Company entered into an option agreement to acquire a 100% interest in the Golden Fleece property and will make cash payments totaling $2,500 and a one percent NSR royalty to the vendor. The property is located approximately 150 km northwest of Dease Lake, B.C. and 120 km south of Atlin, BC. The property is composed of two claims totaling 829.9 Ha, and lies approximately 9km south west of the Argonaut Group.

On the Golden Fleece property, a previously discovered gold showing with assays, shows up as an alteration zone in Google earth. Recent receding of the glaciers has displayed another alteration zone, in the form of a gold-bearing quartz vein. Both zones will be explored this summer. In 2005, Barrick Gold explored the property and took a rock sample measuring 1.02 g/t Au 4.0 g/t Ag.

Alex Burton, P. Eng. P. Geo., a Qualified Person as defined by National Instruments 43-101, has read and approved the technical information in this MDA.

Mongolia – Onjuul Coal Property

During fiscal 2009, the Company entered into a Share Purchase Agreement ("SPA"), subsequently amended, to acquire a 100% interest in two coal licenses, Onjuul, located in the Onjuul coal basin, of Mongolia. Pursuant to the amended agreement, to acquire its interest the Company was required to make cash payments aggregating US$1,500,000 and issue 3,500,000 common shares (as amended and subject to regulatory approval).

During fiscal 2009 the Company entered into a SPA, subsequently amended, to acquire a 100% interest in a coal license, Black Hole, located in the Onjuul coal basin, of Mongolia. Pursuant to the amended agreement, to acquire its interest the Company was required to make cash payments aggregating US$4,600,000 and issue 4,500,000 common shares (as amended and subject to regulatory approval).

During fiscal 2010 the Company entered into Earn in Agreements ("EIA") with two private Mongolian companies to acquire a 100% interest in two Mining Exploration Licenses encompassing the Brown Valley and Buleen Hundii projects. These two licenses are adjoining the Black Hole and the Onjuul projects to the north and the north east.

The acquisition of the two new licenses is subject to the approval of the TSXV. To acquire its interest the Company will be required, over time, to pay US$ 1,250,000 and issue 4,500,000 common shares.

During the year ended December 31, 2010 all related property and deferred exploration costs in the amount of $4,896,340 has been written off due to uncertainty in advancing the Onjuul, Black Hole, Buleen Hundii and Brown Valley properties.

During the quarter ended March 31, 2011 the Company continued to negotiate with the vendors of the Onjuul, Black Hole, Buleen Hundii and Brown Valley properties and the Company currently believes there is uncertainty in advancing the properties.

HISTORICAL EXPLORATION AND DRILLING

The first geological reconnaissance of the area included mapping done by Soviet geologists in 1941 and 1954, exploration in 1973 by a Russian-Mongolian Geological Expedition Group No.4 consisted of drilling 15 holes and excavating 11 prospecting pits and eight trenches. In 2005 geologists for Chingis Khar Alt LLC advanced two boreholes on one of the license areas. The drilling activity is summarized in the following table:

Onjuul Coal Exploration Drilling Activity

| **Operator** | **Year** | **No. Holes** | **Meters Drilled** |
|---|---|---|---|
| Russian-Mongolian Geologists | 1970's | 15 | 917.5 |
| Chingis Khar Alt LLC | 2005 | 2 | N/A |
| Total | | 17 | 917.5 |

The holes were drilled to depths between 50m to 100m and intersected four distinct coal seams ranging from 0.2m to 31.9m thick. For example, hole #12 was drilled to 90.5m and encountered 43.7m of coal. The seam thicknesses are summarized in the following table.

Onjuul Seam Thickness (meters)

| Seam | Minimum | Maximum | Average |
|---|---|---|---|
| 1 | 2.0 | 9.9 | 6.0 |
| 2 | 0.5 | 31.9 | 16.0 |
| 3 | 4.6 | 6.5 | 5.6 |
| 4 | 0.2 | 0.6 | 0.4 |

The historical mineral tonnage estimate was determined from the exploration work done in the 1970's and can be summarized as follows:

- 232 million tons in the Mongolian P1 category
- 1,017.9 million tonnes in P2 category
- 271.4 million tonnes in P3 category

All drilling took place on the Company's present Licenses.

P1 has the highest order of confidence (closest to the CIM definition of an inferred resource or in this case indicative of a potential mineral deposit) while P2 and P3 have respectively lower levels of confidence such that both are really only indicative of a favourable geological environment.

NATIONAL INSTRUMENT ("NI") 43-101

A NI 43-101 technical report has been prepared on the properties by Norwest Corp., of Salt Lake City Utah ("Norwest") which utilizing unverifiable data from maps and cross sections presented in historical documents has estimated the ranges of preliminary potential in place tonnages to be 159 – 178 million tonnes within the license areas. The NI 43-10 technical report has been filed on SEDAR.

COAL QUALITY

The NI 43-101 technical report reported the coal at the Onjuul is classified as Lignite A based on ASTM standards. The potential in-place coal quality for the Onjuul lignite, reported in historical documents for both core and trench samples are as follows;

Potential In-Place Coal Quality

| | Average | Minimum | Maximum |
|---|---|---|---|
| Moisture % | 6.1 | 3.9 | 8.7 |
| Ash % | 28.9 | 14.0 | 44.0 |
| Sulfur % | 0.09 | 0.4 | 1.7 |
| Caloric Value(kCal/kg) | 4,223 | 4,198 | 4,738 |

EXPLORATION PROGRAM

Norwest has recommended an exploration program to verify coal thickness and quality. If the results of exploration are favourable, engineering and economic studies may ultimately follow as logical development of the property. The drilling programs recommended by Norwest consist of approximately 20 geotechnical/coal quality core holes and three hydrologic pump test locations. Five of these holes will be drilled to verify the coal thickness reported in the historical documents and further define seam correlations, continuity and geometry. The objective of the remaining holes is to delineate a resource base compliant with NI 43-101 disclosure standards. These holes will be geophysical logged to confirm lithologies and thickness.

## DRILLING UPDATE

### Phase 1

In 2009, seven core holes and four rotary holes were drilled on the Onjuul project. Preliminary seam correlations have been performed on the drilling results based on geophysical and lithologic logs.

Based on preliminary data review, it appears that the Phase 1 program will accomplish the original objectives, as follows:

- Validate historic drilling data;
- Acquire new coal quality data;
- Acquire basic hydrology and geotechnical information;
- Confirm existing geological model; and
- Demonstrate the opportunity in the remaining phases of drilling.

The newly acquired data will be analyzed and evaluated by Norwest. Seam correlations will be conducted and the geologic model will be updated. It is anticipated that the Phase 2 drilling plan may be modified to account for the model update and to optimize exploration expenditures.

Below is a table summarizing the drilling results to date.

| **Number** | **Identification Number** | **Total Depth (Meters)** | **Total Coal (Meters)** | **Thickest Seam (Meters)** | **Thickest Seam Interval (Meters)** |
|---|---|---|---|---|---|
| 1 | NJ-09-22C | 204.0 | 56.59 | 38.10 | 46.5-84.60 |
| 2 | NJ-09-23C | 181.2 | 52.66 | 28.84 | 37.6-66.44 |
| 3 | NJ-09-24C | 201.4 | 34.36 | 12.10 | 26.8-38.9 |
| 4 | NJ-09-25R | 280.0 | 28.17 | 10.37 | 85.83-96.2 |
| 5 | NJ-09-26C | 192.5 | 30.33 | 10.40 | 174.40-184.8 |
| 6 | NJ-09-27C | No coal | | | |
| 7 | NJ-09-29C | 233.2 | 16.78 | 12.30 | 42.10-54.40 |
| 8 | NJ-09-30R | 186.0 | 38.1 | 28.80 | 33.4-62.2 |
| 9 | NJ-09-31R | 162.0 | 57.70 | 42.40 | 62.7-105.1 |
| 10 | NJ-09-32R | 200.0 | 16.50 | 8.10 | 61.1-69.2 |

## ASSAYS

Preliminary analytical coal quality results suggest that the coals are of somewhat improved quality in terms of ash and calorific value than previously reported historic estimates.

A total of 128 coal quality samples were analyzed by the Stewart Group Labs, a certified testing facility in Ulaanbaatar, Mongolia. The initial analytical suite included total and air-dried moisture, ash, volatile matter, fixed carbon, sulfur content, and calorific value. The samples were defined to best represent the various coal benches within each seam. Initial results have been received from six of the seven holes, and have been mathematically composited to provide a weighted average of seam coal quality.

The weighted averages of each drill hole and seam intercept are presented on an air-dried basis and shown below.

**2009 Onjuul Coal Quality on Air-Dried Basis**

| Seam ID | 1 | 2U | 2L | 2.5 | 3 | Average | Minimum | Maximum |
|---|---|---|---|---|---|---|---|---|
| Moisture % | 9.0 | 8.6 | 8.6 | 8.0 | 8.2 | 8.5 | 8.0 | 9.0 |
| Ash % | 22.1 | 13.3 | 15.5 | 24.3 | 19.6 | 19.0 | 13.3 | 24.3 |
| S % | 1.5 | 1.7 | 1.2 | 0.6 | 1.0 | 1.2 | 0.6 | 1.7 |
| Volatile Matter % | 31.5 | 34.0 | 33.5 | 27.1 | 32.9 | 31.8 | 27.1 | 34.0 |
| Fixed Carbon % | 37.4 | 44.1 | 42.5 | 32.9 | 39.3 | 39.3 | 32.9 | 44.1 |
| Calorific Value (KCal/Kg) | 4,488 | 5,411 | 5,290 | 4,004 | 4,929 | 4,824 | 4,004 | 5,411 |
| Total Moisture % | 43.0 | 44.4 | 45.1 | 33.0 | 37.4 | 40.6 | 33.0 | 45.1 |
| # of Holes Contributing to Composite | 3 | 6 | 4 | 3 | 3 | | | |
| Coal Thicknesses (m) | | | | | | | | |
| Average | 8.5 | 14.5 | 5.5 | 2.0 | 7.5 | | | |
| Maximum | 11.3 | 29.0 | 8.0 | 2.4 | 10.4 | | | |
| Minimum | 6.6 | 1.8 | 1.7 | 1.5 | 2.7 | | | |

A comparison of the 2009 data to the originally reported historic data shows the following:

- Higher calorific values (4,000 – 5,400 kCal/kg vs. 4,200 – 4,700 kCal/kg),
- Lower ash (13 - 24% vs. 14 - 44%),
- Relatively similar sulfur content (0.6 - 1.7% vs. 0.4 - 1.7%), and
- Moderately higher moisture (8.0 - 9.0% vs. 3.9 - 8.7%).

The 2.5 seam has not previously been documented on historical data, but shows a relatively contiguous signature throughout the drilling area.

Disclaimer: The Company wishes to clarify that the potential tonnage estimates for Onjuul are based on historical data. A qualified person has not done sufficient work to classify the potential tonnage estimates as current mineral resources, the Company is not treating the potential tonnage estimates as current mineral resources and the potential tonnage estimates should not be relied upon. There has been insufficient exploration to define a resource, it is uncertain if further exploration will result in the discovery of a mineral resource and there is no guarantee that all or any of the estimated potential tonnages will be recoverable. The potential quantity and grade of the coal at the Onjuul is conceptual in nature.

Kerry F. Griffin BSc., Diploma Eng Geol, MAIG, an independent consultant to the Company and the qualified person as defined by National Instrument 43-101, has reviewed and approved the technical content of this MDA.

Mongolia – Erdenetsogt Coal

During fiscal 2010 the Company signed a SPA with Mangreat Group Ltd. ("Mangreat"), the majority owner of ECM LLC ("ECM") providing for the sale of the Company's 5% interest in ECM. The Company will receive up to US$3,000,000 under certain conditions. Mangreat has paid US$500,000 with a balance of US$1,500,000 due within one year. The Company will transfer its 5% interest in ECM and terminate its current litigation in Mongolia upon receipt of the first US$2,000,000. If the property is sold or joint ventured to a third party for a value greater than US$40,000,000 the Company will receive an additional US$1,000,000. Under the SPA the parties have also agreed to abandon all litigation over the property and the license. The Company has also made reports on the property and exploration data available to the purchaser for a fee of US$25,000.

Ownership History

During fiscal 2007, the Company acquired an option, subsequently amended, for the acquisition of up to a 49% interest in a company that held a coal license located in Mongolia, referred to as the Erdenetsogt project ("Erdenetsogt").

During fiscal 2008, the Company initiated civil proceedings against the vendor of the Erdenetsogt property, alleging that the vendor did not comply with the terms of the purchase agreement by selling 100% of the company holding title to the property, to another party (the "Acquiring Party"). Additionally, the Company initiated arbitration proceedings against the Acquiring Party alleging violation of the Company's agreement to acquire a 49% interest in the company holding title to the Erdenestsogt property.

During 2009, the Company won its civil proceedings and has received shares representing 5% of ECM, the Mongolian company which owns the exploration License to Erdenetsogt. The transfer has been by way of Court Order and an amendment to the Foreign Agency and Foreign Trade Agency ("FIFTA") Certificate.

The Company has filed a writ, in Mongolia, seeking to rescind the transfer of shares of ECM to the Acquiring Party. The Company contends as the holder of a 5% interest in ECM it holds the right of first refusal on any offer of sale, and that the vendor breached this right. Under the writ, the Company is seeking to have 95% of ECM currently held by the Acquiring Party returned to Mongolia and offered to the Company.

NI 43-101 Technical Report

Gulfside has filed, on SEDAR, its NI 43-101 Compliant Technical Report for the Erdenetsogt Property, prepared by Norwest of Salt Lake City, Utah. The NI 43-101 report is summarized below.

**CURRENT RESOURCES**: The lignite coal resource in the "measured" category totals 434 million tonnes while 751 million tonnes are classified as "indicated". Combined, a total of 1,185 million tonnes are classified in the "measured" plus "indicated" categories. These resources are of the "Surface" deposit type and are estimated to have a cumulative in-place waste volume ($m^3$) to coal tonnage ratio of 0.6:1.

The coal occurrence can be divided into eight distinct seams, or benches of a seam, separated by rock interburden. The combined coal thickness of the eight benches averages 79 meters throughout the resource area. Structural modification of the deposit has been minimal.

The resource estimates are based on exploration data and information collected by a Mongolian company that formerly owned the coal property. Drilling in 2006 and 2007 consisted of 36 boreholes totaling 5,689 meters, with Norwest personnel on-site for the completion of eight of the holes drilled in 2007.

Based on the geologic data available and geologic interpretation at the time the resource estimate was prepared (March 31, 2008), Norwest states that the estimate is considered reasonable. The firm cautions that there is no guarantee all or part of the estimated resources will be recoverable.

**COAL QUALITY:** Coal resources at Erdenetsogt are classified as Lignite A, based on ASTM standards. Typical in-place coal quality (air-dried basis) of the lignite is presented in the following table.

| | Average | Minimum | Maximum |
|---|---|---|---|
| Inherent Moisture % | 23.05 | 15.63 | 29.29 |
| Ash % | 17.35 | 12.74 | 22.24 |
| Sulfur % | 1.70 | 1.35 | 2.31 |
| Calorific Value (kCal/kg) | 4,003 | 3,453 | 4,560 |

**LOCATION:** The Erdenetsogt Property is located in the Dornogobi region of southeastern Mongolia, about 430 kilometers from Ulaanbaatar, and 200 kilometers from the border with China. The coal license covers 13,574 hectares situated within a Cretaceous-age basin where coal occurrences were first discovered in the 1960's by Russian-Mongolian mapping teams. The property is six kilometers from a 35KV electric power line and 82 kilometers from the Trans-Mongolian Railroad.

Kerry F. Griffin BSc., Diploma Eng Geol, MAIG, an independent consultant to the Company and the qualified person as defined by National Instrument 43-101, has reviewed and approved the technical content of this MDA.

SELECTED ANNUAL INFORMATION

The following selected financial data have been prepared in accordance with IFRS unless otherwise noted and should be read in conjunction with the Company's interim consolidated financial statements. The following table sets forth selected financial data for the Company for and as of the end of the last three completed financial years to the year ended December 31.

| **Financial Year Ended** | **IFRS 2010** | **Canadian GAAP 2009** | **Canadian GAAP 2008** |
|---|---|---|---|
| Loss before extraordinary items | (4,829,989) | (1,664,977) | (2,159,101) |
| Loss per share – basic and diluted | (0.12) | (0.05) | (0.06) |
| Net loss | (4,829,989) | (1,664,977) | (2,159,101) |
| Net loss per share – basic and diluted | (0.12) | (0.05) | (0.06) |
| Total assets | 142,425 | 4,967,602 | 328,491 |

## Overview

During fiscal 2010 the Company signed a SPA with Mangreat, the majority owner of ECM providing for the sale of the Company's 5% interest in ECM. The Company will receive up to US$3,000,000 under certain conditions. Mangreat has paid US$500,000 with a balance of US$1,500,000 due within one year. The Company will transfer its 5% interest in ECM and terminate its current litigation in Mongolia upon receipt of the first US$2,000,000. If the property is sold or joint ventured to a third party for a value greater than US$40,000,000 the Company will receive an additional US$1,000,000. Under the SPA the parties have also agreed to abandon all litigation over the property and the license. The Company has also made reports on the property and exploration data available to the purchaser for a fee of US$25,000. All related property and deferred exploration costs in the amount of $4,896,340 has been written off due to uncertainty in advancing the Onjuul, Black Hole, Buleen Hundii and Brown Valley properties in Mongolia.

During the year ended December 31, 2009 the Company won its civil proceedings and has received shares representing 5% of ECM, the Mongolian company which owns the exploration License to Erdenetsogt. The transfer has been by way of Court Order and an amendment to the FIFTA Certificate.

The Company has filed a writ, in Mongolia, seeking to rescind the transfer of ECM shares to Mangreat. The Company contends as the holder of a 5% interest in ECM it holds the right of first refusal on any offer of sale, and that the vendor breached this right. Under the writ, the Company is seeking to have 95% of ECM currently held by Mangreat returned to Mongolia and offered to the Company. The Company had its cease trade order revoked by the British Colombia Securities Commission and its shares began trading on the TSXV on August 12, 2009. The Company completed a private placement of 2,857,143 units at $1.05 per unit for gross proceeds of $3,000,000. A finder's fee of $205,068 was paid in connection with the private placement. The Company had $744,525 (2008 - $Nil) in exploration expenditures on the Onjuul and Black Hole properties in Mongolia. The Company granted 757,000 (2008 - Nil) incentive stock options.

During the year ended December 31, 2008 the Company has been unable to complete the acquisition of the Erdenetsogt coal license agreement, in Mongolia, as the other party involved in the agreement has refused to comply with the terms of the signed agreement. The Company has initiated the arbitration process available to it in the agreement to resolve the dispute. In addition the Company has begun civil proceedings in Mongolia an attempt to assert its rights to the property. As a result of the uncertainty with respect to Company's ability to gain a favorable result in the arbitration and the civil case the Company, during the year, has written-off the mineral property and related deferred exploration costs, totaling $369,512 (2007 - $1,168,768) and incurred costs of $220,550 in connection with the litigation. The Company had exploration expenditures of $162,166 (2007 - $111,424) on its Undurt and Khenti Mongolian mineral properties. The Company abandoned the Undurt and Khenti Mongolian mineral properties and wrote off related expenditures of $560,991.

**Results of Operations for the period ended March 31, 2011 and year ended December 31, 2010.**

This review of the Results of Operations should be read in conjunction with the interim consolidated financial statements of the Company for the quarter ended March 31, 2011.

**Quarter ended March 31, 2011 Financial Results**

<u>Overview</u>

For the period ended March 31, 2011 the Company incurred a loss of $219,178 compared to a loss of $166,424 for the period ended March 31, 2010. The Company expects to continue losses for Fiscal 2011 as it develops its properties.

Expenses

General and administrative expenses totaled $219,178 for the period ended March 31, 2011 compared to $161,330 for the period ended March 31, 2010. Details of the largest general and administrative are as follows:

Investor relations of $6,988 (2010 - $27,732) consisting of $5,500 (2010 - $15,000) for an investor relations agreement, $Nil (2010 - $1,000) for the Company's website, and $1,488 (2010 - $11,732) for other.

Administration fees of $9,000 (2010 -$24,000) for administration of the affairs of the Company. The Company expects to spend the same amount next quarter.

Consulting fees of $13,500 (2010 - $51,669) consisted of $4,500 (2010 – $9,000) to an officer of the Company for accounting and administrative services, $4,500 (2010 - $9,000) for office administration, $4,500 (2010 - $9,000) for marketing and business development, $Nil (2010 – $11,512) for property research and consulting in Mongolia and $Nil (2010- $13,157) for other services.

Professional fees of $11,778 (2010 - $24,880) were attributed to $3,788 (2010 - $16,380) for legal fees as a result of the activities of the Company, such as the share purchase agreement and audit/accounting of $8,000 (2010 - $8,500).

Stock based compensation of $163,632 (2010 - $Nil).

**2010 Financial Results**

Overview

For the year ended December 31, 2010 the Company incurred a loss of $4,829,989 compared to a loss of $1,664,977 for the year ended December 31, 2009. The Company expects to continue losses for Fiscal 2011 as it develops its properties.

Expenses

Operating expenses totaled $463,110 for the year ended December 31, 2010 compared to $1,310,773 for the year ended December 31, 2009. Details of the most significant are as follows:

Business Development and Investor relations of $67,115 (2009 - $294,842) consisting of $50,000 (2009 - $72,257) for an investor relations agreement, $1,000 (2009 - $9,180) for the Company's website, $Nil (2009 – $160,200) for marketing and business development in Europe and $16,115 (2009 - $53,205) for other.

Administration fees of $86,000 (2009 -$61,000) for administration of the affairs of the Company. The Company expects to spend the same amount next year.

Consulting fees of $143,407 (2009 - $192,592) consisting of $33,000 (2009 – $36,000) to an officer of the Company for accounting and administrative services, $31,000 (2009 - $36,000) for office administration, $9,059 (2009 - $74,009) for financial and public relations in Europe, $33,750 (2009 – $46,583) for property research and consulting in Mongolia and $36,598 (2009 - $Nil) for other.

Professional fees of $93,561 (2009 - $143,773) were attributed to $55,874 (2009 - $105,221) for legal fees as a result of the activities of the Company and audit/accounting of $37,687 (2009 - $38,552).

Stock based compensation of $Nil (2009 - $442,095).

Other

All related property and deferred exploration costs in the amount of $4,896,340 has been written off due to uncertainty in advancing the Onjuul, Black Hole, Buleen Hundii and Brown Valley properties.

SUMMARY OF QUARTERLY RESULTS

The following selected financial data have been prepared in accordance with IFRS unless otherwise noted and should be read in conjunction with the Company's interim consolidated financial statements. The following is a summary of selected financial data for the Company for its eight completed financial quarters ended March 31, 2011. Each quarter of each financial year is shown on a quarterly basis.

| Quarter Ended Amounts in 000's | IFRS Mar 31, 2011 | IFRS Dec 31, 2010 | IFRS Sept 30, 2010 | IFRS June 30, 2010 | IFRS Mar 31, 2010 | Canadian GAAP Dec 31, 2009 | Canadian GAAP Sept 30, 2009 | Canadian GAAP June 30, 2009 |
|---|---|---|---|---|---|---|---|---|
| Loss before extraordinary items | (219) | (4,456) | (104) | (104) | (166) | (788) | (270) | (293) |
| Loss per share – basic and diluted | (0.01) | (0.12) | (0.00) | (0.00) | (0.00) | (0.02) | (0.01) | (0.01) |
| Net loss | (219) | (4,456) | (104) | (104) | (166) | (788) | (270) | (293) |
| Net loss per share – basic and diluted | (0.01) | (0.12) | (0.00) | (0.00) | (0.01) | (0.02) | (0.01) | (0.01) |

In the quarter ended March 31, 2011 the Company completed a 100% acquisition of certain gold claims referred to as the Northern Treasure group, located in the Atlin Mining Division in British Columbia, Canada. In order to acquire the interest in the project, the Company must make cash payments totaling $30,000 ($10,000 paid upon signing the agreement), incur $225,000 in work over three years and issue 400,000 common shares (200,000 common shares issued and an additional 200,000 common shares to be issued after three years), and complete the work commitments. In addition, the Company has agreed to issue a further 400,000 common shares on the property going into commercial production. The vendor retains a 1% net smelter return royalty ("NSR") which the company may purchase for $1,000,000. The Company completed a 100% acquisition of certain claims referred to as the Bryer Group, located in the Atlin Mining Division in British Columbia, Canada. In order to acquire a 100% interest in the project, the Company must make cash payments totaling $15,000 ($5,000 paid upon signing the agreement), incur $225,000 in work over three years and issue 300,000 common shares of the Company, (100,000 common shares issued and an additional 200,000 common shares to be issued after three years and completion of the work commitments). In addition, the Company has agreed to issue a further 400,000 common shares upon the property going into commercial production. The vendor retains a 1% NSR. Granted 2,200,000 incentive stock options at $0.10 per option for a period of five years to various directors, officers, employees and consultants.

In the quarter ended December 31, 2010 the Company's general and administration was consistent with prior periods. All related property and deferred exploration costs in the amount of $4,896,340 have been written off due to uncertainty in advancing the Onjuul, Black Hole, Buleen Hundii and Brown Valley properties.

In the quarter ended September 30, 2010 the Company's general and administration was consistent with prior periods. The Company had exploration expenditures of $36,695 on the Black Hole and Onjuul property and acquisition expenditures of $21,921 on the Buleen Hundii and Brown Valley property.

In the quarter ended June 30, 2010 the Company's general and administration was consistent with prior periods. The Company had exploration expenditures of $nil on the Black Hole and Onjuul property.

In the quarter ended March 31, 2010 the Company's general and administration was consistent with prior periods. The Company had exploration expenditures of $63,718 on the Black Hole and Onjuul property.

In the quarter ended December 31, 2009 the quarterly loss was higher than the previous quarter mainly due to stock based compensation of $295,338 on options issued in the quarter. The Company completed a private placement of 2,857,143 units at $1.05 per unit for gross proceeds of $3,000,000. A finder's fee of $205,068 was paid in connection with the private placement. The Company had $679,252 in exploration expenditures on the Onjuul and Black Hole properties in Mongolia. The Company won its civil proceedings and has received shares representing 5% of ECM, the Mongolian company which owns the exploration License to Erdenetsogt. The transfer has been by way of Court Order and an amendment to the FIFTA Certificate.

In the quarter ending September 30, 2009 the Company was consistent with it general and administration. The Company proceeded with a private placement that was closed subsequent to period end, prepared for drill program on its Onjuul Coal Property and continued to review its legal position on the Erdenetsogt property.

In the quarter ended June 30, 2009 the Company had its cease trade order revoked by the British Colombia Securities Commission and its shares began trading on the TSXV August 12, 2009. The Supreme Court in Mongolia up held the 5% ownership interest in the Erdenetsogt property. The Company is awaiting the transfer of shares to the Company pending any further action by the vendor. The Company had $109,114 in non-reoccurring legal fees associated with the civil case in Mongolia.

## LIQUIDITY AND CAPITAL RESOURCES

As at March 31, 2011 the Company has working capital deficit of $2,470 (December 31, 2010 - $217,024; January 1, 2010 - $132,573).

The Company completed a non-brokered private placement and issued 3,100,000 flow through units and 5,140,000 non-flow through units a price of $0.10 per unit, for gross proceeds of $824,000. Each flow through unit consisted of one common share and one half share purchase warrant exercisable at a price of $0.15 per share expiring on April 13, 2012. Each non-flow through unit consisted of one common share and one whole share purchase warrant, exercisable at a price of $0.15 per share expiring on April 13, 2012. The Company paid a $61,680 finder's fee in connection with the private placement.

As a result of economic conditions, globally, there is uncertainty in capital markets and the Company anticipates that it and others in the mineral resource sector will have limited access to capital. Although the business and assets of the Company have not changed, investors have increased their risk premium and their overall equity investment has diminished. The Company continually monitors its financing alternatives and expects to finance its Fiscal 2011 operating overhead and acquisition and exploration expenditures through a private placement.

The quantity of funds to be raised and the terms of any equity financing that may be undertaken will be negotiated by management as opportunities to raise funds arise. There can be no assurance that such funds will be available on favorable terms, or at all.

The Company has a loan agreement dated March 17, 2009 in the amount of US$75,000. Per the terms of the agreement a loan bonus of 10% of the principal is payable on the maturity date, March 17, 2010. As of the date of the MD&A the principal and loan bonus has not been repaid.

The Company has no long-term debt obligations.

SHARE CAPITAL

As of the date of this MDA, the Company has issued and outstanding common shares as follows. The authorized share capital is unlimited no par value common shares.

| | Number of Shares | Amount | Contributed Surplus |
|---|---|---|---|
| Authorized | | | |
| 100,000,000 common shares without par value | | | |
| Issued | | | |
| As at December 31, 2010 and 2009 | 39,081,367 | $ 16,769,445 | $ 2,433,478 |
| For cash on private placement | 8,240,000 | 824,000 | - |
| For mineral properties | 300,000 | 29,000 | - |
| Share issuance costs | - | (61,680) | - |
| Stock-based compensation | - | - | 163,632 |
| As at June 29, 2011 | 47,621,367 | $ 17,560,765 | $ 2,597,110 |

As of the date of this MDA the Company had the following incentive stock options outstanding:

| Exercise Price | Expiry Date | Outstanding December 31, 2010 | Granted | Exercised | Expired/ Cancelled | Outstanding June 29, 2011 |
|---|---|---|---|---|---|---|
| $0.10 | January 19, 2011 | 1,500,000 | - | - | 1,500,000 | - |
| $0.34 | January 7, 2012 | 300,000 | - | - | - | 300,000 |
| $1.09 | July 12, 2012 | 280,000 | - | - | - | 280,000 |
| $1.52 | August 28, 2012 | 340,000 | - | - | - | 340,000 |
| $1.35 | Sept. 21, 2012 | 85,000 | - | - | - | 85,000 |
| $0.57 | November 16, 2014 | 545,000 | - | - | - | 545,000 |
| $0.10 | February 17, 2016 | - | 2,200,000 | - | - | 2,200,000 |
| | | | | - | - | |
| | | 3,050,000 | 2,200,000 | - | 1,500,000 | 3,750,000 |

As of the date of this MDA the Company had the following share purchase warrants, enabling the holder to acquire further common shares as follows:

| Exercise Price | Expiry Date | Outstanding Dec. 31, 2010 | Issued | Exercised | Expired | Outstanding June 29, 2011 |
|---|---|---|---|---|---|---|
| $0.15 | Oct. 23, 2011(*) | 2,857,143 | - | - | - | 2,857,143 |
| $0.15 | April 13, 2012 | - | 6,690,000 | - | - | 6,690,000 |
| | | 7,731,218 | 6,690,000 | - | 4,874,075 | 9,547,143 |

(*) On October 25, 2010 the Company received TSXV approval on the extension of the expiry date to October 25, 2011 and a reduction in the exercise price to $0.15.

## RELATED PARTY TRANSACTIONS

The Company entered into the following transactions with related parties:

Paid administration and consulting fees of $9,000 (2010 - $24,000) to companies controlled by an officer and a director. Robert Card, President, received $4,500 (2010 – $9,000) and Blaine Bailey, CFO, received $27,000(2010 - $27,000).

Included in accounts payable is $61,525 (December 31, 2010 - $24,695; January 1, 2010 - $1,595) owed to companies controlled by an officer and a director.

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

## INVESTOR RELATIONS

The Company has entered into an Investor Relations agreement with Advanture Capital Partners Inc. to provide investor relations services to the company. The term of the contract is for 12 months at a monthly fee of $5,500.

## RECOVERY FROM PROPERTY SETTLEMENT

See Mongolian – Erdenetsogt Coal (page 6) and Overview (page 8) for a complete description.

The Company incurred costs during the period of $5,094 (2009 - $123,000) in connection with the litigation and all such costs have been expensed.

## INTERNATIONAL FINANCIAL REPORTING STANDARDS

In February 2008, the Canadian Accounting Standards Board confirmed that publicly accountable enterprises were required to adopt IFRS for fiscal years beginning on or after January 1, 2011. Accordingly, the Company has transitioned from GAAP reporting and commenced reporting under IFRS effective this quarter, with restatement of comparative information presented. The conversion to IFRS from GAAP has not affected the Company's internal control over financial reporting and disclosure controls and procedures, but has affected and the Company's accounting policies, the Company's opening statement of financial position at the Transition Date, the statement of financial position as at December 31, 2010, and the statement of comprehensive loss for the three month period ended March 31, 2010.

In preparing the Interim Financial Statements, the Company has adjusted amounts reported previously in financial statements that were prepared in accordance with Pre-changeover GAAP. An explanation of how the transition from Pre-changeover GAAP to IFRS has affected the Company's financial position is set out in the following tables for the opening statement of financial position at the Transition Date, the statement of financial position as at December 31, 2010, and the statement of comprehensive loss for the three month period ended March 31, 2010.

The guidance for the first time adoption of IFRS is set out in IFRS 1 which provides for certain mandatory exceptions and optional exemptions for first time adopters of IFRS. The Company elected to take the following IFRS 1 optional exemptions:

- to apply the requirements of IFRS 2, Share-based payments, only to equity instruments granted after November 7, 2002 which had not vested as of the Transition Date;

- to apply the requirements of IAS 37, Provisions, Contingent Liabilities and Contingent Assets, as at the Transition Date. The Company re-measured all provisions, and estimated the amount to be included in the cost of the related asset by discounting the liability to the date at which the liability first arose. This was done using best estimates of the historical risk-adjusted discount rates, and recalculated the accumulated depreciation, depletion, and amortization under IFRS up to the Transition Date; and
- to apply the requirements of IAS 23, Borrowing Costs, as of the Transition Date.

The Company has determined that no adjustments from the transition from Canadian GAAP to IFRS were required.

The Company's conversion plan to IFRS consisted of four primary stages including planning, assessment, design and implementation with periodic meetings with the Audit Committee to report progress and findings. The Company has completed the conversion plan and will be reporting in accordance with IFRS going forward. This will include ongoing monitoring of changes in IFRS, the potential or probable effects of which will be evaluated and disclosed as applicable.

Please see notes 2 and 3 of the financial statements for further details.

## RISKS AND UNCERTAINTIES

The Company's principal activity is resource property exploration and development. Companies in this industry are subject to many and varied kinds of risks, but not limited to, environmental, oil and gas and mineral prices, political and economical.

The Company will take steps to verify the title to any properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties. These procedures do not guarantee the Company's title. Property titles may be subject to unregistered prior agreements or transfers and title may be affected by undetected defects.

The Company has no significant sources of operating cash flow and no revenue from operations. Additional capital will be required to fund the Company's exploration program. The sources of funds available to the Company are the sale of equity capital or the offering of an interest in its project to another party. There is no assurance that it will be able to obtain adequate financing in the future or that such financing will be advantageous to the Company.

The property interests to be owned by the Company or in which it may acquire an option to earn an interest are in the exploration stages only, are without known bodies of commercial minerals and have no ongoing operations. Mineral exploration involves a high degree of risk and few properties, which are explored, are ultimately developed into production. If the Company's efforts do not result in any discovery of commercial minerals, the Company will be forced to look for other exploration projects or cease operations.

The Company is subject to the laws and regulations relating to environmental matters in all jurisdictions in which it operates, including provisions relating to property reclamation, discharge of hazardous materials and other matters. The Company may also be held liable should environmental problems be discovered that were caused by former owners and operators of its properties in which it previously had no interest. The Company is not aware of any existing environmental problems related to any of its current or former properties that may result in material liabilities to the Company.

As the Company is conducting operations in Mongolia, the Company is subject to different considerations and other risks not typically associated with companies in North America. These include risks such as the political, economic and legal environments and foreign currency exchange. Among other things, the Company's results may be adversely affected by changes in the political and social conditions in Mongolia, and by changes in governmental policies with respect to laws and regulations, anti-inflationary measures, currency conversion and remittance abroad, and rates and methods of taxation.

## FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

The fair value of cash is measured at Level 1 of the fair value hierarchy. The carrying value of receivables, accounts payable and accrued liabilities approximate their fair value because of the short-term nature of these instruments.

Financial risk factors

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

*Credit risk*

Credit risk is the risk of loss associated with counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and receivables. Management believes that the credit risk concentration with respect to financial instruments included in receivables is remote and has deposited cash in high credit quality financial institutions, as well as in a lawyers trust accounts in Mongolia.

*Liquidity risk*

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As of March 31, 2011 the Company had cash balance of $336,101 (December 31, 2010 - $133,335; January 1, 2010 - $214,117) to settle current liabilities of, as of March 31, 2011, $347,292 (December 31, 2010 - $357,427; January 1, 2010 - $352,615). All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

*Market risk*

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

*Interest rate risk*

The Company has cash balances and no interest-bearing debt. The Company's current policy is to invest excess cash in investment-grade short-term investments issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks.

*Foreign currency risk*

The Company is exposed to foreign currency risk on fluctuations related to assets and liabilities that are denominated in US Dollars (US). Amounts exposed to foreign currency risk include cash of US$62,219 as of March 31, 2011(December 31, 2010 - $129,486; January 1, 2010 - $222).

*Price risk*

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices, individual equity movements and the stock market to determine the appropriate course of action to be taken by the Company. Fluctuations in value may be significant.

## CAPITAL MANAGEMENT

The Company defines capital that it manages as shareholders' equity, consisting of issued common shares, stock options and warrants.

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The properties in which the Company currently has an interest are in the exploration stage; as such the Company has historically relied on the equity markets to fund its activities. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

## FORWARD LOOKING STATEMENTS

All statements in this report that do not directly and exclusively relate to historical facts constitute forward-looking statements. These statements represent the Company's intentions, plans, expectations and belief, and are subject to risk, uncertainties, and other factors of which many are beyond the control of the Company. These factors could cause actual results to differ materially from such forward-looking statements. The Company disclaims any intention or obligation to update or revise any forward-looking statements, as a result of new information, future events or otherwise.

## APPROVAL

The Board of Directors of The Company has approved the disclosures in this MDA.

Additional information on the Company available through the following source: www.sedar.com.