TAKU GOLD CORP.
(formerly CZM CAPITAL CORP.)
FOR THE YEAR ENDED DECEMBER 31, 2010
Management Discussion and Analysis (MD&A) Form 51-102F1

OVERVIEW:

The following management's discussion and analysis ("MD&A") of the financial condition and results of the operations of Taku Gold Corp. (the "Company" or "Taku") constitutes management's review of the factors that affected the Company's financial and operating performance for the three months and year ended December 31, 2010. This MD&A was written to comply with the requirements of National Instrument 51-102 – Continuous Disclosure Obligations. This discussion is dated April 26, 2011. This MD&A should be read in conjunction with the audited annual financial statements of the Company for the year ended December 31, 2010, together with the notes thereto. Results are reported in Canadian dollars, unless otherwise noted. The audited annual financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). Information contained herein is presented as at April 26, 2011, unless otherwise indicated.

The Company is currently engaged in exploration and development of mineral properties and does not have any source of revenue or operating assets. The recoverability of the amounts shown for mineral properties is dependent upon the ability of the Company to obtain necessary financing to complete exploration, technical studies and, if warranted, development and future profitable production or proceeds from the disposition of properties. The amounts shown as mineral properties represent costs to date and do not necessarily represent present or future values.

The Company is a reporting issuer under applicable securities legislation in the provinces of Alberta and British Columbia and its outstanding common shares ("Common Shares") are listed on the TSX Venture Exchange (the "TSX") under the symbol "TAK".

Further information about the Company is available on SEDAR at www.sedar.com.

Cautionary Note Regarding Forward-Looking Statements

Except for statements of historical fact relating to the Company, certain information contained in this MD&A constitutes "forward-looking information" under Canadian securities legislation. Forward-looking information may include, but is not limited to, statements with respect to the potential of the Company's properties; the future price of coal, gold, silver and copper; success of exploration activities; cost and timing of future exploration and development; the estimation of mineral resources; conclusions of economic evaluations; requirements for additional capital; and other statements relating to the financial and business prospects of the Company. Generally, forward-looking information can be identified by the use of forward-looking terminology 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 statements that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved". Forward-looking information is based on the reasonable assumptions, estimates, analysis and opinions of management made in light of its experience and its perception of trends, current conditions and expected developments, as well as other factors that management believes to be relevant and reasonable in the circumstances at the date that such statements are made, and is inherently subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of the Company to be materially different from those expressed or implied by such forward-looking information, including but not limited to risks related to: unexpected events and delays during permitting; the possibility that future exploration results will not be consistent with the Company's expectations; timing and availability of external financing on acceptable terms and in light of the current decline in global liquidity and credit availability; uncertainty of mineral resources; future prices of coal, gold, silver and copper; currency exchange rates; government regulation of mining operations; failure of equipment or processes to operate as anticipated; risks inherent in coal, gold, silver and copper exploration and development including environmental hazards, industrial accidents, unusual or unexpected geological formations; and uncertain political and economic environments. Although management of the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking information, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such 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 information. The Company does not undertake to update any forward-looking information, except in accordance with applicable securities laws.

MINERAL PROPERTIES:

The Company's principal business activities include acquiring and developing mineral properties. At December 31, 2010, the Company's principal mineral interests are located in Canada as follows:

1. TAG Gold-Silver Property within the Atlin mining division of British Columbia

The TAG Gold-Silver property consists of 26 claims (2,429ha) and is located 35km due west of Atlin on Taku Arm of Tagish Lake. The lake provides good access by barge and float plane. A winterized, 16-man camp has been built on the property.

The property covers 6.2km of the 025 Fault Zone ("025FZ"). The 025FZ is a highly deformed interval of shearing, quartz veining, stockwork and breccia with disseminated to stringer sulphide mineralization that cuts calcareous sedimentary rocks. Sediment-hosted, structurally controlled gold deposits are some of the world's most significant gold resources. The TAG property shows all the features that characterize these deposit types.

Between 2006 and 2008, Taku completed airborne geophysical, soil geochemical and prospecting surveys as well as extensive surface trenching and 11,476m of drilling in 69 drill holes. Taku recently announced a 43-101 initial mineral resource estimate from 28 holes drilled on the Main Zone at the far south end of the 025FZ.

The mineral resource estimate includes 250,000 tonnes @ 3.0 grams per tonne ("gpt") gold ("Au") and 12.1gpt silver ("Ag") classified as Indicated mineral resources and a further 400,000 tonnes @ 3.0gpt Au and 9.9gpt Ag classified as Inferred mineral resources. The estimated mineral resources contain 25,736 gold-equivalent ounces (cut) or 26,848 gold-equivalent ounces (uncut) in the Indicated category and 40,705 gold-equivalent ounces (cut) or 42,528 gold-equivalent ounces (uncut) in the Inferred category.

The Tag property remains wide open for further exploration. A new surface showing was discovered in 2008 that returned values up to 7.8gpt Au. This showing is located on the south margin of a quartz diorite intrusion that is well outlined by the airborne magnetic survey. Limited drilling was completed at the north end of this intrusive body and intersected maximum values of 4.3gpt Au and 14.6gpt Ag. The best weight averaged intersection was 16m of 0.29gpt Au and 1.3gpt Ag. The area underlain by the quartz diorite will be the focus for Taku's future exploration efforts. A $500,000 budget has been proposed for drilling in 2011.

2. White Gold District Properties, Yukon

In May 2009 Underworld Resources Inc. announced a significant drill intersection of 3.4gpt over 104.0m on the Golden Saddle zone on the White Gold property located 75km south of Dawson City, Yukon. Underworld continued drilling throughout the summer on Golden Saddle and a second zone called Arc. In January 2010, Underworld announced the initial resource estimation for the Golden Saddle and Arc deposits. The resource at Golden Saddle includes 1,004,570 indicated ounces at 3.2gpt Au, with an additional 407,413 inferred ounces at 2.5gpt Au. At Arc, the initial resource includes 170,470 inferred ounces at 1.2gpt Au.

Also in January 2010, Underworld announced that it had identified drill targets within a new 40km gold trend on the JP Ross & Maisy May project located northeast of the White Gold project. The JP Ross trend exhibits similar geologic and geochemical characteristics to the White Gold trend, which hosts the Golden Saddle and Arc deposits. Within the JP Ross trend, several targets show a "Golden Saddle" style geochemical signature that is underlain by similar host rocks.

In March 2010, Kinross Gold Corporation launched a friendly takeover bid for Underworld valued at $139.2-million. The White Gold area lies within an underexplored part of the Tintina Gold Belt. This metallogical province has past production of 29.9 million ounces and 39.3 million ounces of resources for total gold resources of 69.2 million ounces. Notable gold deposits are Donlin Creek, Ft. Knox, Pogo and Brewery Creek.

The man behind the White Gold and JP Ross discoveries is Dawson-based prospector Shawn Ryan. Over the past 12 years, Mr. Ryan and a dedicated, well trained crew has collected over 70,000 soil samples in the Dawson City area. After many days in the bush and with the aid of modern GIS and analytical software, Mr. Ryan has developed a unique insight into the hard rock gold potential of the region. He was awarded as the AMEBC’s 2009 H.H. “Spud” Heustis Prospector of the Year in recognition of his accomplishments.
In March 2010, Taku optioned the Dan and Rosebute properties from Shawn Ryan. Together the properties cover 1,022 claims (21,258 hectares) of prospective rock types and structures similar to Kinross’ Golden Saddle project 35km due south and Kinross’s JP Ross project 10km due east. The Dan block covers 27.6km of a prospective, well-defined, linear, thrust fault system that is the possible northern extension of the gold-bearing trend found on the JP Ross property. On the Rosebute block, four distinct gold targets were discovered by the Vendor. Values within this trend vary from 50 to 78ppb Au and, based on a regional comparison, strongly merited further exploration. The Bute block covers two creek drainages that are considered extremely anomalous in gold for this area with Geological Survey of Canada silt samples of 17 and 26 ppb Au.

Due to limited exposure of bedrock, large scale soil sampling has been the most successful exploration tool in the White Gold area.

Additionally, Taku acquired the following five properties in August 2010:

Sulphur Property (11,344 hectares) covers a southeast-trending ridge where significant placer gold has occurred and is ongoing.

Quartz Property (3,022 hectares) includes the section of Quartz Creek where significant placer gold has been and continues to be produced.

Montana Property (5,548 hectares) connects to Kinross' JP Ross property and includes the lower end of Steele Fork, where magnetic data and limited geological mapping indicate a thrust fault prospective for gold mineralization.

Wounded Moose Property (5,796 hectares) covers a series of circular airborne magnetic highs that parallel Wounded Moose Creek where placer gold production has been recorded.

AM Property (5,796 hectares) includes Australia and Melba Creek headwaters where placer gold production has occurred, and also features a prominent airborne magnetic low that continues from Gold Run Creek, which is one the most productive creeks in the Klondike goldfields.

In October 2010, Taku acquired the Portland Property (1,552 hectares) which covers a historical showing, with samples of as much as 5.7 ounces per ton gold, known as the Gold Run which was discovered in 1910 and has about 30 metres of shafting, 23 metres of adits and extensive hand trenching. This work was done along several hundred metres of an exposed sulphide-bearing quartz-breccia vein found on the ridge crest and trending northwest into the headwaters of Portland Creek.

Also in October 2, 2010, Taku acquired the Bishop Property (4,658 hectares) that includes a large area where previous work by the property vendors Tom Morgan and Vern Matkovich outlined a strong, southeast trending conductor on the margin of a magnetic high. Mechanical auger drilling done by the property vendors to test for placer gold found unusual gold grains in bedrock samples collected across the geophysical anomaly. The gold grains are angular, dark yellow in colour and often attached to quartz fragments. Generally they are atypical and do not resemble placer gold produced in the immediate area.

At December 31, 2010 Taku had completed the first phase of an aggressive exploration program. Taku completed a high resolution, multi-sensor, airborne geophysical survey over six of Taku's properties. The goal of the airborne geophysical surveys was to provide a framework for planning soil geochemical surveys in the 2011 season. A total of 558 line kilometres of magnetic and radiometric data was collected over the Montana property located 55km southeast of Dawson City. The survey outlined a number of northwest-trending, linear magnetic structures that may represent fault zones. A total of 673 line kilometres of magnetic and radiometric data was collected over the Wounded Moose property located 64km southeast of Dawson City. The survey outlined a number of circular magnetic and radiometric features that may represent intrusive bodies. These features are cut by numerous linear magnetic structures at various orientations that may represent fault zones. A total of 1292 line kilometres of magnetic and radiometric data was collected over the Sulphur property located 47km southeast of Dawson City. The survey shows three distinct northwest-trending magnetic zones that likely represent three different lithologies. The survey also outlined a series of distinct north-trending magnetic lows that may represent faults or dykes. In general, the airborne geophysical surveys have generated numerous target areas to be investigated by soil sampling, prospecting and trenching in 2010 with the objective of generating solid drill targets.

The Company also completed deep-auger geochemical surveys on the Quartz Property, the Rosebute Property and the Dan Property.

A 901-sample, deep auger-type, soil geochemical survey and 340 line km airborne geophysical survey was completed over the 146-claim (3022ha) Quartz property in mid-September 2010. The soil sampling was done at 50m intervals on lines spaced approximately 450m apart and is therefore very preliminary. However a cluster of seven anomalous gold-in-soil values was identified in the northwest corner of the property with a maximum value of 24ppm Au. This cluster occurs at the south margin of a very strong magnetic high identified by the airborne geophysical survey.

On the Rosebute property, 5158 soil samples were collected on two grids based on 50m sample intervals on lines spaced approximately 100m apart, and 1107 line kilometers of airborne geophysical readings were collected. Excellent geochemical results were obtained from the first grid located in the northwestern part of the property and an anomalous area approximately 550ha in size was identified. Within this area there are three distinct, east trending linear anomalies. The first anomaly is well defined over 2200m and shows maximum values up to 201ppb Au. The second anomaly is well defined over 400m long and shows maximum values up to 84ppb Au. The third anomaly is intermittently defined over 1100m and shows maximum values up to 155ppb Au. These three east-trending geochemical features all appear to crosscut the regional geological fabric that, as indicated by the airborne magnetic data, is generally northwesterly. The second grid, covering roughly 1500ha in the central part of the property, returned only a few individual anomalous values.

On the Dan property, 2316 soil samples were collected on one main grid and three smaller grids based on 50m sample intervals on lines spaced approximately 100m apart, and 1091 line kilometers of airborne geophysical readings were collected. The Dan property covers approximately 27km of a prospective, well-defined, linear, thrust fault system that is the possible northern extension of the gold-bearing structure found on Kinross's JP Ross property located 5km southwest. The soil sampling was focused on the northwestern part of the property where the thrust fault system appears to be more complex according to the airborne magnetic data. The soil geochemical results were generally low with two significant results of 115ppb and 212ppbAu. Although these two values occur on the thrust fault as indicated by the airborne magnetic data, no gold-in-soil trends were defined by the soil sampling.

In summary, a strongly anomalous gold zone roughly 550ha in area has been identified in the northwestern part of the Rosebute property with three clearly defined linear gold trends. Soil sampling in the central part of the property returned several spot anomalies but generally is less prospective for gold mineralization. Roughly 60% of the property was not covered by the soil sampling work in 2010 and remains to be tested. The soil sample results from the Dan property did not outline any gold trends. However, 18km of the prospective thrust fault system was not covered by the soil sampling work in 2010 and remains to be tested.

Taku also completed a mechanical trenching program on the Portland Property. The trenching was completed at the historical Gold Run showing (Yukon Minefile No. 115O 063). Six trenches were dug at 50m intervals along a strike length of 250m of a poorly exposed sulphide-bearing quartz-breccia vein that makes up the showing. A total of 22 chip samples were systematically collected across the mineralized structure at 1.0m intervals. The best values were obtained in Trench No. 4 where the vein structure averaged 97.23gpt Au (uncut) over 7.0m with a maximum value of 455.76gpt Au. The sampling results are summarized as follows:

Trench No.	Min. gpt Au	Max. gpt Au	Wt. Avg. gpt Au (uncut)	Wt.Avg. gpt Au (cut)*	Width m
1	0.09	0.11	0.10	0.10	2.0
2	0.30	2.21	1.26	1.26	2.0
3	0.64	34.76	7.42	5.93	6.0
4	0.21	455.76	97.23	27.26	7.0
5	0.03	3.93	1.65	1.65	3.0
6	0.03	0.05	0.04	0.04	2.0

*Cut to 34.34gpt Au

A total of 691.9m of drilling in 5 holes was completed on the Bishop property in late October 2010. The goal of the drilling was to test a strong, southeast trending conductor on the margin of a magnetic high associated with unusual placer gold grains found in bedrock samples collected by mechanical auger drilling. In four of the five holes, the drilling intersected a zone marked by shearing, quartz veins, stockworks and breccias, and weak sulphide mineralization. The structure generally follows an ultramafic, metasediment contact. Assay results from the zone were generally low. The best gold value was 0.5gpt Au over 1.0m from 32.5m in hole IN10-03.

Taku has outlined an aggressive exploration program for 2011 including soil sampling, trenching and drilling.

SUMMARY OF QUARTERLY RESULTS

The Company is an exploration stage entity engaged in the acquisition, exploration, evaluation and development of principally gold resource properties. At this time, any issues of seasonality or commodity market fluctuations have no direct impact on the Company's results or operations. The Company currently defers its exploration expenditures to mineral exploration properties. A summary of selected information for each of the eight most recent quarters is as follows:

	31 Dec-10	30 Sept-10	30 Jun-10	31 Mar-10	31 Dec-09	30 Sept-09	30-June-09	31-Mar-09
Net Revenue	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Net Earnings (loss)	(540,295)	(576,295)	(343,129)	(112,455)	(11,301)	(53,974)	(69,985)	(59,278)
Loss per share	($0.02)	($0.02)	($0.03)	($0.01)	($0.01)	($0.01)	($0.01)	($0.01)

In general, overall spending levels have varied commensurate with the changes in the Company's exploration, development and corporate activities

RESULTS OF OPERATIONS

Three months and year ended December 31, 2010, compared with three months and year ended December 31, 2009

	Three Months Ended December 31, 2010	Three Months Ended December 31, 2009	Year Ended December 31, 2010	Year Ended December 31, 2009
EXPENSES				
Amortization	$ -	$ (249)	$ 796	$ 341
Consulting	75,750	40,500	177,500	72,000
Directors fees	9,300	-	11,300	-
Investor relations	11,220	-	11,220	-
Management fees	154,500	36,000	222,000	72,000
Office and miscellaneous	15,955	11,869	61,603	22,812
Professional fees	49,559	34,000	110,290	67,536
Research funding	-	-	35,000	-
Transfer agent, filing fees	38,893	3,156	90,914	17,415
Stock-based compensation	306,435	-	873,735	-
Travel and promotion	50,728	-	156,142	2,040
Website development	2,244	-	10,663	395
	714,584	125,276	1,761,163	254,539
LOSS BEFORE INCOME TAXES	(714,584)	(125,276)	(1,761,163)	(254,539)
Income tax recovery	-	-	188,989	60,000
NET LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD	$ (714,584)	$ (125,276)	$ (1,572,174)	$ (194,539)
BASIC AND FULLY DILUTED LOSS PER SHARE	$ (0.02)	$ (0.01)	$ (0.05)	$ (0.02)

The Company's net loss totaled $1,572,174 for the year ended December 31, 2010, with basic and diluted loss per share of $0.05. This compares with a net loss of $194,539 with basic and diluted loss per share of $0.02 for the year ended December 31, 2009. The increase in loss of $1,377,635 was principally due to:

- Stock-based compensation expense during the year ended December 31, 2010, was $873,735 compared to nil during the year ended December 31, 2009. During the year ended December 31, 2009, the Company did not issued any options.
- Travel and promotion for the year ended December 31, 2010, were $156,142 (year ended December 31, 2009 - $2,040), an increase of $154,102.This increase is attributed to significant increased corporate activity and Company's attendance to various shows and conferences.
- Management fees during the year ended December 31, 2010, was $222,000 compared to $72,000 during the year ended December 31, 2009. This increase of $147,000 is attributed to increase in compensation to the management as during the year there had been significant increased corporate activity, especially related to financing and property acquisition and development.

- Shareholder information, transfer agent and filings fees during the year ended December 31, 2010, was $90,914 compared to $17,415 during the year ended December 31, 2009. This increase of $73,499 is attributed to increased share consolidation and issuance of new shares, filing fees for private placements and acquisition of new properties.
- Consulting fees for the year ended December 31, 2010, were $177,500 compared to year ended December 31, 2009 to $72,000, an increase of $105,500. This increase is attributed to significant increased corporate activity.
- Professional fees during the year ended December 31, 2010, was $110,290 compared to $67,536 during the year ended December 31, 2009. This increase of $42,754 is attributable to legal fees for acquisition of new properties, financing and significant increase in corporate activities.
- During the year ended December 31, 2010, the Company contributed $35,000 to the University of British Columbia Mineral Deposit Research Unit for research in the Yukon area.
- Income tax recovery during the year ended December 31, 2010, was $188,989 compared to $60,000 during the year ended December 31, 2009. This increase of $120,989 is attributed to increased Company loss before income tax.

The Company's loss before future income tax recovery totaled $714,584 for the three months ended December 31, 2010, which compares with a loss of $125,276 for the three months ended December 31, 2009. The increase in loss of $589,308 was principally due to:

- Stock-based compensation totaling $306,435 was recorded.
- Management fees increased by $118,500 which is attributed to increase in compensation to the management due to financing activities and property acquisition.
- Consulting fees increase of $75,750 can be attributed to increased corporate activity.
- Travel and promotion expenditure increase of $50,728 is attributable to significant increase in corporate activities, financing and acquisition of new properties.
- Shareholder information, transfer agent and filings fees increase of $35,737 can be attributed to increased corporate trading, share consolidation and issuance of new shares, filing fees for private placements and acquisition of new properties.
- Professional fees increase of $15,559 is attributable to audit and legal fees..

Selected Quarterly Information for three months ended December 31:

	2010	2009	2008
Consulting fees	75,750	24,750	15,750
Management fees	154,500	18,000	18,000
Professional fees	49,559	22,000	22,000
Stock-based compensation	306,435	-	-
Net income (loss) for period	(714,584)	(11,302)	73,535
Mineral property and deferred costs	7,020,079	4,200,003	4,154,358
Shareholder equity	14,638,272	3,615,225	3,929,764

LIQUIDITY, CAPITAL RESOURCES AND BUSINESS PROSPECTS

The Company has no operating revenue and therefore must utilize it current cash reserves and rely on external financing to generate capital to maintain its capacity to meet working capital requirements and ongoing discretionary exploration programs. As a result, the Company continues to incur net losses. As of December 31, 2010, the Company had $7,982,719 in cash, 67,350,139 common shares issued and outstanding, 33,220,000 share purchase warrants outstanding, 3,719,200 Agents' options outstanding and 3,760,000 options outstanding.

During the year ended December 31, 2010, the Company completed four private placements for total proceeds of $11,155,900. Also during the year, 4,287,500 share purchase warrants were exercised for total proceeds of $666,625; and 520,000 options were exercised for total proceeds of $109,000.

During the year ended December 31, 2010, the Company spent $1,002,722 in operations and $1,942,827 in mineral property acquisitions and exploration activities.

The Company's management believes that the Company has sufficient funds for the next six months to enable to meet the ongoing obligations as they become due. The Company recognizes that it will require additional funding which the Company will raise through the market and debt instruments but there can be no assurance the management can raise the required capital.

To the date of this MD&A, the cash resources of the Company are held in cash with a major Canadian financial institution. The Company continues to have no debt and its credit and interest rate risk is minimal. Accounts payable and accrued liabilities are short-term and non-interest bearing. The Company's liquidity risk with financial instruments is minimal. In addition, accounts receivable are composed mainly of sales tax receivable from government authorities in Canada.

SUBSEQUENT EVENTS

Subsequent to December 31, 2010, the following activities were completed:

a. 575,000 share purchase warrants at $0.15 per share purchase warrant were exercised for total proceeds of $136,250.
b. On February 4, 2011, the Company granted 2,900,000 options at $0.37 per option share, expiring February 4, 2016.

SHARE CAPITAL:

Issued and outstanding:

On January 25, 2010, the Company consolidated its issued common shares on a 3:1 basis; the information below is post- consolidation:

a. As at April 26, 2011, there were 68,000,139 common shares outstanding.
b. As at April 26, 2011, there were 32,645,000 share purchase warrants outstanding.
c. As at April 26, 2011, there were 3,719,200 Agent options outstanding.
d. As of April 26, 2011, there were 6,660,000 stock options outstanding.

TRANSACTIONS WITH RELATED PARTIES

The Company had the following transactions in the normal course of operations with directors and companies with common directors:

	2010	2009
Consulting	$ 102,000	$ 48,000

Management fees	222,000	72,000
Mineral property – exploration expenditures	237,025	13,800
Professional fees	65,700	48,000
Office rent and supplies	21,600	21,600
	$ 648,325	$ 203,400

These charges were measured by the exchange amount, which is the amount agreed upon by the transacting parties.

Included in accounts payable and accrued liabilities at December 31, 2010 is $182,688 (2009: $134,645) owing to directors and companies with common directors with respect to unpaid fees and expenses

OFF-BALANCE SHEET ARRANGEMENT

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

SIGNIFICANT ACCOUNTING POLICIES AND NEW ACCOUNTING POLICIES

A detailed summary of the Company's significant accounting policies is included in note 2 of the Company's Audited Financial statements for the year ended December 31, 2010.

FINANCIAL INSTRUMENTS

All financial instruments are required to be measured at fair value on initial recognition, except for certain related party transactions. The Company has made the following designations of its financial instruments: cash as held-for trading which is measured at fair value and accounts payable and accrued liabilities as other financial liabilities, which are measured at amortized cost.

Amended CICA section 3862 establishes a fair value hierarchy that reflects the significance of inputs used in making fair value measurements as follows:

Level 1- quoted prices in active markets for identical assets or liabilities;

Level 2- inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. from derived prices); and

Level 3- inputs for the asset or liability that are not based upon observable market data.

At December 31, 2010, the following table sets forth the levels in the fair value hierarchy into which the Company's financial assets and liabilities are measured and recognized in the balance sheet. Assets are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

	Level 1
Cash and cash equivalents	$ 7,857,719
Reclamation bonding	$ 15,000

The Company has determined the estimated fair values of its financial instruments based upon appropriate valuation methodologies. At December 31, 2010, there were no financial assets or liabilities measured and recognized in the balance sheet at fair value that would be categorized as Level 2 and 3 in the fair value hierarchy above.

Foreign Exchange Risk

Foreign exchange risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in foreign exchange rates. As at December 31, 2010, all of the Company's cash is held in Canadian dollars, the Company's functional currency. The Company has no operations in foreign jurisdictions outside of Canada at this time and as such has no currency risk associated with its operations.

Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company's cash and receivables are exposed to credit risk. The Company reduces its credit risk on cash by placing these instruments with institutions of high credit worthiness. As at December 31, 2010 the Company is not exposed to any significant credit risk.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Included in the loss for the period in the financial statements is interest income on Canadian dollar cash. As at December 31, 2010, the Company's cash is subject to or exposed to interest rate risk. However, this risk is not significant.

Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The Company manages liquidity risk by maintaining sufficient cash balances to enable settlement of transactions on the due date. Accounts payable and accrued liabilities are current. The Company addresses its liquidity through equity financing obtained through the sale of common shares and the exercise of warrants and options.

The Company's financial instruments consist of cash and accounts payable and accrued liabilities and approximate fair value due to their short-term nature.

International Financial Reporting Standards

In 2008, the Canadian Accounting Standards Board confirmed that publicly-listed companies will be required to adopt IFRS for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The Company expects its first financial statements presented in accordance with IFRS to be for the three month period ending March 31, 2011, which includes presentation of its comparative results for fiscal 2010 under IFRS; as well as reconciliation to Canadian GAAP for the comparative quarter and as at the January 1, 2010 transaction date. IFRS uses a conceptual framework similar to Canadian GAAP; there will not be significant differences in recognition, measurement and disclosure.

The AcSB requires that IFRS compliant financial statements be prepared for annual and interim financial statements commencing on or after January 1, 2011. Therefore, for the Company, the first audited annual financial statements will be for the year ending December 31, 2011, with comparative financial information for the year ended December 31, 2010.

The Company has assessed the impacts of the adoption of IFRS on its financial statements and management has concluded that there are no material differences for the majority of items appearing in the Company's balance sheet and income statement from what has been recorded under Canadian GAAP. The International Accounting Standards Board ("IASB") continues to amend and add to current IFRS standards with several projects underway.

The Company's transition plan includes monitoring actual and anticipated changes to IFRS, including interpretations thereof, and related rules and regulations and assessing the impacts of these changes on the Company and its financial statements, including expected dates of when such impacts are effective. The specific areas where no applicable differences in recognition and measurement have been identified between IFRS and Canadian GAAP are cash, amounts receivable, prepaid expenses, and accounts payable and accrued liabilities.

Certain relevant accounting differences between Canadian GAAP and IFRS and the assessed impacts on the financial statements of the Company are described below:

(a) IFRS 1, *First-time Adoption of International Financial Reporting Standards* ("IFRS 1"), sets forth guidance for the initial adoption of IFRS. Starting January 01, 2011, the Company will restate its comparative fiscal 2010 financial statements for annual and interim periods to be consistent with IFRS. In addition, the Company will reconcile equity and net earnings for fiscal 2010 GAAP amounts to the restated 2010 IFRS amounts. IFRS 1 generally requires that first-time adopters retrospectively apply all IFRS standards and interpretations in effect as at the first annual reporting date. IFRS 1 also provides for certain mandatory exceptions and optional exemptions to Changes to estimates previously made are not permitted. The estimates previously made by the Company under GAAP will not be revised for application of IFRS except where necessary to reflect any changes resulting from differences in accounting policies.

(b) *Mineral Property, Plant and Equipment (PP&E*) Under IAS 16, *Property, Plant and Equipment,* are recognized initially at cost if it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. Costs include all expenditures directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. There is no specific guidance in IFRS relating to deferred stripping costs during the production phase. However, these types of costs do meet the definition of an asset under IAS 16 given that the Company's current accounting policy is to capitalize these costs since it provides a probable future economic benefit or a betterment (which implies future economic benefit). Under IAS 16, each part of an item of PP&E with a cost that is significant in relation to the total cost of the item shall be depreciated separately. In order to meet this requirement, componentization is generally required. Componentization would be required only to the extent that different depreciation methods or rates are appropriate and those components are material. In addition major inspections or overhaul costs are identified and accounted for as a separate

(c) IAS 36, *Impairment of Assets*, states that an entity shall assess at the end of each reporting period whether there is any indication that a carrying value of the asset may be impaired. If any such indication exists, the entity should estimate the recoverable amount of the asset. The indicators of impairment are generally consistent with those of GAAP. An asset should be written down to its recoverable amount if the recoverable amount is less than its carrying value. The recoverable amount is equal to the higher of the fair value less cost to sell and its value in use. It is not necessary to determine both if one indicates no impairment exist. The value in use is based on a discounted cash flow model. This approach is different from Canadian GAAP (i.e. one step model under IFRS versus two step model under Canadian GAAP).

    To the extent possible, individual assets should be tested for impairment. However, if it is not possible to determine the recoverable amount of an individual asset, an entity should dete of the Cash Generating Unit ("CGU") to which the asset belongs. The definition of a CGU is different from the Canadian definition of an Asset Group.

(d) Asset Retirement Obligations ("ARO")Under IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, an ARO is recognized when there is a legal or constructive obligation to restore a site for damage that has already occurred, it is probable a restoration expense will be incurred and the cost can be estimated reliably. This is different than GAAP where only legal obligations are considered.

    Under IFRS, the amount recognized as a provision shall be the best estimate of the expenditures required to settle the present obligation. This is significantly different from GAAP where third party costs are required. Under IAS 37, the provision would be based on management's best estimate.

This estimate could be party cost if it is management's intention to hire a third party to complete the work or an internal estimate of the cost if the Company intends to use its own equipment and resources to do this work

(e) *Share-Based Payments* Currently, the Company measures stock-based compensation related to stock options at the fair value of the options granted using the Black-Scholes option pricing formula and recognizes this expense over the vesting period of the options. The fair value of the options granted to employees is measured on the date of grant. The fair value of options granted to contractors and consultants are measured on the date the services are completed. Forfeitures are recognized as they occur. IFRS 2, similar to GAAP, requires the Company to measure stock-based compensation related to stock- options granted to employees 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, for options granted to non-employees, IFRS requires that stock-based compensation be measured at the fair value of the services received unless the fair value cannot be reliably measured.

(f) *Income taxes (IAS 16):* Although there are many areas where GAAP is similar to IFRS, there are differences as well, such as the differentiation between deferred tax assets and deferred tax liabilities; and whether deferred tax is to be charged to the income statement, equity or goodwill.

(g) *Foreign currency:* The adoption of IFRS will involve the identification of a functional currency. The Canadian dollar will be the presentation currency.

The Company has adequate resources with which to carry out the conversion, as well as to carry on the day-to-day operations of the Company. At present, the Company has no contracts, debt covenants, capital requirements or compensation contracts that may be affected by changes to financial reporting because of IFRS. A review of the key IT support systems indicates the current systems are IFRS compliant.

As a result of the limited impact on the substance of the financial statements, the conversion of IFRS has a limited impact on the control environment of the Company.

New accounting standards adopted

None

CAPITAL DISCLOSURE

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern to pursue the development of its mineral properties and to maintain a flexible capital structure which optimizes the cost of capital within a framework of acceptable risk. In the management of capital, the Company includes the components of shareholders' equity.

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 its capital structure, the Company may issue new shares, issue new debt, acquire or dispose of assets or adjust the amount of cash and cash equivalents. As at December 31, 2010, the Company has not entered into any debt financing.

The Company is dependent on the capital markets as its sole source of operating capital and the Company's capital resources are largely determined by the strength of the junior resource markets and by the status of the Company's projects in relation to these markets, and its ability to compete for investor support of its projects.

The Company is not subject to any capital requirements.

INVESTOR RELATIONS ACTIVITIES

Investor Relations activities of the Company consisted of the dissemination of news releases by officers and directors. In addition, management of the Company responded to requests by shareholders and investment dealers for information, and disseminated financial information as required by applicable laws. The Directors of the Company have been actively contacting interested parties. The Company has engaged an IR company during the period under review and intends to engage in significant public relations and investor relations activities in the future in order to achieve its long-term goals.

RISK FACTORS

An investment in the securities of the Company is highly speculative and involves numerous and significant risks. Such investment should be undertaken only by investors whose financial resources are sufficient to enable them to assume such risks and who have no need for immediate liquidity in their investment. Prospective investors should carefully consider the risk factors that have affected, and which in the future are reasonably expected to affect, the Company and its financial position.

Risk management is carried out by the Company's management team with guidance from the Audit Committee under policies approved by the Board of Directors. The Board of Directors also provides regular guidance for overall risk management.

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History of losses:

The Company has historically incurred losses as evidenced by its audited consolidated financial statements for the years ended December 31, 2010 and December 31, 2009. The Company has financed its operations principally through the sale of its equity securities. The Company does not anticipate that it will earn any revenue from its operations until its properties are placed into production, if ever. If the Company is unable to place its properties into production, the Company may never realize revenues from operations, will continue to incur losses and you may lose the value of your investment.

Unexpected delays:

The Company’s minerals business will be subject to the risk of unanticipated delays including permitting its contemplated projects. Such delays may be caused by fluctuations in commodity prices, mining risks, difficulty in arranging needed financing, unanticipated permitting requirements or legal obstruction in the permitting process by project opponents. In addition to adding to project capital costs (and possibly operating costs), such delays, if protracted, could result in a write-off of all or a portion of the carrying value of the delayed project

Trends

The mineral exploration industry goes through difficult period with low prices for both precious and base metals. Lack of interest may lead to low market capitalizations. Environmental groups have successfully lobbied for more wilderness areas and parks where exploration and mining activities are not allowed. Native groups are actively pursuing land claims and there is a rise of militant national and religious groups in many parts of the world. These issues tend to restrict the areas where mineral exploration and development of new mines can occur.

Industry

The Company is engaged in the exploration of mineral properties, an inherently risky business. There is no assurance that a mineral deposit will ever be discovered and economically produced. Most exploration projects do not result in the discovery of commercially mineable ore deposits.

Cash flows and additional funding requirements

The Company has not commenced operations as yet. If any of the Company's exploration programs are successful and optionees of properties complete their earn-in, the Company would have to provide its share of ongoing exploration and development costs in order to maintain its interest in the projects. Additional capital would be required to put a property into commercial production. Although the Company presently has sufficient financial resources to undertake all of its currently planned exploration programs, 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.

Environmental

The Company's exploration and development activities are subject to extensive laws and regulations governing environment protection. The Company is also subject to various reclamation-related conditions. Although the Company closely follows and believes it is operating in compliance with all applicable environmental regulations, there can be no assurance that all future requirements will be obtainable on reasonable terms. Failure to comply may result in enforcement actions causing operations to cease or be curtailed and may include corrective measures requiring capital expenditures.

Laws and regulations

The Company's exploration activities are subject to extensive federal, provincial, state and local laws and regulations governing prospecting, development, production, exports, taxes, labour standards, occupational health and safety, mine safety and other matters in all the jurisdictions it operates in. Such laws and regulations are subject to change, can become more stringent and compliance can therefore become more costly. The Company applies the expertise of its management, its advisors, its employees and contractors to ensure compliance with current laws in Canada.

Title to mineral properties

While the Company has investigated title to its mineral properties, this should not be construed as a guarantee of title. The properties may be subject to prior unregistered agreements or transfers and title may be affected by undetected defects. Unresolved native land claim issues in British Columbia may affect the Company's properties in these jurisdictions in the future.

Possible Dilution to Present and Prospective Shareholders

The Company's plan of operation, in part, contemplates the financing of the conduct of its business by the issuance of cash, securities of the Company, or a combination of the two, and possibly, incurring debt. Any transaction involving the issuance of previously authorized but unissued shares of common stock, or securities convertible into common stock, would result in dilution, possibly substantial, to present and prospective holders of common stock. The Company may seek a joint venture partner to fund in whole or in part exploration projects. This dilutes the Company's interest in properties it has acquired. This dilution of interest in properties is done to spread or minimize the risk and to expose the Company to more exploration plays but means that any profit that might result from a possible discovery would be shared with the joint venture partner. There is no guarantee that the Company can find a joint venture partner for any property.

Conflict of Interest

Some of the Company's directors and officers are directors and officers of other natural resource or mining-related companies. These associations may give rise from time to time to conflicts of interest. As a result of which, the Company may miss the opportunity to participate in certain transactions and may have a material, adverse effect on its financial position.

Trading Volume

The relatively low trading volume of the Company's shares reduces the liquidity of an investment in the Company's shares.

Volatility of Share Price

Market prices for shares of early stage companies are often volatile. Factors such as announcements of mineral discoveries, financial results, and other factors could have a significant effect on the price of the Company's shares.

Competition

There is competition from other mining exploration companies with operations similar to those of the Company's. Many of the mining companies with which the Company competes have operations and financial strength greater than that of the Company.

DISCLOSURE OF INTERNAL CONTROLS

Although the British Columbia Securities Commission exempted Venture Issuers from the requirement to certify disclosure controls and procedures, Management has established processes to provide them sufficient knowledge to support representations that they have exercised reasonable diligence that (i) the unaudited interim financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the unaudited interim financial statements; and (ii) the unaudited interim financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the periods presented.

In contrast to the certificate required for non-venture issuers under National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings (NI 52-109), this Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as defined in NI 52-109. In particular, the certifying officers filing this certificate are not making any representations relating to the establishment and maintenance of:

i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and

ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP.

The issuer's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in the certificate. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

There have been no significant changes in the Company’s disclosure controls and processes during the year ended December 31, 2010

ADDITIONAL INFORMATION

Additional information relating to the Company, including the most recently completed fiscal year, is available on SEDAR at www.sedar.com.