

**TAKU GOLD CORP.**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2011**  
**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 ended March 31, 2011. This MD&A was written to comply with the requirements of National Instrument 51-102 – Continuous Disclosure Obligations. This discussion is dated June 24, 2011, should be read in conjunction with the audited annual financial statements of the Company for the year ended December 30, 2010, together with the notes thereto, and the unaudited interim financial statements for the three ended March 31, 2011, 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"). The unaudited interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") for interim financial reporting and, accordingly, include condensed information and notes required by IFRS for interim financial statements. In the opinion of management, all adjustments (which consist only of normal recurring adjustments) considered necessary for a fair presentation have been included. The results for the interim periods presented are not necessarily indicative of the results that may be expected for any future period. Information contained herein is presented as at June 24, 2011, unless otherwise indicated.

As prescribed by the CICA Accounting Standards Board, the Company adopted the requirements of IFRS in its financial statements as of January 1, 2011, including the restatement of its opening balance sheet of January 1, 2010 and its quarter ended March 31, 2010 comparatives. The restatement of the Company's comparative balances from those previously reported under Canadian GAAP to IFRS is fully explained and reconciled in note 16 of the Unaudited Interim Financial Statements. The reconciliations include a reconciliation of equity as at January 1, 2010, December 31, 2010 and March 31, 2010. As described in previously filed management's discussion and analysis, the Company has had an IFRS implementation project plan is drawing to a close, only post-implementation review is outstanding. However, it should be noted that, because of the nature of IFRS being principles-based, accounting practice under IFRS will continue to develop and evolve in Canada and in the junior mining sector. Information provided herein relating to 2011 and later years is based on assumptions regarding future events and results may vary. All prices are in Canadian dollars unless otherwise stated.

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](http://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 March 31, 2011, 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 has completed a 43-101 initial mineral resource estimate from 28 holes drilled on the Main Zone at the far south end of the 025FZ.

The Tag property remains wide open for further exploration. A new surface showing was discovered in 2008. This showing is located on the south margin of a quartz diorite intrusion that is well outlined by the airborne magnetic survey. 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 March 2010, Taku optioned the Dan and Rosebute properties from Dawson based prospector, 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. 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 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, 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 the Company's 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 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. 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. 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. The second anomaly is well defined over 400m long. The third anomaly is intermittently defined over 1100m. 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.

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.

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.

Subsequent to the release of the results, Taku outlined an exploration program for 2011 including soil sampling, trenching and drilling.

In May 2011, Taku announced it had staked an additional 660 claims (13,662 hectares) in the White Gold District of Yukon. The claims form one continuous block known as the Burnham Property approximately 35km long that covers the headwaters of Australia, Melba, Rob Roy, Burnham, Arkansas, Kentucky and Jensen Creeks. These creeks are all tributaries of Dominion Creek where significant placer gold production has been documented dating back to the Klondike Gold Rush of 1898. The block is located about 20km northwest of the Company's main camp that was completed in late May. Taku intends to complete reconnaissance deep auger-type soil geochemical and airborne geophysical surveys over the Burnham block in 2011.

In July 2011, Taku announced results from deep auger soil sampling on the Sulphur property. A total of 2262 soil samples were collected along ridges and spurs at 50m sample intervals. Three anomalous gold areas were identified. The first area, located in the south-central part of main block, the second area, located in the north-central part of the main block, and the third area, located at the north end of the east block. Three spot anomalies scattered in the central part of the property were also identified.

Also in July, results from deep auger soil sampling on the Montana property were announced. A total of 1608 soil samples were collected along ridges and spurs at 50m intervals. Three anomalous gold areas were identified. The first area was located on the west side of the property. The second area was located in the southwest corner of the property and the third area was located in the southeastern corner of the property. Detailed sampling is planned at 50m stations on lines spaced 100m apart in order to follow up these results.

On August 2, 2011 Taku announced final results from a preliminary deep auger-type, soil geochemical survey completed over the Wounded Moose property in mid to late June 2011. The goal of the survey was to identify areas prospective for detailed soil geochemical, prospecting and sampling work.

A total of 2068 soil samples were collected along ridges and spurs at 50m intervals. An anomalous area was identified at the northwest end of the property. This area also shows moderate to high values for arsenic, antimony and silver. There are three other areas located in the western and southern parts of the property that returned moderate to strong gold values. Detailed sampling is now underway on small grids with sample stations every 50m on lines spaced 100m apart in order to follow up these results.

Taku intends to complete 30,000 soil samples and limited drilling on its Yukon properties for the remainder of the 2011 work season.

Mark Fekete, P.Geo is the designated "qualified person" as defined in Section 1.2 in and for the purposes of National Instrument 43-101 responsible for the technical content. Mark Fekete is a Director of Taku Gold Corp.

**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 Mar-11	31 Dec-10	30 Sept-10	30 Jun-10	31 Mar-10	31 Dec-09	30 Sept-09	30-June-09
	IFRS	IFRS	IFRS	IFRS	IFRS	Cdn GAAP	Cdn GAAP	Cdn GAAP
Net Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net Earnings (loss)	(475,172)	(696,883)	(576,295)	(343,129)	(127,155)	(11,301)	(53,974)	(69,985)
Loss per share	\$0.01	(\$0.02)	(\$0.02)	(\$0.03)	(\$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 ended March 31, 2011, compared with three months ended March 31, 2010*

**THREE MONTHS ENDED MARCH 30, 2011 AND 2010**

	2011		2010	
<b>EXPENSES</b>				
Amortization	\$	-	\$	796
Consulting		43,058		22,250
Director		15,000		-
Investor relations		9,000		-
Management fees		22,500		18,000
Office and miscellaneous		30,856		15,220
Professional fees		18,969		26,961
Shareholder information, transfer agent and filing fees		11,175		18,692
Stock based compensation		780,680		-
Travel and promotion		31,659		24,486
Website costs		1,275		750
		964,172		127,155
<b>LOSS BEFORE INCOME TAXES</b>		(964,172)		(127,155)
Future income tax recovery		489,000		14,700
<b>INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD</b>	\$	(475,172)	\$	(112,455)
<b>BASIC AND FULLY DILUTED INCOME (LOSS) PER SHARE</b>	\$	(0.01)	\$	(0.01)

The Company's loss before future income tax recovery totaled \$964,172 for the three months ended March 31, 2011, which compares with a loss of \$127,155 the three months ended March 31, 2010. The increase in loss of \$837,017 was principally due to:

- Stock-based compensation expense during the quarter ended March 31, 2011 was \$780,680 compared to nil during the three months ended March 31, 2010.
- Consulting fees increase of \$20,808 can be attributed to increased corporate activity.
- Office and miscellaneous expenditures increase of \$15,636 can be attributed to D&O insurance and general increased corporate activity.

*Selected Quarterly Information for three months ended March 31:*

	<b>2011</b>	<b>2010</b>	<b>2009</b>
	<b>IFRS</b>	<b>IFRS</b>	<b>Cdn GAAP</b>
Interest income	\$ -	\$ -	\$ 611
Consulting fees	43,058	22,250	15,750
Investor relations	9,000	-	-
Management fees	22,500	18,000	18,000
Professional fees	18,969	26,961	12,000
Stock-based compensation	780,680	-	-
Future Income tax recovery	489,000	-	193,800
Net income (loss) for period	(475,172)	(127,155)	134,522
Working capital	7,375,607	345,076	109,122
Mineral property and deferred costs	7,442,423	4,258,659	4,157,511
Shareholder equity	14,488,742	4,144,735	3,895,486

## **LIQUIDITY, CAPITAL RESOURCES AND BUSINESS PROSPECTS**

The Company has no operating revenue and therefore must utilize its 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 March 31, 2011, the Company had \$7,727,110 in cash, 68,825,139 common shares issued and outstanding, 32,145,000 share purchase warrants outstanding, 3,719,200 Agents' options outstanding and 6,603,6670 options outstanding.

During the quarter ended March 31, 2011, 4,287,500 share purchase warrants were exercised for total proceeds of \$261,250.

During the quarter ended March 31, 2011, the Company spent \$211,516 in operations and \$305,344 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 March 31, 2011, the following activities were completed:

- a. 700,000 share purchase warrants at \$0.10 per share purchase warrant were exercised for total proceeds of \$70,000.
- b. 600,000 stock options at \$0.25 per option were exercised for total proceeds of \$150,000.

**SHARE CAPITAL:**

Issued and outstanding as at June 24, 2011, there were:

- a. 68,000,139 common shares outstanding.
- b. 31,445,000 share purchase warrants outstanding.
- c. 3,719,200 Agent options outstanding.
- d. 5,919,000 stock options outstanding.
- e. 2,300,000 agents units at a price of \$0.15 per unit. Each unit consists of one common share and one-half of one common share purchase warrant. Each whole warrants entitles the holder to acquire one share for 24 months from July 15, 2010 at a price of \$0.25.
- f. 1,419,200 agents units at a price of \$0.65 per unit. Each unit consists of one common share and one-half of one common share purchase warrant. Each whole warrant entitles the holder to acquire one share for 24 months from December 3, 2010 at a price of \$0.65.

**TRANSACTIONS WITH RELATED PARTIES**

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

	2011	2010
Management fees (a)	\$ 22,500	\$ 18,000
Mineral property – exploration consulting (a)	27,750	3,750
Professional fees (a)	14,000	12,000
Consulting (b)	14,000	12,000
Director fees (c)	16,000	-
Office rent and supplies (d)	5,400	5,400
Stock-based compensation	566,642	5,400
	\$ 666,292	\$ 51,150

- a. The Company paid \$22,500 (2010 - \$18,000) in management fees to the President of the Company; \$14,000 (2010 - \$12,000) in professional fees to the CFO of the Company; and \$22,500 (2010 - \$3,750) in mineral property exploration consulting to the VP of Exploration.
- b. \$14,000 (2010 - \$12,000) in consulting fees for administration to a private company controlled by two directors of the Company;
- c. \$16,000 (2010 – nil) to the directors of the Company as director fees;
- d. \$5,400 (2010 - \$5,400) in rent to a private company controlled by two directors of the Company;

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

The Company has the following contractual commitments:



- i) By an agreement, a director of the Company has agreed to provide the Company management services for a monthly fee of \$7,500 (2010 - \$6,000), which agreement may be terminated with six months' severance.
- ii) By an agreement, a director of the Company has agreed to provide the Company management services for a monthly fee of \$5,000 (2010 - \$4,000), which agreement may be terminated with six months' severance.

#### **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 unaudited financial statements for the quarter ended March 31, 2011.

#### **IFRS IMPLEMENTATION – CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION**

The Canadian Accounting Standards Board established 2011 as the year that Canadian companies' financial reporting requirements should comply with International Financial Reporting Standards ('IFRS'). Accordingly, the Company has commenced reporting on an IFRS basis in the current interim financial statements. The transition date, January 1, 2011, has required the restatement for comparative purposes of amounts reported by the Company for the year ended December 31, 2010. The Company has completed its internal review of the impact of the adoption of IFRS. This review considered potential differences between applicable IFRS policies and those currently used by the Company. Accounting policy changes were made due to IFRS in the areas of exploration and evaluation assets impairment testing, asset retirement obligations, stock based compensation, exploration expenses and flow-through shares. Available elections under IFRS minimized the impact of these changes such that the financial reporting impact of the transition to IFRS is not material to the Company's financial results. The impact of the changes to IFRS is detailed in Note 16 to the interim financial statements and none of these are considered material.

#### **CRITICAL ACCOUNTING ESTIMATES**

The Company is a development stage company. The unaudited financial statements have been prepared using accounting principles applicable to a going concern which assumes the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. There are conditions which may raise doubt regarding this assumption. The financial statements do not include adjustments that would be necessary should the Company be unable to continue as a going concern. These adjustments could be material.

The amounts recorded for capitalized exploration and evaluation assets, stock based compensation and future income taxes are based on estimates. By their nature, these estimates are subject to measurement uncertainty and changes in these estimates may impact the financial statements for future periods. Amounts recorded for exploration and evaluation assets represent costs incurred to date and are not intended to reflect present or future values. The recoverability of amounts shown for exploration and evaluation assets is dependent upon the discovery of economically recoverable reserves and future production or proceeds from the disposition thereof.

#### **FINANCIAL INSTRUMENTS**

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

The Company's exposure to financial risk factors is detailed in Note 12 to the interim financial statements. While the Company is a development stage company and has no production or sales revenues, it bears commodity price risk in that commodity prices may influence investors and thus impact the outcome of the Company's future equity financings. The Company considers that supply and demand fundamentals for gold remain strong.

## **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 March 31, 2011, 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. Please refer to the section entitled "Risk Factors" in the Company's management's discussion and analysis for the fiscal year ended December 31, 2010, available on SEDAR at [www.sedar.com](http://www.sedar.com). There have been no significant changes to such risk factors since that date.

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.

## **DISCLOSURE OF INTERNAL CONTROLS**

In the light of the Company's small size, controls and procedures for financial reporting and public disclosure are affected by limited segregation of duties. To mitigate potential control weaknesses, the Chief Executive Officer ('CEO') is actively involved in the day to day business of the Company, the CEO and Chief Financial Officer ('CFO') jointly review all payments, and the Company has implemented accounting data review procedures to assist the integrity of reports. It is not economically feasible, at the Company's current size and with the limited number of staff available, to achieve optimum or complete segregation of duties. Also, the Company does not have a sufficient number of finance personnel with the required technical knowledge to address all complex and non-routine accounting transactions that may arise. These weaknesses in internal controls raise the possibility that a material misstatement may not be prevented or

detected. Management and the Board of Directors work towards mitigating the risk of material misstatements: the integral role of the CEO in day to day operations provides a direct connection to source data, the review and approval by the Board of all material transactions and the use of accounting data review procedures, all provide a further level of assurance. The Company has no plans to remediate the above weaknesses which are linked with its current size and nature of operations.

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 three months ended March 31, 2011.

## **ADDITIONAL INFORMATION**

Additional information relating to the Company, including the most recently completed fiscal year, is available on SEDAR at [www.sedar.com](http://www.sedar.com).