MONTANA GOLD MINING COMPANY INC.
Management's Discussion and Analysis
Period Ended September 30, 2011
Dated November 25, 2011
(Form 51-102F1)

This Management Discussion and Analysis ("MD&A") is provided for the purpose of reviewing the three and nine month periods ended September 30, 2011 and comparing results to the previous periods. The MD&A was prepared as of November 25, 2011 and should be read in conjunction with the Company's unaudited consolidated financial statements and corresponding notes for the periods ending September 30, 2011 and 2010. The consolidated financial statements are prepared in accordance with International Accounting Standard 34-Interim Financial Reporting using accounting policies consistent with International Financial Reporting Standards appropriate in the circumstances. All monetary amounts are expressed in United States dollars unless otherwise indicated
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Additional information related to the Company is available for view on SEDAR at www.sedar.com and at the Company's website located at www.montanagoldmining.com.

Description of Business

Montana Gold Mining Company Inc. (the "Company") is a mineral exploration company focused on the acquisition and exploration of mineral resources, primarily gold and silver in the State of Montana, USA.

The Company is a reporting issuer in the Province of Ontario and its common shares trade on the Canadian National Stock Exchange ("CNSX") under the symbol MGM.

Corporate Activities

On January 5, 2011 the Company's consolidated shares began trading on CNSX as the Montana Gold Mining Company Inc. under the symbol MGM.

During the first quarter of 2011, the Company settled various debt obligations by issuing common shares or completed private placements totaling $696,037 ($693,519 CAD). The common shares were issued at $0.05 each resulting in 13,870,380 common shares being issued. During the third quarter of 2011, the Company completed private placements totaling $272,160 ($270,000 CAD) and $10,000 by issuing 2,700,000 common shares for $0.10 CAD and 100,000 common shares for $0.10 respectively. The Company also issued 2,800,000 2-year share purchase warrants exercisable in Canadian currency. Each warrant entitles the holder to purchase one share at a price of $0.20CDN up to September 12, 2012 and then at a price of $0.30CDN to September 12, 2013. On October 5, 2011, the Company settled various debt obligations by issuing 1,061,530 common shares at $0.10 each for $102,055 ($106,153 CAD). The total issued as of November 24, 2011 is 23,981,014 common shares.

Also during the first quarter of 2011, the Company appointed three additional independent directors, Luard Manning, P.Eng., Paul Teodorovici, and John Wozny, MA, all of whom currently serve on other publicly traded company boards or have in the past. The board also approved a Mandate and Charter of the Board, a Communications and Disclosure Policy, and granted a total of 1,150,000 incentive stock options to directors, employees or consultants of the Company exercisable into common shares at an exercise price of $0.26. The directors, management and a consultant agreed to cancel these options in the third quarter of 2011. On September 29, 2011, the Company appointed an additional independent director, Kent Britton, B.A. Economics who has extensive experience as an investor relations professional. In addition, the Company established three new committees: Health, Safety and Environment, Compensation and Corporate Governance.

On April 20, 2011, the Company filed on Sedar and posted to the Company website www.montanagoldmining.com an NI 43-101 compliant technical report on the SBSL Property in Montana that the Company optioned in August, 2010. The NI 43-101 report was prepared by Mark R. Nyman, BA Geology, and John F. Childs, PhD., Reg. Geo. of Montana.

The Annual and Special Meeting of Shareholders was held on June 29, 2011, in London, Ontario at 11:00 am EDT. The slate of directors as proposed by the Company was elected at this meeting who were: Clifford Wiebe, Edward Ellwood, Eric Plexman, Paul Teodorovici, John Wozny and Luard Manning. Maxwell Polinsky did not stand for re-election at the Meeting and is no longer a director of the Company.

During the first, second and third quarters of 2011, the Company continued its ongoing geological assessment of the Silver Bell St. Lawrence ("SBSL") Project in Montana. On August 1, 2011, the Company paid the Silver Bell St. Lawrence Claim renewal fee for the assessment year 2012 beginning noon September 1, 2011 and ending noon September 1, 2012.

On September 9, 2011, the Company entered into an agreement to acquire 100% working interest in the SBSL Property by paying $85,000 on signing and $85,000 by March 1, 2012 for a total of $170,000, and by issuing 200,000 common shares and granting a 2% Net Smelter Royalty to the arms-length vendor. Title to the properties will be registered in the name of the Company after payment of the last $85,000, at which time the vendor shall provide to the Company all forms necessary to effect registration in the name of the Company including quit claim deeds. This agreement supersedes the prior option agreement of August 1, 2010 which is terminated. The company paid $85,000 on September 9, 2011 and issued 200,000 common shares on September 15, 2011.

On October 27, 2011, the Company staked 15 additional mining claims adjacent to the northern and eastern boundaries of the SBSL Property. The newly staked claims are called the Roar claims and bring the total size of the SBSL Property to approximately 394 acres. A program of geological mapping, geochemical and geophysical surveying is presently underway.

1.2 Overall Performance

In summary the Company's financial condition has increased over the past nine months ended September 30, 2011. Working capital increased by $415,915 from ($664,337) at December 31, 2010 to ($248,422) at September 30, 2011. The increase is mainly attributable to:

(a) proceeds of sale of shares of $292,214 (Jan-Sep 2010-$Nil);
(b) expending $139,325 (Jan-Sep 2010 - $75,108) on mineral properties
(c) debt settled with shares in the amount of $706,309 (Jan-Sep 2010 $Nil);
(d) working capital of $443,283 (Jan-Sep 2010 $114,657) used in other corporate matters

1.3 Selected Annual Information

The following table provides selected financial information and should be read in conjunction with the Company's Interim Consolidated Financial Statements.

	Period Ended 30-Sep-11	Year Ended 31-Dec-10	Year Ended 31-Dec-09	Year Ended 31-Dec-08	Year Ended 31-Dec-07
	$	$	$	$	$
Revenue	Nil	Nil	Nil	Nil	Nil
Income (loss) for the period (1)	(740,813)	(330,698)	198,423	(449,430)	(1,477,261)
Net income (loss) for the period	(740,813)	(387,732)	(1,387,877)	(3,147,449)	(1,666,979)
Net income (loss) per share (2)	(0.040)	(0.090)	(0.033)	(0.070)	(0.044)
Total assets	475,666	395,867	262,391	1,881,483	3,979,320
Long-term debt	Nil	Nil	Nil	Nil	Nil
Dividends per share	Nil	Nil	Nil	Nil	Nil

Notes: (1) before write down of mineral claims and deferred exploration costs
(2) basic and diluted

Subsequent Events

On October 5, 2011 the Company issued 1,061,503 shares with an ascribed value of $0.10CDN per share to directors of the Company to settle amounts owing for management and director fees of $106,503CDN due as of June 30, 2011.

On October 27, 2011, the Company staked 15 additional mining claims adjacent to the northern and eastern boundaries of the Silver Bell St. Lawrence property ("SBSL Property"). The newly staked claims are called the Roar claims and bring the total size of the SBSL Property to approximately 394 acres. A program of geological mapping, geochemical and geophysical surveying is presently underway.

1.4 Results of Operations

For the nine month periods ended September 30, 2011 and September 30, 2010, the Company had no revenue. Exploration expenses for the period were $139,325 compared to $75,018 during the same period last year. Proceeds from the sale of claims for the current period were $Nil compared to $122,109 during the same period last year.

Expenses incurred during the period consist of:

- i) Management fees of $145,190 (Jan-Sep 2010-$71,831) to the President and Secretary of the Company;
- ii) Director fees of $97,323 (Jan-Sep 2010 - $38,222) to the Directors of the Company;
- iii) Office and general of $92,498 (Jan-Sep 2010-$24,811) representing consulting, filing fees, telephone and office expenses;
- iv) Professional fees of $90,141 (Jan-Sep 2010-$30,335) relates primarily to legal and accounting fees incurred during the period;
- v) Write off of deferred exploration expenditures of $Nil (Jan-Sep 2010 - $57,034);
- vi) Reclamation costs of $24,170 (Jan-Sep 2010 - $Nil);
- vii) Stock based compensation of $303,330 (Jan-Sep 2010-$Nil). The stock options have been cancelled.;
- viii) Amortization of $Nil (Jan-Sep 2010-$2,984).

1.5 Summary of Quarterly Results

Total assets as at the end of September 30, 2011 were $475,666 (September 30, 2010 - $254,497) and consisted of cash $109,775 (September 2010 - $112,884), accounts receivable of $1,135 (September 30, 2010 - $Nil), capital assets $Nil (September 30, 2010 - $16,909), mineral claims and deferred exploration expenditures $281,077 (September 30, 2010-$41,025) which represent staking expenditures to secure the Company's mineral exploration project, exploration expenditures as well as the net recoverable amount on the sale of the Rimrock claims, and reclamation bonds $83,679 (September 30, 2010-$83,679). During the prior year, the Rimrock property was sold for gross proceeds of $122,109 ($130,000 CDN) and a subsequent write-down on the mineral property was realized in the amount of $57,034.

Total current liabilities as at September 30, 2011 were $359,332 (September 30 2010-$430,131) consisting primarily of trade payables and amounts due to managers and directors.

The Company has no long term financial liabilities except for management's estimated site restoration costs relating to their exploration program of $45,501 (September 30 2010-$45,501).

The Company has no sales and has never earned revenues with the exception of non-material interest revenue. Raising capital through sales of its common shares funds the Company's exploration operations.

Three months Ended September 30, 2011 Compared to Three months Ended September 30, 2010

Operating Revenues: The Company is a mineral exploration company and has no operating revenues.

Expenses: Expenses for the three months ended September 30, 2011 were $117,325, an increase of $12,461 over the amount of $104,864 for the three months ended September 30, 2010. These amounts are for professional fees, management fees, director fees, office and administrative, as well as travel expenses and amortization.

Write-off of mineral claims and deferred exploration costs: During the three months ended September 30, 2011 the Company did not write off mineral claims and deferred exploration costs. In the three months ended September 30, 2010 the Company wrote off $57,034 of mineral claims and deferred exploration costs relating to the sale of the Rimrock claims.

Reclamation costs: During the three months ended September 30, 2011 the Company paid reclamation costs of $24,170 relating to the Golden Trail claims. In the three months ended September 30, 2010, the company did not pay reclamation costs.

Net earnings (loss): The Company incurred a net loss of ($141,495) for the three months ended September 30, 2011, a decrease of ($20,403) over the three months ended September 30, 2010 ($161,898). Since the Company had no revenue, the net losses are attributable to the expenses noted above.

Nine months Ended September 30, 2011 Compared to Nine months Ended September 30, 2010

Operating Revenues: The Company is a mineral exploration company and has no operating revenues.

Expenses: Expenses for the nine months ended September 30, 2011 were $716,643 (including $303,330 in stock-based compensation, which was subsequently cancelled), an increase of $543,408 over the amount of $173,235 for the nine months ended September 30, 2010. These amounts are for professional fees, management fees, director fees, office and administrative, as well as travel expenses and amortization.

Write-off of mineral claims and deferred exploration costs: During the nine months ended September 30, 2011 the Company did not write off mineral claims and deferred exploration costs. In the nine months ended September 30, 2010 the Company wrote off $57,034 of mineral claims and deferred exploration costs relating to the sale of the Rimrock claims.

Reclamation costs: During the nine months ended September 30, 2011 the Company paid reclamation costs of $24,170 relating to the Golden Trail claims. In the nine months ended September 30, 2010, the company did not pay reclamation costs.

Net earnings (loss): The Company incurred a net loss of ($740,813) for the nine months ended September 30, 2011, an increase of $510,544 over the nine months ended September 30, 2010 ($230,269). Since the Company had no revenue, the net losses are attributable to the expenses noted above. The majority of the net loss is due to the stock-based compensation of $303,330. These stock options were cancelled in September, 2011.

Summary of Quarterly Results to September 30, 2011

Description	Sep 31/11	Jun 31/11	Mar 31/11	Dec 31/10	Sep 30/10	June 20/10	Mar 31/10	Dec 31/09
	$	$	$	$	$	$	$	$
Sales/Revenue	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Net Income/Loss	(141,495)	(116,141)	(483,176)	(157,463)	(161,898)	(47,194)	(21,177)	(1,306,461)
Net Income/Loss Per share – Basic & Diluted	(0.0069)	(0.0058)	(0.0312)	(0.0037)	(0.0038)	(0.0011)	(0.0005)	(0.0307)

1.6 Liquidity

As at September 30, 2011, the Company had cash and cash equivalents in the amount of $110,910 (Dec 31, 2010-$170,436) and current liabilities of $359,332 (Dec 31 2010-$834,773). As at September 30, 2011, the Company has a working capital deficiency of $248,422 (Dec 31 2010 - $664,337). As a result, the Company has liquidity risk and is dependent on raising capital.

1.7 Capital Resources

For its long term business objectives, the Company will require funds for ongoing exploration work on its SBSL Property, to work on any other mineral projects that it acquires, as well as to meet its ongoing day-to-day operating requirements and will have to continue to rely on equity and debt financing during such period. There can be no assurance that financing, whether debt or equity, will be available to the Company in the amount required at any particular time or for any particular period or, if available, that it can be obtained on terms satisfactory to the Company. The Company does not have any other commitments for material capital expenditures over either the near or long term or none are presently contemplated other than as disclosed above and/or over normal operating requirements.

The Company is not in default of its obligations on any of its mineral properties at this time.

1.8 Off-Balance Sheet Arrangements

At November 25, 2011, the Company had no off-balance sheet arrangements such as guarantee contracts, contingent interest in assets transferred to an entity, derivative instruments obligations or any obligations that trigger financing, liquidity, market or credit risk to the Company.

1.9 Transactions with Related Parties

Transactions with related parties are incurred in the normal course of business and are measured at the exchange amount. Related party transactions have been listed below, unless they have been disclosed elsewhere in the financial statement.

(a) Included in accounts payable and accrued liabilities is approximately $205,316 (Dec 31, 2010 - $157,345) of amounts owing to directors of the Company for management and director fees.

(b) Included in office and administrative costs is approximately $145,190, (Jan-Sep 2010- $71,831) relating to amounts paid and accrued to directors of the Company for management fees and $97,323 (Jan-Sep 2010-$38,222) relating to amounts paid and accrued to directors of the Company for director's fees and $50,585 (Jan-Sep 2010 $Nil) relating to amounts paid to a shareholder of the Company for consulting fees.

1.10 Proposed Transactions

The Company is actively investigating mineral properties with a view toward potentially optioning or purchasing. The Company is primarily interested in properties within the State of Montana but will also consider mineral properties of merit in other jurisdictions. In the future, the Company will also consider bringing joint venture partners into mineral properties that the Company has previously optioned or purchased.

There are no proposed or pending transactions as of November 25, 2011.

1.12 Accounting Estimates and Judgements

The preparation of financial statements in compliance with IFRS requires the Company's management to make certain estimates and assumptions that they consider reasonable and realistic. Despite regular reviews of these estimates and assumptions, based in particular on past achievements or anticipations, facts and circumstances may lead to changes in these estimates and assumptions which could impact the reported amount of the Company's asset, liabilities, equity or earnings. These estimates and assumptions notably relate to the measurement of share-based compensation, impairment of property and equipment and mineral properties, provisions and contingencies and deferred income taxes. Actual results could differ from those estimates.

1.13 Changes in Accounting Policies including Initial Adoption

International Financial Reporting Standards ("IFRS")

The Company's unaudited interim consolidated financial statements have been prepared in accordance with International Accounting Standard (IAS) 34, Interim Financial Reporting as issued by the International Accounting Standards Board (IASB) and accounting policies the Company adopted in accordance with International Financial Reporting Standards (IFRS).

The Company's unaudited interim consolidated financial statements for the nine months ended September 30, 2011 are its third financial statements prepared in accordance with IFRS and its interpretations adopted by the IASB, including IFRS 1, First-time Adoption of International Financial Reporting Standards. January 1, 2010 is the date of transition to IFRS (Transition Date). Previously, the

Company prepared its consolidated financial statements in accordance with Canadian generally accepted accounting principles (GAAP). GAAP differs in some policies from IFRS. In accordance with the transition rules, the Company has retroactively applied IFRS to its comparative data for 2010.

The Company's unaudited interim consolidated financial statements should be read in conjunction with its 2010 annual consolidated financial statements prepared in accordance with Canadian GAAP.

Basis of Preparation

The financial statements are presented in United States dollars.

The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: financial instruments held for trading and financial instruments classified as available-for-sale.

Non-current assets are stated at the lower of carrying amount and fair value less costs to sell.

There have been no changes in the accounting policies since March 31, 2011. Further, the Company's accounting policies, the financial position at the date of transition, and various pre-changeover GAAP/IFRS reconciliations were presented in the March 31, 2011 financial statements. These reconciliations included reconciliation of equity as at January 1, 2010 and at December 31, 2010, and a reconciliation of comprehensive loss for the year ended December 31, 2010.

Changes in Accounting Policies and Disclosures (IAS 8)

The accounting policies adopted are consistent with those of the previous financial year except as follows:

- Consolidation [replacement for IAS 27 and SIC 12]
- Discontinued Operations [amendment of IFRS 5].
- Earnings per Share [replacement of IAS 3].
- First-time Adoption of IFRS [amendment of IFRS 1].
- Group Cash-settled Share-based Payment Transactions [amendment of IFRS 2].
- Management Commentary.

The following standard has been issued but is not yet effective:

IFRS 9, Financial Instruments ("IFRS 9"):

In October 2010, the IASB issued IFRS 9, replacing IAS 39 and establishing principles for the financial reporting of financial assets and financial liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. This new standard is effective for the Company for its annual consolidated financial statements commencing January 1, 2013.

The Company is currently evaluating the impact of the above standards on its financial performance, position and financial statement disclosures but expects that such impact will not be material.

Principles of Consolidation

a) Subsidiaries

All entities, in which the Company has a controlling interest, specifically when it has the power to direct the financial and operational policies of these companies to obtain benefit from their operations, are fully consolidated.

A controlling position is assumed to exist where the Company holds, directly or indirectly, a voting interest exceeding 50%, and where no other shareholder or group of shareholders exercises substantive participating rights which would enable it to veto or to block ordinary decisions taken by the Company.

A controlling position also exists where the Company, holding an interest of 50% or less in an entity, possesses control over more than 50% of the voting rights by virtue of an agreement with other investors, power to direct the financial and operational policies of the entity by virtue of a statute or contract, power to appoint or remove from office the majority of the members of the Board of Directors or equivalent management body, or the power to assemble the majority of voting rights at meetings of the Board of Directors or equivalent management body. The Company consolidates special purpose entities which it controls in substance because it has the right to obtain a majority of benefits, or because it retains the majority of residual risks inherent in the special purpose entity or its assets.

The consolidated financial statements include the accounts of the Company and it's wholly owned subsidiary, Gold Reef of Nevada, Inc.

b) Transactions eliminated on consolidation

Intercompany balances and any unrealized gains and losses or income and expenses arising from intercompany transactions are eliminated in preparing the consolidated financial statements.

Foreign Currency Translation (IAS 21)

The Company's functional currency and the presentation currency is the United States dollar.

Foreign currency transactions are initially recorded in the functional currency at the transaction date exchange rate. At closing date, monetary assets and liabilities denominated in a foreign currency are translated into the functional currency at the closing date exchange rate. All foreign currency adjustments are expensed, apart from adjustments on borrowing in foreign currencies, constituting a hedge for the net investment in a foreign entity. These adjustments are allocated directly to equity until the divestiture of the net investment.

A gain on foreign currency translation of $6,039 (September 30, 2010 – loss of $5,052) was realized for the period ended September 30, 2011.

Mineral Properties and Related Deferred Costs

Exploration and evaluation activities (IFRS 6)

As permitted by IFRS, the Company will continue its policy of deferring exploration and evaluation expenditures until such time as the properties are either put into commercial production, sold or determined not to be economically viable or abandoned.

All direct expenditures related to the acquisition, exploration and evaluation of specific properties are capitalized as incurred. If a property is brought into production, these expenditures will be amortized against the income generated from the property. If a property is abandoned, sold or impaired, an appropriate charge will be made. Discretionary option payments arising on the acquisition of mining properties are only recognized when paid. Amounts received from other parties to earn an interest in the

Company's mining properties are applied as a reduction of the mining property and deferred exploration expenditures, except for administrative reimbursements which are credited to operations.

The amounts shown for mineral claims and related deferred expenditures represent expenditures incurred to date, less amounts expensed and reimbursements, and do not necessarily reflect present or future values of the particular properties. The recoverability of these expenditures is dependent upon discovery of economically recoverable reserves and future production or proceeds from the disposition thereof.

(a) Impairment

On a periodic basis, management reviews the carrying values of mining property acquisition and deferred exploration expenditures to assess whether there has been any impairment in value. The Company evaluates at each reporting period whether or not its mining properties are impaired. In the event that management determines the carrying values of any mining property to be permanently impaired, the carrying value will be written down or written off, as appropriate.

(b) Title

Ownership in mineral properties involves certain risks due to the difficulties in determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mineral interests. The Company has investigated the ownership of its mineral properties and, to the best of its knowledge, ownership of its interests are in good standing.

Investments (IFRS 7)

Financial instruments at fair value through profit or loss ("FVTPL") are classified as current assets and are stated at fair value, with any resultant gain or loss recognized in the income statement. Where the Company has the positive intent and ability to hold reclamation bonds to maturity, they are stated at amortized cost less impairment losses.

Other financial instruments held by the Company are classified as being available-for-sale and are stated at fair value, with any resultant gain or loss being recognized directly under other comprehensive income, except for impairment losses. When these investments are derecognized, the cumulative gain or loss previously recognized directly in equity is recognized in profit or loss. Where these investments are interest-bearing, interest calculated using the effective interest method is recognized in profit or loss. The fair value of financial instruments classified as FVTPL and available-for-sale is their quoted bid price at the balance sheet date.

Financial instruments classified as FVTPL or available-for-sale investments are recognized or derecognized by the Company on the date it commits to purchase or sell the investments respectively. Securities held-to-maturity are recognized or derecognized on the day they are transferred to or by the Company respectively.

Impairment losses for the different financial assets and liabilities are recognized as follows:

FVTPL: An impairment loss on a financial asset or financial liability classified as held for trading is recognized in net income in the period in which it arises.

Available-for-sale financial assets: When a decline in the fair value of an available-for-sale financial asset has been recognized directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that had been recognized directly in equity is transferred to profit or loss even though the financial asset has not been derecognized. The amount of the cumulative loss that is recognized in profit or loss is the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognized in profit or loss.

Held-to-maturity securities: The recoverable amount of the Company's investments in held-to-maturity securities and receivables carried at amortized cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e., the effective interest rate computed at initial recognition of these financial assets). An impairment loss is recognized in net income and through the amortization process. Effective interest method: The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period. Income is recognized on an effective interest rate basis for debt instruments other than those financial assets 'at fair value through profit or loss'.

The Company's financial instruments measured at fair value on the balance sheet consist of cash, reclamation bonds, accounts payable and accrued liabilities, restoration liabilities and promissory notes payable. Cash is measured at level 1 of the fair value hierarchy. The Company does not have any financial instruments at level 2 or 3 of the fair value hierarchy. The three levels of the fair value hierarchy as follows:

Level 1: Values based on unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities.

Level 2: Values based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability.

Level 3: Values based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement.

Cash and Cash Equivalents (IAS 7)

The "cash and cash equivalents" category consists of cash in banks, call deposits and other highly liquid investments with initial maturities of three months or less. Investments in securities, investments with initial maturities greater than three months without early redemption feature and bank accounts subject to restrictions, other than restrictions due to regulations specific to a country or activity sector (exchange controls, etc.) are not presented as cash equivalents but as financial assets. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Restoration Liabilities

The Company recognizes the fair value of restoration liabilities related to statutory, contractual or legal obligations associated with the retirement of mining claims in the year in which it is incurred when a reasonable estimate of fair value can be made, in which case the carrying amount of the related mining claim is increased by the same amount as the net present value of the restoration liability. Discount rates using a pre-tax rate that reflects the time value of money are used to calculate the net present value. The Company's estimates of such costs could change as a result of changes in regulatory requirements and assumptions regarding the amount and timing of the future expenditures and changes in the net present value.

Impairments (IAS 36)

When events or changes in the economic environment indicate a risk of impairment of property and equipment, an impairment test is performed to determine whether the carrying amount of the asset or group of assets under consideration exceeds its or their recoverable amount. Recoverable amount is defined as the higher of an asset's fair value (less costs to sell) and its value in use. Value in use is equal to the present value of future cash flows expected to be derived from the use and sale of the asset.

In addition, asset impairment tests are subject to the following provisions, pursuant to IAS 36:

- Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, recoverable amount is determined for the group of assets.

- Value in use is determined based on cash flow projections consistent with the most recent budget and business plan approved by management. The discount rate applied reflects current assessments by the market of the time value of money and the risks specific to the asset or group of assets.

- Fair value (less costs to sell) is the amount obtainable from the sale of the asset or group of assets in an arm's length transaction between knowledgeable and willing parties, less costs to sell. These values are determined based on market data (comparison with similar listed companies, value attributed in recent transactions and stock market prices), or in the absence of reliable data based on discounted future cash flows.

- If the recoverable amount is less than the carrying amount of an asset or group of assets, an impairment loss is recognized for the difference. In the case of a group of assets, this impairment loss is recorded in priority against goodwill.

- Impairment losses recognized in respect of property and equipment may be reversed in a later period if the recoverable amount becomes greater than the carrying amount, within the limit of impairment losses previously recognized. Conversely, impairment losses recognized in respect of goodwill cannot be reversed.

Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units (group of units) and then, to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

Interest-bearing Loans and Other Borrowings

Interest-bearing loans and other borrowings are recognized initially at fair value less related transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortized cost with any difference between cost and redemption value being recognized in the income statement over the period of the borrowings on an effective interest basis.

Provisions (IAS 37)

A provision is recognized in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Trade and Other Payables

Trade and other payables are stated cost.

Share-based Compensation

The Company maintains stock option incentive plans that grant subscription and purchase options on its common shares to certain senior executives and employees and also to certain employees of equity affiliates. The purpose of these stock option plans is to align management interests with those of shareholders by providing an additional incentive to improve company performance and increase the share price on a long-term basis. The grant of stock option plans represents a benefit given to management, employees and retirees and constitutes additional compensation borne by the Company. This is valued at the fair value of the Company's stock options. The compensation expense is equal to the value of the option at grant date, measured using a Black-Scholes pricing model. This compensation paid is recorded as an employee cost, offset against equity, and recognized over the vesting period of the benefit granted.

The dilutive effect of the stock option plans in the process of vesting for management and employees is reflected in the calculation of the diluted earnings per share.

Loss Per Share

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share is determined by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all warrants and options outstanding that may add to the total number of common shares.

Consolidated Balance Sheet

Assets and liabilities expected to be realized in, or intended for sale or consumption in, the entity's normal operating cycle, usually equal to 12 months, are recorded as current assets or liabilities.

Consolidated Statement of Cash Flows

The Company prepares its consolidated statement of cash flows using the indirect method.

1.15(b)(i) Additional Disclosure for Venture Issuers Without Significant Revenue

Additional disclosure concerning the Company's: (a) capitalized or expensed exploration and development costs; (b) expensed research and development costs; (c) deferred development costs; (d) general and administrative expenses; and (e) any material costs, deferred or expenses, not already referred to in (a) through (d), is provided in the Company's Consolidated Statement of Comprehensive Income (Loss) contained in its unaudited Interim Consolidated Financial Statements for the period ended September 30, 2011, which can be accessed on SEDAR under the Company's profile page at www.sedar.com.

1.15(b)(ii) Disclosure of Outstanding Share Data

The Company's authorized share capital consists of unlimited common shares without par value.

Issued and outstanding: September 30, 2011 – 22,919,484;
Issued and outstanding: November 25, 2011 (date of this report) – 23,981,014

Warrants outstanding: September 30, 2011 – 2,800,000
Warrants outstanding: November 25, 2011 – 2,800,000

Options outstanding: September 30, 2011 – 20,000
Options outstanding: November 25, 2011 – 20,000

Dividend Policy

No dividends have been paid on any shares of the Corporation since the date of its incorporation, and it is not contemplated that any dividends will be paid in the immediate or foreseeable future.

Controls and Procedures

Management is responsible for the design of internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the consolidated financial statements in accordance with International Financial Reporting Standards. Based on a review of its internal control procedures at the end of the period covered by this MD&A, management believes its internal controls and procedures, for the nature and size of the entity, are effective in providing reasonable assurance that financial information is recorded, processed, summarized and reported in a timely manner.

Management is also responsible for the design and effectiveness of disclosure controls and procedures to provide reasonable assurance that material information related to the Company, is made known to the Company's certifying officers. Management has evaluated the effectiveness of the Company's disclosure controls and procedures and has concluded that these controls and procedures are effective, for the nature and size of the entity, in providing reasonable assurance that material information relating to the Company is made known to them by others within the Company.

Litigation

On February 15, 2010, the Company was named along with former directors of the Company and served with a claim in The District Court, 150th Judicial District, Bexar County, Texas. This lawsuit was subsequently removed to the U.S. District Court for the Western District of Texas, San Antonio Division. The Plaintiff is alleging several past directors of the Company have used trade secrets or confidential information belonging to the Plaintiff for the Company's benefit in violation of laws protecting this type of information. The Plaintiff is claiming monetary damages against all of the named Defendants, which include the Company, of $30,000,000, and the Company is defending the lawsuit along with all other defendants.

On September 30, 2011, a motion for summary judgement was granted and the Court has effectively disposed of all of the Plaintiff's claims against all of the Defendants including the Company. The Plaintiff's counsel will now decide whether to appeal and it is expected that some final motions or additional orders may yet be brought. Management believes that the summary judgement will result in the claim being dismissed and therefore no provision is recorded.

Risks Associated with Exploration and Mining Operations

The exploration of mineral properties involves a high degree of risk which cannot be avoided despite the experience, knowledge and careful evaluation of prospective properties by management. There can be no assurance commercial quantities of ore will be discovered on the Corporation's mineral properties. Even if such commercial quantities are subsequently discovered by the Corporation's exploration efforts, there can be no assurance such properties can be brought in to commercial production. Operations may be subject to disruption due to weather conditions, labour unrest or other causes beyond the control of the Corporation. Hazards such as unexpected formations, pressures, flooding, or other conditions over which the Corporation does not have control may be encountered and may adversely affect the Corporation's operations and financial results.

Environmental Risks

Environmental legislation is continuing to evolve such as will require strict standards and enforcement, increased fines and penalties for non-compliance, more stringent assessment of proposed projects and a greater degree of corporate responsibility. There can be no assurance that future changes to environmental legislation may not adversely affect the Corporation's operations.

Mineral Market

The market for minerals is subject to factors beyond the Corporation's control, such as market price fluctuation, currency fluctuation and government regulation. The effect of such factors cannot be accurately calculated. The existence of any or all such factors may restrict the access to a market, if same exists, for the sale of commercial ore which may be discovered.

Funding Requirements

In order to move forward with its exploration activities, the Corporation may require additional funding. There can be no guarantee that such funds will be available as and when required or, if available, be accessible on reasonable commercial terms.

Reliance on Management

The Corporation anticipates that it will be heavily reliant upon the experience and expertise of management with respect to the further development of the mineral properties. The loss of any one of their services or their inability to devote the time required to effectively manage the affairs of the Corporation could materially adversely affect the Corporation

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Auditors, Transfer Agent and Registrar

The auditors of the Corporation are Collins Barrow LLP, Chartered Accountants of Toronto, Ontario. The Transfer Agent and Registrar for the Common Shares of the Corporation is Equity Financial Trust Company of Toronto, Ontario.

Forward Looking Statements

Certain statements contained in this document constitute "forward-looking statements". When used in this document, the words "may", "would", "could", "will", "intend", "plan", "propose", "anticipate", "believe", "forecast", "estimate", "expect" and similar expressions used by any of the Company's management, are intended to identify forward-looking statements. Such statements reflect the Company's internal projections, expectations, future growth, performance and business prospects and opportunities and are based on information currently available to the Company. Since they relate to the Company's current views with respect to future events, they are subject to certain risks, uncertainties and assumptions. Many factors could cause the Company's actual results, performance or achievements to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements. Given these risks and uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements. The Company does not intend, and does not assume any obligation, to update any such factors or to publicly announce the result of any revisions to any of the forward-looking statements contained herein to reflect future results, events or developments.