MONTANA GOLD MINING COMPANY INC.
Management's Discussion and Analysis
Year Ended December 31, 2010
Dated April 29, 2011
(Form 51-102F1)

This Management Discussion and Analysis ("MD&A") is provided for the purpose of reviewing the fiscal year ended December 31, 2010 as well as the fourth quarter and comparing results to the previous period. The MD&A was prepared as of April 29, 2010 and should be read in conjunction with the Company's audited financial statements and corresponding notes for the years ending December 31, 2010 and 2009. The financial statements are prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and 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

In April, 2010, the Company hired a new management team with a mandate to formulate and execute a business strategy for the Company going forward. Edward L. Ellwood, MBA was appointed to the board of directors and was named the President and CEO. Eric Plexman was appointed to the board of directors and was named the Corporate Secretary and CFO. Mr. Ellwood and Mr. Plexman have considerable previous experience in serving as directors or officers of publicly traded mineral companies.

During the past fiscal year, the majority of management's time for the Company was spent reorganizing the Company, securing the funds needed to reorganize, preparing the documentation relating to a share consolidation and name change, and investigating various mineral prospects primarily in the State of Montana.

In August, 2010, the Company entered into an option agreement to earn a 51% interest in a gold exploration property located in Montana and referred to as the Silver Bell – St. Lawrence Property (the "SBSL Property"). To earn the 51% interest the Company must spend US $250,000 in exploration by February 28, 2012. Two gold mines are reported to have previously operated on the SBSL Property in the early 1900's named the Silver Bell and the St. Lawrence Mines. Immediately after optioning the SBSL Property the Company commissioned the preparation of an NI 43-101 compliant technical report on the SBSL Property.

Also in August, 2010, the Company finalized the sale of the Rimrock Property in Nevada and renewed a limited number of mining claims on the Golden Trail Property in Nevada. Management does not intend to conduct further work on the Golden Trail Property but would consider optioning to a joint venture partner should one be found.

On September 8, 2010, the shareholders of the Company approved the consolidation of the issued and outstanding common shares on a 10 old shares for 1 new share basis resulting in 4,249,104 common shares issued and outstanding in the capital of the Company, and changing the name of the Company. The Company amended its articles of incorporation on November 3, 2010 to effect the share consolidation and to change the name form Gold Reef International, Inc. to the current name of Montana Gold Mining Company Inc.

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 $694,581 ($693,519 CAD). The common shares were issued at $0.05 each resulting in 13,870,380 common shares being issued for total issued of 19,919,484 as of April 29, 2011.

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 1,650,000 incentive stock options to directors, employees or consultants of the Company exercisable into common shares at an exercise price of $0.26.

On April 20, 2011, the Company filed on Sedar and posted to the Company website www.montanagoldmining.com and 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.

1.2 Overall Performance

In summary the Company's financial condition has decreased over the past twelve months ended December 31, 2010. Working capital decreased by $342,495 from ($321,842) at December 31, 2009 to ($664,337) at December 31, 2010. The net decrease is mainly attributable to:

(a) proceeds of sale of shares of $Nil (Dec 2009-$Nil);
(b) expending $170,354 (Dec 2009 - $32,712) on mineral properties
(c) debt settled with shares in the amount of $88,551 (Dec 2009 $Nil);
promissory notes in the amount of $196,053 (Dec 2009 - $Nil);
(d) working capital of $282,690 (Dec 2009 $37,872) used in other corporate matters including management and director fees
(e) debt settlement loss of $6,604 (Dec 2009 –gain of $353,312)

1.3 Selected Annual Information

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

	Year Ended Dec 31, 2010	Year Ended Dec 31, 2009	Year Ended Dec 31, 2008	Year Ended Dec 31, 2007
	$	$	$	$
Revenue	Nil	Nil	Nil	Nil
Income (loss) for the period (1)	(330,698)	198,423	(449,430)	(1,477,261)
Net income (loss) for the year	(387,732)	(1,387,877)	(3,147,449)	(1,666,979)
Net income (loss) per share (2)	(0.090)	(0.033)	(0.070)	(0.044)

Total assets	395,867	262,391	1,881,483	3,979,320
Long-term debt	Nil	Nil	Nil	Nil
Dividends per share	Nil	Nil	Nil	Nil

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

Subsequent Events

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

During the first quarter of 2011, the Company settled various debt obligations by issuing common shares or completed private placements totaling $694,581 ($693,519 CAD). The common shares were issued at $0.05 each resulting in 13,870,380 common shares being issued for total issued of 19,919,484 as of April 29, 2011.

Also during the first quarter of 2011, the Company appointed three independent new directors, Luard Manning, P.Eng., Paul Teodorovici, and John Wozny, MA, all of which 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 1,650,000 incentive stock options to directors, employees or consultants of the Company exercisable into common shares at an exercise price of $0.26 over a term of five years.

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.

1.4 Results of Operations

For the years ended December 31, 2010 and December 31, 2009, the Company had no revenue. Exploration expenses for the current year were $175,745 compared to $32,712 during the same period last year. Proceeds from the sale of claims for the current year were $122,109 compared to $Nil during the same period last year.

Expenses incurred during the period consist of:

i) Management fees of $117,074 (2009-$Nil) to the President and Secretary of the Company.
ii) Director fees of $65,870 (2009 - $Nil) to the Directors of the Company;
iii) Office and general of $53,950 (2009-$70,845) representing office rent, telephone and office supplies.
iv) Professional fees of $83,884 (2009-$69,439) relates primarily to legal, consulting, audit and accounting fees incurred during the period.
v) Write off of deferred exploration expenditures of $57,034 (2009 - $1,586,300) reflects disposal of Rimrock Property and write-down of Golden Trail Property;
vi) Loss on debt settlement of $6,604 (2009 – gain ($353,312));
vii) Amortization of $3,316 (2009 - $14,605) relates to a truck.

1.5 Summary of Quarterly Results

Total assets as at the end of December 31, 2010 were $395,867 (2009 - $262,391) and consisted of cash $170,436 (2009 - $19,060), capital assets $Nil (2009 - $19,893), mineral claims and deferred exploration

expenditures $141,752 (2009-$145,150) 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 (2009-$78,288). 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 liabilities as at December 31, 2010 were $880,274 (December 31, 2009-$447,617) consisting primarily of trade payables and promissory notes due. In 2009 a deposit on sale of mining claims was due. The increase in total liabilities is mainly due to the amounts owing to directors for management and director fees and promissory notes due.

The Company has no long term financial liabilities except for management's estimated site restoration costs relating to their exploration program of $45,501 (2009-$40,110).

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 December 31, 2010 Compared to Three months Ended December 31, 2009

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

Loss (Gain) on Debt Settlement: For the three months ended December 31, 2010, the Company realized a loss on the Debt Settlement with a consultant in the amount of $6,604. For the three months ended December 31, 2009, the Company realized a gain on the Debt Settlement with former shareholders in the amount of $353,312.

Expenses: Expenses for the three months ended December 31, 2010 were $157,463, an increase of $83,990 over the amount of $73,473 for the three months ended December 31, 2009. 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 December 31, 2010 the Company did not write off mineral claims and deferred exploration costs. In the three months ended December 31, 2009 the Company wrote-off $1,586,300 representing impairment on its claims as a result of a potential sale of these claims. The sale of these claims was completed in 2010.

Net earnings (loss): The Company incurred a net loss of ($157,463) for the three months ended December 31, 2010, a decrease of $1,148,998 over the three months ended December 31, 2009 ($1,306,461). Since the Company had no revenue, the net losses are attributable to the expenses noted above.

Twelve months Ended December 31, 2010 Compared to Twelve months Ended December 31, 2009

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

Loss (Gain) on Debt Settlement: For the twelve months ended December 31, 2010, the Company realized a loss on the Debt Settlement with a consultant in the amount of $6,604. For the twelve months ended December 31, 2009, the Company realized a gain on the Debt Settlement with former shareholders in the amount of $353,312.

Expenses: Expenses for the twelve months ended December 31, 2010 were $324,094, an increase of $169,205 over the amount of $154,889 for the twelve months ended December 31, 2009. 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 twelve months ended December 31, 2010 the Company wrote-off the loss on the sale of the Rimrock property in the amount of $57,034 originally recorded as mineral claims and deferred exploration costs. This amount is a decrease of $1,529,266 over the claims written off in 2009. In the twelve months ended December 31, 2009 the Company wrote-off $1,586,300. This amount represents impairment on claims which were sold in 2010.

Net earnings (loss): The Company incurred a net loss of $387,732 for the twelve months ended December 31, 2010, a decrease of $1,000,145 over the twelve months ended December 31, 2009 ($1,387,877).Since the Company had no revenue, and the net losses are attributable to the expenses noted above.

Summary of Quarterly Results to December 31, 2010

Description	Dec 31/10	Sep 30/10	June 30/10	Mar 31/10	Dec 31/09	Sep 30/09	June 30/09	Mar 31/09
	$	$	$	$	$	$	$	$
Sales/Revenue	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Net Income/Loss	(157,463)	(161,898)	(47,194)	(21,177)	(1,306,461)	(33,263)	(35,911)	(12,242)
Net Income/Loss Per share – Basic & Diluted	(0.0037)	(0.0038)	(0.0011)	(0.0005)	(0.0307)	(0.0008)	(0.0008)	(0.0003)

1.6 Liquidity

As at December 31, 2010, the Company had cash in the amount of $170,436 (2009-$19,060) and accounts payable, accrued liabilities and promissory notes payable of $834,773 (2009-$340,902). As at December 31, 2010, the Company has a working capital deficit of $664,337 (2009 - $321,842). 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 maintain its Golden Trail Property interest in Nevada, 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 April 29, 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 $157,345 (2009 - $NIL) of amounts owing to directors of the Company for management and director fees. Included in accounts payable and accrued liabilities is approximately $Nil (2009 - $145,000) of amounts owing to a former director.

(b) Included in office and administrative costs is approximately $117,074 (2009- $Nil) relating to amounts accrued to directors of the Company for management fees and $65,870 (2009-$Nil) relating to amounts accrued to directors of the Company for director's fees.

(c) Included in professional fees is approximately $Nil (2009 - $12,500) of amounts paid to a former director for legal services.

1.10 Fourth Quarter

For the fourth quarters ended December 31, 2010 and December 31, 2009, the Company had no revenue. Exploration expenses for the current quarter were $100,727 compared to $6,653 during the same period last year.

Expenses incurred during the period consist of:

viii) Management fees of $45,243 (2009-$Nil) to the President and Secretary of the Company.
ix) Director fees of $27,649 (2009 - $Nil) to the Directors of the Company;
x) Office and general of $24,086 (2009-$29,412) representing office rent, telephone and office supplies.
xi) Professional fees of $53,549 (2009-$42,341) relates primarily to legal, audit and accounting fees.
xii) Write off of deferred exploration expenditures of $Nil (2009 - $1,586,300) reflects disposal of Rimrock Property and write-down of Golden Trail Property;
xiii) Loss (gain) on debt settlement of $6,604 (2009 - $(353,312));
xiv) Amortization of $332 (2009 - $1,720) relates to a truck.

1.11 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 April 29, 2011.

1.12 Critical Accounting Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Items requiring the use of significant estimates include valuation of accounts receivable, amortization and impairment of fixed assets. Actual results could differ from those estimates.

1.13 Changes in Accounting Policies including Initial Adoption

International Financial Reporting Standards ("IFRS")

In February 2008, the Canadian Accounting Standards Board ("AcSB") confirmed January 1, 2011, as the date International Financial Reporting Standards ("IFRS") will replace current Canadian generally accepted accounting principles ("GAAP") for publicly accountable enterprises. As a result, the Company will report under IFRS starting with the interim period ending March 31, 2011, with restatement for comparative purposes of amounts reported under Canadian GAAP.

IFRS PROJECT UPDATE

The Company's IFRS conversion plan consists of three phases: Scoping and Diagnostic; Detailed Evaluation; and Implementation and Review. The Scoping and Diagnostic phase included the completion of a high-level impact assessment to identify key areas that may be affected by the conversion and the development of a detailed implementation plan. The Detailed Evaluation phase included a detailed analysis of the IFRS – Canadian GAAP differences and accounting policy choices under IFRS, and the initial assessment of the nonfinancial reporting related impacts. The Scoping phase has been completed. The Diagnostic and Detailed Evaluation and Implementation and Review phases are in progress and will be completed in the first quarter of 2011.

Based on the work completed to date, the transition to IFRS did not result in significant impacts to the Company's business activities, capital requirements or compensation arrangements. The transition did not result in significant changes to key controls during or after the transition to IFRS. Changes to financial reporting processes and data systems were required as a result of changes in accounting policies, and internal control and disclosure control documentation is being updated accordingly. The initial training of finance personnel is ongoing.

The International Accounting Standards Board responsible for the development and publication of IFRS have a significant number of projects underway, many of which could impact the differences between Canadian GAAP and IFRS applicable to the Company. Changes in IFRS could result in additional adjustments and/or changes to the adjustments currently being recognized in the IFRS opening balance sheet. Accordingly, the Company continues to monitor and evaluate changes in IFRS, and to update the conversion plan as required.

The Company has identified several areas where potential differences between Canadian GAAP and IFRS could result in changes to the amounts reported by the Company in its financial statements. While the quantification of these potential changes has not yet been finalized, the areas where the changes are most anticipated include:

Asset Retirement Obligations

Under IFRS, a liability must be recognized at the time when the entity becomes legally or constructively obliged to rehabilitate a disturbance resulting from mining activities, while under Canadian GAAP, a liability is only recognized when the entity is legally bound. Discount rates used should reflect the risks specific to the decommissioning provision. Unlike IFRS, under Canadian GAAP discount rates for asset retirement obligations are based on the entity's credit-adjusted risk-free rate. IFRS requires re-measurement of the liability at each reporting date whereas Canadian GAAP requires re-measurement of the liability in the event of changes in the amount or timing of cash flows required to settle the obligation. Over and above this, IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, requires the re-measurement of the provision for reclamation and rehabilitation if there is a change in the current market-based discount rate. However under Canadian GAAP HB 3110 *Asset Retirement Obligations,* the provision for reclamation and rehabilitation is not adjusted for changes in the discount rate.

Property, Plant and Equipment

IFRIC 1, *Changes in Decommissioning, Restoration and Similar Liabilities,* contains guidance on accounting for changes in decommissioning, restoration and similar liabilities due to timing in the revision of estimated outflows and revisions to the risk-free discount rate. Where changes occur, these changes

are required to be capitalized as part of the cost of the underlying assets and depreciated prospectively over the remaining life of the asset to which they relate.

IFRS requires identifying and measuring the cost of significant individual components of assets which have different useful lives than the core asset. Significant components are then separately depreciated based on their individual useful lives.

The Company intends to measure its property, plant and equipment using the historical cost model which is not expected to have a significant impact at the transition date or thereafter. Also, under IFRS, parts of items of property, plant and equipment that have a cost that is significant in relation to the cost of the item as a whole and have a different useful life must be depreciated separately from the remainder of the item. This is not expected to have a significant impact on transition date.

Share-based payments

While there is convergence between IFRS and Canadian GAAP in that share-based payments are recognized as an expense, there are a number of measurement differences. Under Canadian GAAP, the Company records forfeitures on unvested stock options as they occur. Unlike Canadian GAAP, IFRS requires that the rate of forfeiture be estimated every reporting period and an adjustment be made to stock based compensation expense. Canadian GAAP also allows the vesting of employee stock options to be recognized to operations on a straight-line basis whereas IFRS requires the use of a graded vesting model.

Income Taxes

IFRS requires a deferred tax asset or liability to be recognized for exchange gains and losses related to nonmonetary assets and liabilities that are re-measured into the functional currency using the historical exchange rates. Under Canadian GAAP, a deferred tax asset or liability is not recognized for a temporary difference arising from the difference between the historical exchange rate and the current exchange rate translations of the cost of non-monetary assets and liabilities of integrated foreign operations.

Furthermore, Canadian GAAP requires that the current and long-term portions of future income tax assets, and future income tax liabilities, be shown separately on the financial statements, whereas IFRS does not.

Mining Claims and Deferred Exploration Expenditures

IFRS 6 applies to exploration and evaluation expenditures incurred by an entity in connection with the exploration and evaluation of mineral resources. An entity may choose to defer on the balance sheet nearly all exploration and evaluation expenditures or recognize all such expenditures in operations as incurred. IFRS currently allows an entity to retain its existing accounting policies related to the exploration and evaluation of mineral properties, subject to some restrictions.

The Company capitalizes these costs and it expects to continue with this policy under IFRS. As such this is not expected to have a significant impact on transition date.

Foreign Currency

IFRS requires that the functional currency of the Company and its subsidiaries be determined independently for each entity, and under IFRS the factors considered to determine the entity's functional currency are somewhat different than current Canadian GAAP.

Impairment of Assets

IAS 36, *Impairment of Assets* ("IAS 36") uses a one-step approach for testing and measuring asset impairments, with asset carrying values being compared to the higher of their value in use and fair value less costs to sell. Value in use is defined as being equal to the present value of future cash flows expected to be derived from the asset in its current state. In the absence of an active market, fair value less costs to sell may also be determined using discounted cash flows. The use of discounted cash flows under IFRS to test and measure asset impairment differs from Canadian GAAP where undiscounted future cash flows are initially used to compare against the asset's carrying value to determine if impairment exists. This may result in more frequent adjustments in the carrying value of assets under

IFRS. However, under IAS 36, previous impairment losses may be reversed where circumstances change such that the impairment has been reduced. This also differs from Canadian GAAP, which prohibits the reversal of previously recognized impairment losses.

IFRS 1, First-Time Adoption of IFRS

IFRS 1 provides the framework for the first-time adoption of IFRS and specifies that, in general, an entity shall apply the principles under IFRS retrospectively. Certain optional exemptions and mandatory exceptions to retrospective application are provided for under IFRS 1. Prior to reporting the first IFRS compliant financial statements for the quarter ending March 31, 2011, the Company may decide to apply certain exemptions contained in IFRS 1.

i) Business combinations

IFRS 1 provides an option to not restate business combinations that occurred prior to the transition date or to only restate business combinations that occurred after a designated date prior to the transition date.

ii) Fair value as deemed cost

IFRS 1 allows an entity to initially measure an item of property, plant and equipment upon transition to IFRS at fair value on the transition date or at an event-driven fair value (i.e. a fair value determined through a business combination or initial public offering). This elective exemption can be applied on an individual asset basis.

The Company expected to elect not to report any items of property, plant and equipment, including mineral properties, in its opening balance sheet on transition date at a deemed cost instead of the actual costs that would be determined under IFRS. The Company will instead report the items at cost. Therefore, this optional exemption is expected to have no material impact at the transition date and thereafter.

iii) Cumulative translation account (“CTA”)

IFRS 1 allows cumulative translation differences for all foreign operations to be deemed zero at the date of transition to IFRS, with future gains or losses on subsequent disposal of any foreign operations to exclude translation differences arising from prior to the date of transition to IFRS.

iv) Decommissioning liabilities

Under IFRS 1, an entity can elect to not apply the provisions of IFRIC 1 - Changes in Existing Decommission, Restoration and Similar Liabilities, as they relate to changes in such liabilities before the date of transition to IFRS.

When applying this exemption, an entity determines its decommissioning liabilities at the transition date, discounts the liabilities back to the dates when they first arose using management’s best estimate of the historical risk-adjusted discount rates, and depreciates these amounts forward to the transition date to determine the amount to be included in the depreciated cost of the assets.

v) Share-based payment

IFRS 1 encourages, but does not require a first time adopter to apply IFRS 2 – Share-based Payment (“IFRS 2”) to equity instruments that were granted on or before November 7, 2002, or were granted after November 7, 2002 but vested before the Company’s IFRS transition date. Accordingly, an entity may elect not to retrospectively apply IFRS 2 to these equity instruments.

The Company has established that the use of the Black-Scholes model will be an acceptable method to estimate the fair value of the options at the date of grant under IFRS, and this is consistent with the Company’s current practice. The aforesaid differences may result in a difference in valuation of the share based awards and timing differences for the recognition of compensation expenses.

vi) Borrowing costs

IFRS 1 permits an entity to apply the transitional provisions of IAS 23 - Borrowing Costs (“IAS 23”) as an alternative to full retrospective application. Under these provisions, the Company may elect to only apply

IAS 23 to qualifying assets for which the commencement date for capitalization is on or after the date of transition (or an elected earlier date).

1.14 Financial Instruments and Other Instruments

All financial instruments are recorded initially at fair value. In subsequent periods, all financial instruments are measured based on the classification adopted for the financial instrument: held-to-maturity, loans and receivables, held for trading, available-for-sale or other liability.

Financial Assets

Held for trading assets are subsequently measured at fair value with the change in the fair value recognized in net income during the period.

Held-to-maturity assets are subsequently measured at amortized cost using the effective interest rate method.

Loans and receivables are subsequently measured at amortized cost using the effective interest rate method.

Available-for-sale assets are subsequently measured at fair value with the changes in fair value recorded in other comprehensive income, except for equity instruments without a quoted market price which are measured at cost.

Financial Liabilities

Held for trading liabilities are subsequently measured at fair value with the change in the fair value recognized in net income during the period.

Other liabilities are subsequently measured at amortized cost using the effective interest rate method.

The Company has classified its financial instruments as follows:

Financial Instrument	Classification
Cash	Held for trading
Reclamation bonds	Loans and receivables
Accounts payable and accrued liabilities	Other liabilities
Restoration liabilities	Other liabilities
Promissory notes payable	Other liabilities

The Company's financial instruments measured at fair value on the balance sheet consist of cash and are measured at level 1 of the fair value hierarchy. There are 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.

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 Statements of Operations and Deficit contained in its Audited Financial Statements for the year ended December 31, 2010, 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: December 31, 2010 – 6,049,104;
Issued and outstanding: April 29, 2011 (date of this report) – 19,919,484

Warrants outstanding: December 31, 2010 – 0
Warrants outstanding: April 29, 2011 – 0

Options outstanding: December 31, 2010 – 20,000
Options outstanding: April 29, 2011 – 1,670,000

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 accounting principles generally accepted in Canada. 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 and is currently scheduled for trial on April 25, 2011. 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. Management believes that this is a frivolous claim. The outcome of the above claim is not determinable 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.