

Form 51-102F1
Management's Discussion & Analysis

GENERAL

This management's discussion and analysis ("MD&A") of Trueclaim Exploration Inc. (the "Company" or "Trueclaim") refers to material information regarding the three months of Trueclaim ended March 31, 2011 and has been prepared by management with an effective date of June 28, 2011.

The following information should be read in conjunction with the Company's unaudited interim financial statements for the three months ended March 31, 2011 together with all of the notes, risk factors and information contained therein which have been prepared in accordance with International Financial Reporting Standard. All amounts shown are in Canadian currency.

DESCRIPTION OF BUSINESS

The Company is a mineral exploration company listed on the TSX-Venture Exchange (Symbol TRM). The Company is engaged in the acquisition and development of precious and base metals properties in strategically located areas, currently within Ontario and Arizona

CORPORATE DEVELOPMENTS

The Company was incorporated on May 17, 2006 by Certificate of Incorporation issued pursuant to the provisions of the Business Corporations Act of British Columbia under the name "Stage Capital Inc."

On March 30, 2007, the Company was classified as a capital pool corporation ("CPC") as defined by policy 2.4 of the TSX Venture Exchange (the "TSXV").

On July 22, 2008, the Company announced that it had entered into an arm's length letter of intent with Trueclaim Resources Inc. ("Trueclaim Resources") dated July 7, 2008 pursuant to which the Company and Trueclaim Resources proposed a business combination ("the Transaction") by way of an amalgamation, arrangement, take-over bid, or other similar form of transaction. This transaction was completed on December 18, 2008 pursuant to an arrangement agreement, as amended, (the "Arrangement") among the Company, Trueclaim Resources and 7048955 Canada Inc. ("Stage Subsidiary"), a wholly-owned subsidiary of the Company. Upon completion of the Arrangement, (i) Trueclaim Resources amalgamated with Stage Subsidiary (to form a company called "Trueclaim Resources Inc.") and (ii) all of the outstanding securities of Trueclaim Resources, including warrants, were exchanged for equivalent securities of the Company on a one-for-one basis. The Company issued an aggregate of 10,717,000 common shares and 2,790,650 share purchase warrants of the Company in connection with the Transaction. Following completion of the Arrangement, Trueclaim Resources Inc. became a wholly-owned subsidiary of the Company and the former shareholders of Trueclaim Resources hold a majority of the shares of the Company. The Transaction was accounted for as a reverse-takeover, therefore, all information in this MD&A refers to Trueclaim Exploration Inc. (formerly Stage Capital) for the period after the date of the Transaction and to Trueclaim Resources for periods prior to that date.

The Company changed its name from Stage Capital Inc. to Trueclaim Exploration Inc. following its annual general meeting held February 12, 2009.

As at the date of this MD&A, the following securities of the Company are outstanding:

COMMON SHARES:	73,599,489
WARRANTS:	16,965,345
FINDERS OPTIONS:	1,289,359
OPTIONS:	6,031,500

Note: Each warrant is exercisable into one common share of the Company. 477,088 finder's options are exercisable into units consisting of one common share of the Company and one non-transferable common share purchase warrant. 812,307 finder's options are exercisable into units consisting of one common share of the Company and one-half of one non-transferable common share purchase warrant.

The Company has adopted a stock option plan that allows the Company to issue options to certain directors, officers, employees and consultants of the Company in accordance with the stock option plan and subject to the rules and policies of the TSX Venture Exchange.

Common shares of the Company are now trading on the OTCQX marketplace.

RESULTS OF OPERATIONS

The Company has not yet determined whether any of its exploration properties contain mineral reserves that are economically recoverable. All direct costs associated with the exploration of these properties have been capitalized as incurred. If a property is abandoned, or continued exploration is not practicable or is not planned to be carried out in the near future, the related deferred exploration expenditures and mineral property costs may be written off or written down (impaired) as may be appropriate.

EXPLORATION PROJECTS (CANADA)

EAST WAHNAPITAE AREA, SUDBURY MINING DIVISION SCADDING PROPERTY

The information reported in this section relate to the period from January 1, 2011 to the date of this report, that being June 28, 2011. Information on the agreement on the Scadding Gold Property and earlier work undertaken by Trueclaim Exploration can be found in the previous MD&A prepared by the company dated April 28, 2011

The Company has completed its first phase of drilling on the Scadding Property, undertaken an exploratory drill program and is now 75% through its 8,000 metre Phase II diamond drilling program on the Scadding Gold Property Minesite Area. SRK Consultants (Canada) Inc. ("SRK") has been retained to evaluate the structure of the chlorite mineralization. Highlights of this drilling are discussed below.

Assessment Submissions

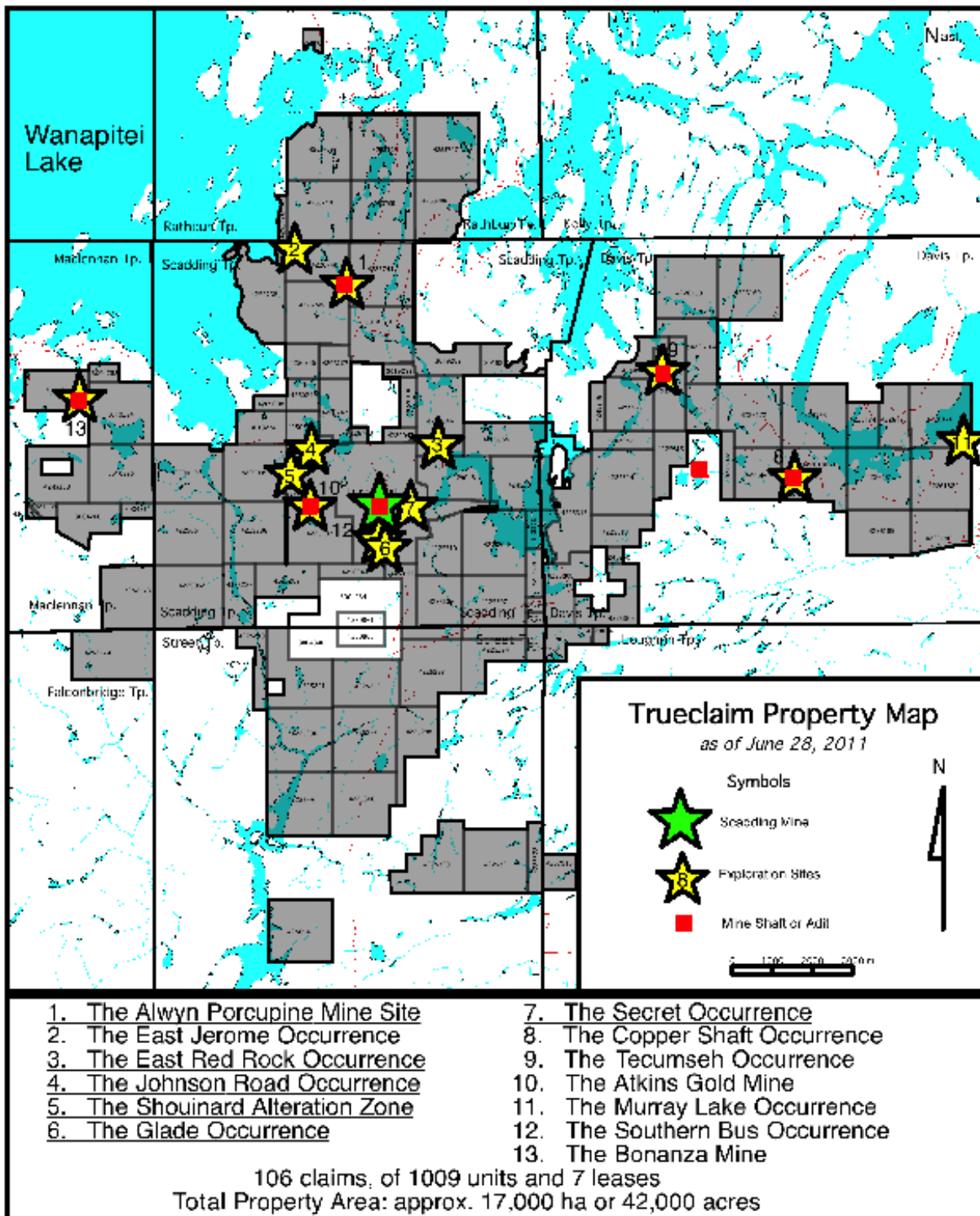
Assessment reports were prepared to retain the claims deemed to have the best exploration potential.

XRF Lease Rental Agreement

The Company lease agreement to acquire the use of a hand held X-ray Fluorescent unit (XRF) to assist in the onsite evaluation of alteration and mineralization has now been completed and the company now owns this equipment. The unit acquired is the InnovX Systems Inc. “Delta Premium” model that was introduced during the Prospectors and Developers Association of Canada convention held in March, 2010. This setup will offer enhanced in-field detection capabilities, and allow for the creation of multi-element colour coded geochemical real-time in-field maps.

Spring 2011 Field Exploration Program

In periods of drilling downtime the Trueclaim team has been investigating the Tecumseh Showing, preparing field maps and sampling this area in preparation for a future drill program in this area of anomalous gold mineralization.



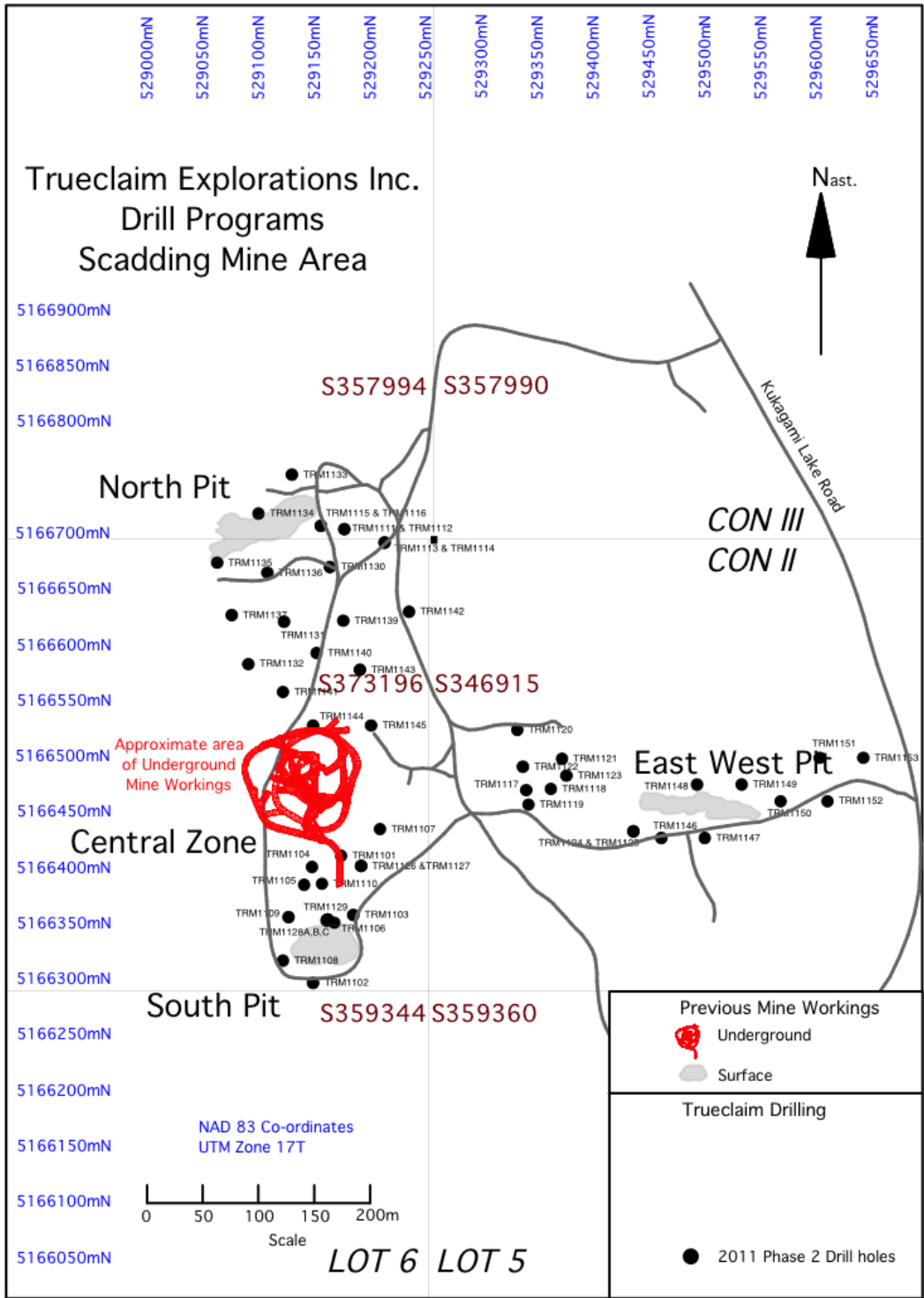
Phase II Drilling

Trueclaim has completed approximately 6,000 metres of its Phase II 8,000 metre (26,248 feet) drill program on the Scadding mine site. Drilling commenced in January 2011 and has so far encountered about 8 weeks of downtime for various reasons from scheduled downtime to break-downs.

Drilling began in the South Zone on the property to follow up on high-grade intercepts drilled in the Phase I drilling program. 1,094m were drilled in the first 10 holes on the South Zone. Significant intercepts are shown below:

Hole	Interval			Grade
Hole ID	From (m (ft))	To (m (ft))	Interval (m (ft))	Au g/t
TRM-11-10	53.0 (173.8)	68.8 (225.7)	15.8 (51.9)	5.36
<i>Containing</i>	56.0 (179.8)	62.0 (203.4)	6.0 (23.6)	11.74
TRM-11-03	32.0 (105.0)	51.0 (167.3)	19.0 (62.3)	2.46
<i>Containing</i>	36.0 (118.1)	43.0 (141.0)	7.0 (22.9)	4.45
TRM-11-02	16.0 (52.5)	26.0 (85.3)	10.0 (32.8)	1.20
TRM-11-02	47.0 (154.2)	52.0 (170.6)	5.0 (16.4)	2.25
TRM-11-09	27.0 (88.6)	28.0 (91.9)	1.0 (3.3)	7.28
TRM-11-06	45.2 (148.4)	46.0 (150.9)	0.8 (2.5)	7.84
TRM-11-08	49.0 (160.8)	50.0 (164.1)	1.0 (3.3)	5.36

In February, an SRK structural geologist spent a week at the core shack looking at sections of high grade mineralization from all zones and the nature of the un-mineralized chlorite found on the Scadding Mine Site. Due to the complexity of the chlorite breccia units SRK recommended that six oriented drillholes be drilled in the North Zone to obtain precise structural information on the nature of the mineralization and trend of the brecciation.



Plan of Trueclaim Phase 2 Drilling from January 1st 2011 to June 28, 2011 Scadding Minesite, Scadding Township.

All holes were successful in hitting chlorite zones and the results are listed below:

Hole	Interval			Grade
Hole ID	From (m (ft))	To (m (ft))	Length (m (ft))	Au (g/t)
TRM-11-11	50.0 (164.0)	54.4 (178.5)	4.4 (14.5)	2.32
TRM-11-12	32.0 (105.0)	38.0 (124.7)	6.0 (19.7)	2.79
TRM-11-13	97.0 (318.2)	99.0 (324.8)	2.0 (6.6)	0.44
TRM-11-14	61.0 (200.1)	66.0 (216.5)	5.0 (16.4)	2.39
Containing	62.0 (203.4)	63.0 (206.7)	1.0 (3.3)	10.17
TRM-11-14	104.7 (343.5)	113.0 (370.7)	8.3 (27.2)	1.35
TRM-11-15	10.0 (32.8)	16.6 (54.5)	6.6 (21.7)	1.02
TRM-11-15	30.0 (98.4)	40.0 (131.2)	10.0 (32.8)	3.50
Containing	32.0 (105.0)	36.0 (118.1)	4.0 (13.1)	7.72
TRM-11-16	38.5 (126.3)	51.5 (169.0)	13.0 (42.7)	1.88
Containing	38.5 (126.3)	42.5 (139.4)	4.0 (13.1)	4.58

The structural measurements taken from the core allowed us to determine that the chlorite zones were striking towards the south-east at 130° and dipping towards the south-west at 47°.

Following the North Zone orientation drillholes, Trueclaim drilled a total of seven holes totaling 687 meters in the New Zone. The seven holes TRM-11-17 to TRM-11-23 were inclusively drilled from March 12th until March 20th of 2011. The mineralization in the New Zone is similar in mineralogy to the gold bearing zone found in the North Zone. Chlorite was seen in all holes and visible gold was noted in TRM-11-22.

The following assays were the highlights from the area:

Hole	Interval			Grade
Hole ID	From (m (ft))	To (m(ft))	Length (m(ft))	Au (g/t)
TRM-11-18	52.0 (170.6)	55.7 (182.7)	3.7 (12.1)	12.30
<i>Containing</i>	52.8 (173.3)	53.5 (175.5)	0.7 (2.2)	24.01
	55.0 (180.4)	55.7 (182.7)	0.7 (2.3)	25.89
TRM-11-20	63.0 (206.7)	64.0 (210.0)	1.0 (3.3)	21.47
TRM-11-22	31.5 (103.4)	33.0 (108.3)	1.5 (4.9)	94.50
<i>Containing</i>	32.5 (106.6)	33.0 (108.3)	0.5 (1.6)	177.04
TRM-11-23	53.3 (174.7)	57.5 (188.5)	3.5 (13.8)	1.47

With the success of the orientated drilling from the North Zone the orientation tool was brought back onto the Scadding Mine site to drill two holes in the E-W Pit and four holes in the South Zone to determine if the orientation of these zones was consistent with measurements that were observed in the North Zone.

Measurements from the E-W Pit suggests that the zone strikes towards the south-east at 140° and dips towards the south-west at 75°. The strike of the E-W Zone is consistent with the North Zone and has a similar strike within 10° degrees of the North Zone and can be digitally connected along that orientation. One historical drillhole occurs in the area between the north zone and the E-W zone along the 120° strike and it was drilled to the south. This orientation is consistent with the historical interpretation. Future exploration holes are planned to explore the ground between the North Zone and the E-W Zone (shown below).



The oriented holes drilled in the South Zone were planned to drill on either side of the olivine diabase. Two holes targeted mineralization on the south-west side of the olivine diabase and two targeted the north-east, to establish whether the chlorite zones had consistent orientations irrelevant of the intrusion of the olivine diabase and to get measurements on the orientation of the dyke. Oriented drilling revealed that the South Zone strikes south-east at 120° and dips towards the south-west at 79°. These measurements are fairly consistent with the measurements taken in the North Zone and E-W Zone.

Significant intersections from the four oriented holes in the South Zone are shown in the chart below:

Hole	Interval			Grade
Hole ID	From (m(ft))	To (m(ft))	Length (m(ft))	Au (g/t)
TRM-11-26	42.2 (138.3)	44.73 (146.7)	2.58 (8.46)	3.18
TRM-11-26	56.1 (184.0)	56.59 (185.6)	0.50 (1.63)	1.72
TRM-11-27	44.0 (144.3)	45.48 (149.17)	1.48 (4.85)	1.07
TRM-11-28A	27.36 (89.74)	36.80 (120.70)	9.44 (30.96)	2.54
Containing	30.40 (99.71)	30.90 (101.35)	0.50 (1.64)	17.27
TRM-11-29	24.00 (78.72)	25.00 (82.00)	1.00 (3.28)	8.91

Results from other drill holes are being received and are being prepared for release.

Quality Assurance

Trueclaim has implemented a rigorous quality assurance/quality control program at the Scadding property using best industry practices and supervised by Ms Lindsay Moss, P. Geo. and subjected to independent third party review.

PROPERTY ACQUISITIONS

As a result of property acquisitions and consolidation, claims dropped and others staked to obtain and retain the most prospective areas, the Company now holds under option or directly approximately 17,000 hectares (42,000 acres) in **The East Wahnapiatae Area** (inclusive of the original Scadding mine site and outlying properties) either directly or under option. The Scadding Township and Davis Township area has more gold occurrences than any other similar sized area in the Sudbury Mining District.

SANDEB PROPERTY, RED LAKE MINING DIVISION, ONTARIO

The Company holds an undivided 100% legal and beneficial working interest in the Sandeb Property in the Red Lake Mining Division in north-western Ontario that the Company is exploring for gold. The Sandeb Property consists of six unpatented mineral claims containing 96 mineral claim units encompassing an area of approximately 3,840 acres within the Dixie Lake area approximately 24 kilometres southeast of the town of Red Lake. The claims are not subject to any royalty. The claims are all registered in the name of Trueclaim Resources Inc.

In March 2011 the Company entered into an option agreement (the “Agreement”) with Silver Shield Resources Corp. (“Silver Shield”) whereby Silver Shield can acquire a 100% working interest in the Sandeb Property. To exercise the option, Silver Shield must pay an aggregate of 500,000 common shares of Silver Shield to Trueclaim on or before the second anniversary of the Effective Date of the Agreement and incur cumulative expenditures of not less than \$300,000 on the Property before the third anniversary of the Effective Date of the Agreement. Trueclaim will retain a 2% net smelter return royalty. Completion of the Agreement is subject to regulatory approval.

EXPLORATION PROJECTS (USA)

BLACK DIAMOND PROJECT, GILA COUNTY, ARIZONA

The Company has entered into an option agreement (the “Option”) with Black Diamond Exploration Inc. (“Black Diamond”) in Claypoole, Arizona to acquire 100% of the 127 claims owned by Black Diamond representing approximately 2,500 acres. The claims area is located in and around an area known as the Richmond Basin in the Apache Mountains of Gila County, located approximately 100 miles east of Phoenix, Arizona.

The property includes the former McMorris and Silver Seven mines, as well as several other smaller mines. The area is readily accessible by year-round roads and has extensive nearby local mining infrastructure. Acquisition of the claims followed an extensive review of the property, including a physical inspection by the Trueclaim geological team in early May, 2010.

The site was first discovered in the late 1800s and subsequently prospected with limited production by a number of small operators between 1900 and 1980, but no formal drill program was ever undertaken. In addition no shafts were sunk beyond the 700 foot level, nor were there any efforts to create a comprehensive picture of the potential resource. Five major operating mining porphyry copper operations occur within a 20 mile radius and include:

- i) Freeport McMoran Copper & Gold- Miami, Arizona - operating a large open pit mine and smelter operation ramping up production to 100 million pounds of copper by 2011.
- ii) BHP, Pinto Valley, Arizona - an open pit operation producing approximately 18.1 million pounds of copper per year.
- iii) Quadra Mining Ltd., Carlotta Mine, Globe, Arizona - open pit producing approximately 65.7 million pounds copper per year.
- iv) Resolution Copper, Superior, Arizona - an underground operation cited as potentially one of the largest, richest and deepest (7,000 feet deep) copper and molybdenum ore bodies in North America.
- v) Grupo Mexico, Ray Pit and Hayden Smelter, Mission, Arizona - this company's Arizona operations are producing approximately 232 million pounds of copper per year, as well as more than 600,000 ounces of silver.

The area has an extensive mining support infrastructure that the Company will be able to draw upon in its planned exploration and development activities for the McMorris and Buckeye sites. The Company's consulting geologist Mr. Bob Komarechka, P.Geol. has also reviewed the property and described it in geological terms as follows. "the Black Diamond property occurs in the Richmond Basin Area of Gila County Arizona about 16 kilometres north from the prolific Tertiary porphyry copper mines of Globe, Arizona. The historic silver ore was mined primarily from steeply dipping mineralized faults & fractures with veins trending east-west and north-south, and the most productive being the east-west McMorris Fault. Sub-horizontal mineralized fractures were also noted. The fractures for the most part were mined within a large diabase body of Proterozoic age, although the fractures continue below into younger rocks as well. It has been proposed that these faults may be related to a post diabase anticlinal structure in the area. Near surface supergene enrichment along the mineralized faults resulted in native silver and silver halides being derived from the deeper argentite and sulphosalt proto-ores. Silver mineralization is also found within the pre-diabase basal Scandan conglomerate and within a post-diabase (Tertiary) diorite and andesitic porphyry. This diorite, along its footwall contact with the diabase, has been found to contain high silver values in the McMorris Mine. Previous authors (Bishop, O.M., University of Arizona Thesis, 1935) reported the silver mineralization to be of Tertiary age, perhaps contemporaneous with the latter stages of the diorite intrusion. Trueclaim should further investigate the diorite's relationship to the later hydrothermal fracture mineralization within the structural complex of the area using modern geochemical and geophysical techniques."

The Company has commenced a Phase I exploration program for the Black Diamond property. A digital geo-referenced base map of tenure, topography and limited geological data has been prepared. The company has engaged Arizona geological consultant Nick Barr to assist in the permitting process and to undertake a preliminary geological examination of the property to confirm geologic contact, structure, alteration and mineralization. To further facilitate operations in Arizona, Trueclaim Exploration Inc. has incorporated a US subsidiary company, Trueclaim Resources (US) Inc. Currently a preliminary geological study followed by a Magnetometer/EM survey is being considered to more effectively evaluate the property. A drill program would then follow based on positive results of this work.

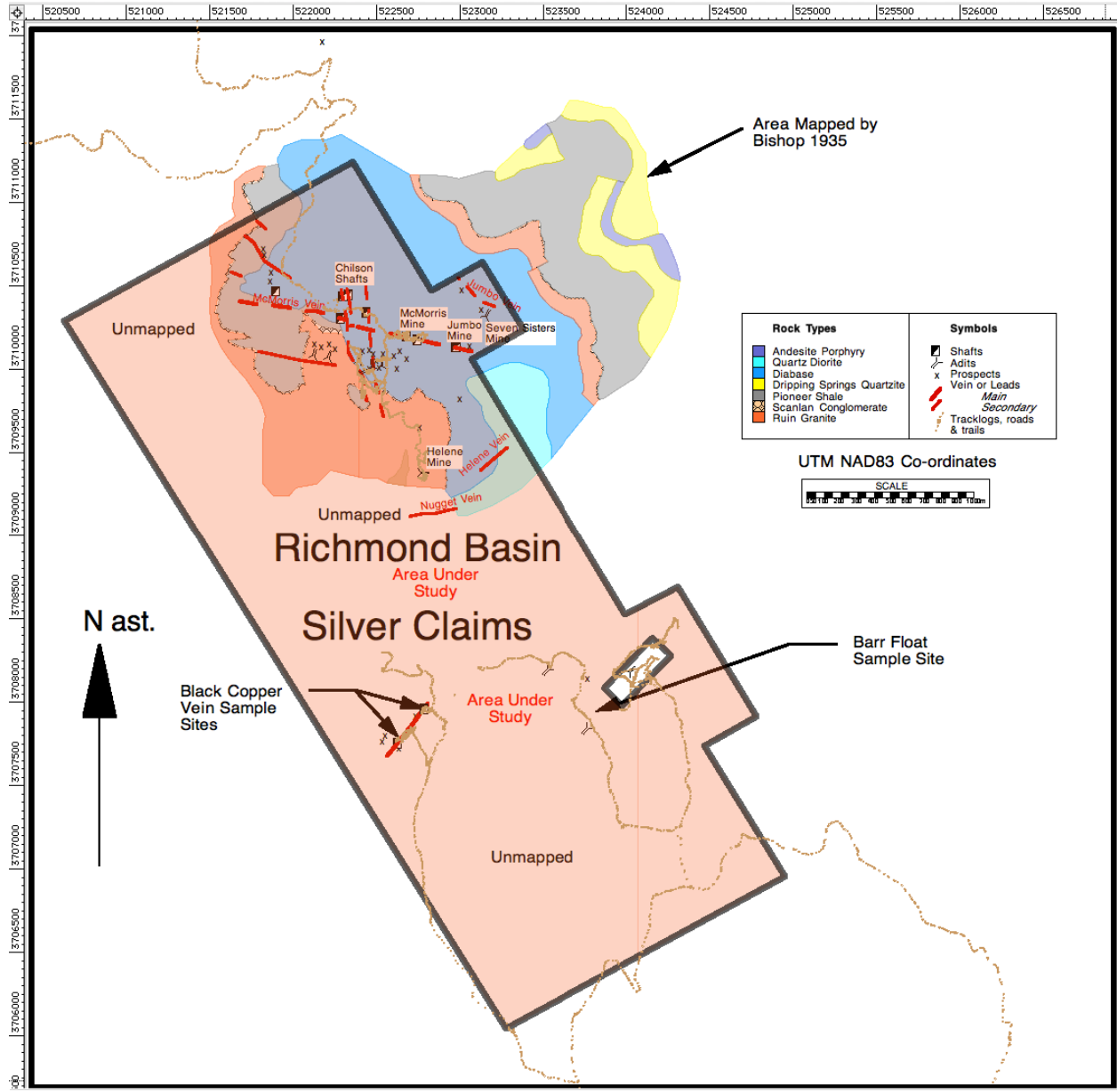
Trueclaim can earn an undivided 100% interest in the Property by paying the aggregate sum of \$850,000 in cash, issuing an aggregate of 800,000 common shares in the capital of Trueclaim Exploration Inc. and incurring \$1,500,000 in exploration expenditures over a three year period.

Under the terms of a royalty reduction agreement the NSR may be reduced by Trueclaim in stages to 1%.

A field examination resulted in the recognition of a replacement vein containing copper rich magnetite (the Black Copper Vein) with assay results as shown below. This mineralizing trend occurred near the contact with the Tertiary diorite and limestone and extended for approximately 400 metres. Bids for undertaking a geophysical survey of this area are being reviewed. Assay results of surface hand samples from the property of this mineralized zone were reported in a Trueclaim press release dated June 1, 2011, and are shown below. A silver rich float sample was also found on the property and assayed high silver values as shown below.

Sample #	Area	Au g/t	Au oz/ton	Ag g/t	Ag oz/ton	Cu %
70553*	Black Copper Vein	1.783	0.052	6.857	0.20	5.584
70555*	Black Copper Vein	2.057	0.060	0.001	0.05	7.451
70557*	Black Copper Vein	1.78	0.052	<0.001	<0.05	7.070
E5096668	Black Copper Vein	2.873	0.084	23	<10	3.764
E5096666	Barr Float	0.005	0.000	3040	88.666	9.389
E5096667	Barr Float	0.015	0.000	2852	83.183	8.312

Table 1: * denotes samples assayed by Jacobs Assay Office of Tucson Arizona. All other samples were assayed by Accurassay Laboratories of Thunder Bay Ontario.



Map showing area of samples collected in table 1.

SELECTED FINANCIAL INFORMATION

Financial Yearend (Dec.31)	Total Revenue	Net loss and comprehensive loss for the year	Net loss per Share basic & diluted	Total Assets	Long- term Liabilities	Cash Dividends Declared Per share
2008	Nil	(\$150,049)	(\$0.01)	\$1,006,151	52,328	Nil
2009	Nil	(\$994,028)	(\$0.04)	\$2,913,147	Nil	Nil
2010	Nil	(\$1,571,527)	(\$0.03)	\$4,170,223	Nil	Nil

The following table sets forth selected unaudited quarterly financial information:

	March 31/11	December 31/10	September 30/10	June 30/10	March 31/10	December 31/09	September 30/09	June 30/09
Sales/ Revenue	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Net income/(loss) and comprehensive income/(loss) for the period	(\$11,514)	(\$1,229,566)	(183,215)	(\$126,475)	(\$32,001)	(\$410,593)	(\$373,857)	(\$136,143)
Net Income/ (Loss) per Share - Basic and Diluted	(\$0.00)	(\$0.02)	(0.00)	(\$0.00)	(\$0.00)	(\$0.02)	(\$0.01)	(\$0.01)

Reclassifications of operating expense captions

During the three month period ended March 31, 2010, management changed the classification of certain operating expenditures, with corresponding changes to the prior period for comparative purposes.

Previously, management fees only included the salaries of two executives of the Company. During the reclassification, two additional executive's fees, paid as consultants, are now included in management fees with the costs previously being recognized as professional fees. Monies paid to the Chief Financial Officer are now also included in management fees, while previously included in professional fees.

Professional fees now encompass only legal and accounting fees incurred by the Company.

Administrative fees now encompass all payments to investor relation consultants. As noted above, these fees were previously included in professional fees.

Three month period ended March 31, 2011

The Company has no producing mining operations, and accordingly, the Company did not have any revenues during the period. The Company incurred a net loss of \$11,514 or \$0.00 a share for the three month period ended March 31, 2011, compared with a net loss of \$32,001 or \$0.00 per share for the same period ended March 31 2010.

For the three month period ended March 31, 2011, management fees were \$160,003 compared to \$64,955 during the same period in 2010. The company incurred \$40,000 of expenditure in 2011 relating to consulting costs of an executive that in previous years had been capitalized to its mining properties. The Company also paid director fees of \$45,000 in 2011 compared to nil in 2010.

Professional fees of \$30,204 were incurred during the three month period ended March 31, 2011 compared to \$50,839 during the same period in 2010. The reduced expenditure is linked to the reduction in legal fees associated with the purchase of land options.

For the three month period ended March 31, 2011, administrative expenses increased to \$192,954 from \$130,955 in the same period in 2010. Namely, the increased costs reflect the greater use of investor relation consulting services by the Company.

Stock compensation expense for the three month period ended March 31, 2011 was \$15,295, compared to \$nil for the three month period ended March 31 2010. Stock-based compensation expenses are booked based on the valuation of options using the Black-Scholes model. The expense varies based on the number of options issued and the underlying assumptions used in the model.

Three months ended March 31, 2011 vs. March 31, 2010

Operating Activities

Cash flow used by operating activities before changes in non-cash working capital during the three months ended March 31, 2011 was \$356,654 compared to \$288,874 during the same period in 2010.

Investing Activities

During the three months ended March 31, 2011, the Company spent \$492,072 on intangible assets, compared to \$322,462 in the three month period ended March 31, 2010. These expenditures were incurred as the Company continues in forwarding the exploration properties toward potential production.

Financing Activities

During the three months ended March 31, 2011, cash flow provided in financing activities was \$13,490 through the exercise of options and warrants, compared to \$244,321 in proceeds from the exercise of options, warrants and a private placement during the first quarter of 2010.

Liquidity Outlook and Capital Resources

The Company had cash and cash equivalents of \$153,811 available at March 31, 2011, a decrease of \$835,236 from the balance at December 31, 2010 of \$989,047.

The Company's working capital decreased by \$474,582 to (\$31,578) from \$443,004 at December 31, 2010. Subsequent to March 31, 2011, the Company raised \$853,558 through a non brokered private placement.

The further development and exploration of the Company's mineral projects and general and administrative expenses depends upon the Company's ability to obtain financing through equity financing, joint ventures, debt financing, or other means. There is no assurance that the Company will be successful in obtaining required financing as and when needed. Volatile markets for precious and base metals and/or volatile stock markets and fluctuations in the price of the Company's shares may make it difficult or impossible for the Resulting Issuer to obtain equity financing or debt financing on favorable terms or at all. Failure to obtain additional financing on a timely basis may cause the Resulting Issuer to postpone its development plans, forfeit rights in some or all of its properties or reduce or terminate some or all of its operations.

As at March 31, 2011 the Company had negative working capital of \$31,578. Working capital, is defined by the Company to be the amount by which the current assets exceed the current liabilities, as disclosed on the Company's statement of financial position.

The Company and its subsidiary Trueclaim Resources Inc. were partially financed through the issuance of flow-through shares, requiring that the proceeds be spent on qualified mining exploration expenses. Moreover, tax rules regarding flow-through investments set deadlines for carrying out the exploration work, subject to penalties if the conditions are not respected. Although the Company is committed to taking all the necessary measures, refusal of certain expenses by the tax authorities would have a negative tax impact for investors.

Transactions with Related Parties

During the three month period ended March 31, 2011, the Company paid management and professional fees to directors and officers in the amount of \$141,328 (2010 - \$85,410). Of this amount, \$12,000 (2009 - \$12,000) represents costs incurred for mining exploration expenditures which were capitalized as mining properties during the period. The Company paid fees of \$6,210 to an organization owned by a director of the Company for legal services received.

TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRS”)

Transition to IFRS from GAAP

In February 2008, the Canadian Accounting Standards Board confirmed that Canadian publicly accountable enterprises will be required to adopt International Financial Reporting Standards (“IFRS”) for financial periods beginning on and after January 1, 2011.

The Company has adopted IFRS with an adoption date of January 1, 2011 and a transition date of January 1, 2010.

Impact of IFRS

IFRS employs a conceptual framework that is similar to Canadian GAAP; however significant differences exist in certain matters of recognition, measurement and disclosure. While the adoption of IFRS did not change the actual cash flows of the Company, the adoption resulted in changes to the reported financial position and results of operations of the Company. In order to allow the users of the financial statements to better understand these changes, we have provided the reconciliations between Canadian GAAP and IFRS for the total assets, total liabilities, shareholders equity, in Note 4 to the interim consolidated financial statements. The adoption of IFRS has had no significant impact on the net cash flows of the Company. In preparing the reconciliations, the Company applied the principles and elections of IFRS 1, with a transition date of January 1, 2010. As the Company has adopted IFRS effective January 1, 2010, has applied the provisions of IFRS 1 as described under the section entitled “Initial Adoption – IFRS 1”, with a January 1, 2010 transition date. The Company will also apply IFRS standards in effect at December 31, 2011 as required by IFRS 1.

Initial Adoption of International Accounting Standards

IFRS 1 “First Time Adoption of International Accounting Standards” sets forth guidance for the initial adoption of IFRS. Under IFRS 1 the standards are applied retrospectively at the transitional date of the statement of financial position with all adjustments to assets and liabilities as stated under GAAP taken to retained earnings unless certain exemptions are applied.

The Company elected to take the following IFRS 1 optional exemptions:

- to apply the requirements of IFRS 3, *Business Combinations*, prospectively from January 1 2010;
- to apply the requirements of IFRS 2, *Share-based payments*, only to equity instruments granted after November 7, 2002 which had not vested as of January 1, 2010.

Comparative Information

The Company has restated all periods from January 1, 2010 onwards in accordance with IFRS.

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 Company's mineral properties. Even if such commercial quantities are subsequently discovered by the Company'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 Company. Hazards such as unexpected formations, pressures, flooding, or other conditions over which the Company does not have control may be encountered and may adversely affect the Company'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 Company's operations.

Mineral Market

The market for minerals is subject to factors beyond the Company'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 Company will 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 Company 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 Company could materially adversely affect the Company

Forward Looking Statements

This discussion includes certain statements that may be deemed "forward-looking statements". All statements in this discussion, other than statements of historical facts, which address future production, reserve potential, exploration activities and events or developments that the Company expects, are forward-looking statements. Although the Company believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, such

statements are not guarantees of future performance and actual results or developments may differ materially from those in the forward-looking statements. Factors that could cause actual results to differ materially from those in forward-looking statements include market prices, exploitation and exploration successes, continued availability of capital and financing, and general economic, market or business conditions. Investors are cautioned that any such statements are not guarantees of future performance, that the Company expressly disclaims any responsibility for revising or expanding the forward-looking statements to reflect actual results or developments, and that actual results or developments may differ materially from those projected, in the forward-looking statements.

Other Information

Additional information is available on SEDAR www.sedar.com.