ZGOLD EXPLORATION INC.

ANNUAL MANAGEMENT'S DISCUSSION AND ANALYSIS REPORT FOR THE FISCAL YEAR ENDED DECEMBER 31, 2010

This annual management's discussion and analysis report ("MD&A") provides an analysis of our financial condition and results of operations to enable a reader to assess material changes for the Fiscal year ended December 31, 2010, in comparison with the same period of last year. This MD&A was prepared as at April 29, 2011, and is intended to complement the annual financial statements. This annual MD&A and our annual financial statements are intended to provide investors with reasonable basis for assessing our results of operations and financial performance.

Z-Gold Exploration inc. (the "Company") was incorporated pursuant to the provisions of the *Business Corporations Act* (Alberta) on June 15, 2006 and was classified as a Capital Pool Company as defined in Policy 2.4 of the TSX Venture Exchange. On September 16, 2006, the Company changed its name from Powerbeaver Capital Corp. to Nano Capital Corp. On March 11, 2010, the Company changed its articles to change its name from Nano Capital Corp. to Z-Gold Exploration Inc. Z-Gold Exploration Inc. is a junior mining exploration company, exploring for gold and base metals in the Abitibi Greenstone Belt. The shares of Z-Gold Exploration Inc. are trading on the TSX Venture under the symbol ZGG and as at December 31, 2010, 16,921,669 common shares were issued and outstanding.

This MD&A contains "forward-looking statements" not based on historical facts. Forward-looking statements express, as at the date of this report, our estimates, forecasts, projections, expectations and opinions as to future events or results. Forward-looking statements herein expressed are reasonable, but involve a number of risks and uncertainties, and there can be no assurance that such statements will prove to be accurate. Therefore, actual results and future events could differ materially from those anticipated in such statements, Factors could cause results or events to differ materially from current expectations expressed or implied by forward-looking statements include, but are not limited to, fluctuations in the market price of precious metals, mining industry risks, uncertainty as to calculation of mineral reserves and requirements of additional financing and the capacity of the Company to obtain financing.

MINING PROPERTIES

ABITIBI GOLD PROPERTY (ONTARIO)

Z-Gold Exploration Inc. has acquired the Abitibi Gold Property by issuing 3,000,000 common shares in favour of 1527805 Ontario Ltd., which company became an insider of the Company, owning more than 10% of the issued shares of the Company.

The Abitibi Gold Property is comprised of five 21 year mining leases containing 85 claims consisting of 91 claim units located in south central part of Munro Township in the Larder Lake Mining Division, Province of Ontario. The Abitibi Gold Property covers approximately 1,459 ha and is located approximately 86 km east northeast of the City of Timmins. Access to the Property is easy with paved highway 101 passing near the south boundary of the Property and gravel secondary roads giving access to the central area of the Property.

On June 29, 2010, the Company entered into an option agreement to acquire a 100% interest in two additional claims (3 units) in the Abitibi Gold. To acquire a 100 % interest in the additional claims of the Abitibi Gold Property, the Company paid $2,000 at signature and issued 150,000 common shares. The vendor has retained a 2% NSR in the Property.

On August 24, 2010, the Company has entered into an option agreement to acquire 24 additional claims (29 units) located in the Munro township, Ontario. To acquire a 100 % interest in the additional claims of the Abitibi Gold Property, the Company paid $50,000 and issued 1,000,000 shares. There is a 2% NSR on the claims in favour of a former owner.

On November 1st, 2010, the Company entered into an option agreement to acquire one (1) additional claim located in the Munro Township. To acquire a 100% interest in this additional claim of the

Abitibi Gold Property, the Company paid $5,000 at signature and issued 50,000 common shares. The vendor has retained a 2% NSR in the property.

The Property has been explored since 1912 by trenching, shallow shaft sinking to 10 m or less, ground geophysical surveys, geological mapping and diamond drilling of up to 87 holes. In 1994, prospectors discovered visible gold on the zone C which caught the attention of several companies that completed trenching, ground geophysical and geological surveys as well as diamond drilling. The drilling was unable to locate mineralization similar to that discovered on surface but the host alteration zones of carbonatization were intersected.

The Property sits within the Abitibi Greenstone Belt and more specifically near the south boundary of the Kidd-Munro Assemblage just north of the Porcupine Assemblage, the contact of which is marked by the Pipestone Deformation Zone, a regional thrust fault that can be traced from approximately Garrison Township in the east to west of Timmins. The Property is underlain by mafic and ultramafic volcanic rocks that vary from peridotitic komatiite to High Fe tholeiite which have been intruded by felsic and mafic dykes and sills.

Mineralization on the Property appears to be of two types, either associated with strike-slip shear structures that are related to the Munro Fault or cross fault dilatant structures. The higher gold values do not appear to be associated preferentially with either structural style but the presence of higher concentrations of arsenopyrite and to a lesser extent sulphides usually bodes well for higher gold values. There are ten identified gold zones within the area of the Property (zones A to J) with the most spectacular zone, the zone C, where grab samples have returned assays as high as 2,500 g/t Au. Gold mineralization appears to sit within shallow dipping quartz-carbonate vein systems that are hosted in quartz-carbonate-sericite-sulphide zones that may be near vertical.

The Munro-Croesus Mine is three km west southwest of the zone C and produced 421,246 grams gold from 4,838 tons milled for a grade of 87.07 g/t Au from 1915 to 1936. The Munro-Croesus would be the best deposit model to use in exploring the Property.

Many gold showings need to be tested by geophysical surveys and by a diamond drilling program. An airborne survey covered the property and successfully outlined many structural features.

The Company has completed a line cutting program of 81.9 km, as well as a mag/VLF ground survey and a 20 km IP survey. Also, a sampling program is currently underway to execute analyses for gold and arsenic. The program has been completed as well as the geochemical analysis. The analysis results will be compiled with other geophysical data in order to determine the best drill targets for this property. A drilling program is scheduled for the summer of 2011.

CODA PROPERTY (QUEBEC)

The Coda Property consists in nine mineral units totalling 497.98 hectares located in the Montseignat township, in the Val-d'Or mining camp, Province of Quebec. To acquire a 100% interest option in this property, the Company paid $40,000 and issued 800,000 common shares at signature. The Property is subject to a 1.5 NSR in favour of a former owner.

The Company has executed line cutting, and between September and October 2010, ground geophysics surveys consisting of magneto metric and and max/minI surveys have been completed on the Coda Property. Based on the geophysics results obtained, a 1,000 meters diamond drilling program has started and the drilling results being disappointing, management decided to write-off this property.

CASA BERARDI PROPERTY (QUEBEC)

In June 2010, the Company entered into an option agreement to acquire 96 mining claims located in the Casa Berardi Township in the mining division of Rouyn-Noranda, province of Quebec. To acquire a 100% interest in the Property, the Company paid $15,000 at signature and issued 900,000 common shares. The vendor has retained a 2% NSR in the property.

The Casa Berardi property is located in Northwestern Quebec in the prolific Abitibi Greenstone Belt from where a large amount of Canada's gold has been extracted. Z-Gold acquired the property for its exploration potential. The property is contiguous to the Casa Berardi Mine controlled by Aurizon. The property is characterized by splay faults of the Casa Berardi Break and the same type of alteration. Many geological input anomalies are present and represent the splay faults and need to be investigated by diamond drilling. A compilation report of historical work conducted on the property is currently underway by a consultant. Following the results of this compilation, other exploration works are necessary. A mandate has been given to a consultant in order to determine the extent of these works.

VAUQUELIN PROPERTY (QUEBEC)

In October 2010, the Company has entered into a sale agreement to acquire 6 mining claims located in the Vauquelin Township, in the mining camp of Val-d'Or, province of Quebec. To acquire a 100 % interest in the property, Z-Gold has issued 250,000 common shares. The vendor has retained a 1% NSR in the property.

Several metallic deposits discovered in Abitibi since the 1950's have been discovered by way of geophysical and geochemistral techniques as well as by the usual geological prospection. Because of their limitations, these old techniques have only permitted to discover mineral deposits located near the surface. The Megatem system is a more advanced and more performing system that allows to detect anomalies located at depth, that were not detected by the old methods of detection. The Vauquelin property has been acquired in that sense, to cover a strong Megatem anomaly located in a favourable geological context.

The Megatem conductor surrounds a circular magnetic anomaly in contact with the Vauquelin-Pershing batholith and volcanic rocks of the Val-d'Or group. This circular magnetic anomaly could be the reflection of an ultramafic intrusion. A strong lineal regional structure, previously unknown, crosses the whole sequence. This structure is interpreted as being a major fault. The zone of interest is located at the north end of the tectonic zone of Cadillac. Based on the geophysics results obtained, the IP technique was used to test the property for disseminated gold sulphides. A target has been identified and drilling work will begin in the month of May 2011.

Analysis of the Exploration Expenditures

The Company has incurred in 2010 exploration expenditures totalizing $515,719 ($0 in 2009). In the 2010 financial statements, the deferred exploration expenses are diminished because the Company has written off exploration work for $315,645 on the Coda Property ($0 in 2009).

Description	**Abitibi Gold**	**Casa Berardi**	**Coda**	**Vauquelin**	**Total**
	$	**$**	**$**	**$**	**$**
Geology	38,485	13,750	38,022	-	90,257
Drilling	-	-	184,493	-	184,493
Analyses	-	-	149	-	149
Line cutting	73,500	-	39,675	-	113,175
Geophysics	63,483	-	24,525		88,008
Work Management	8,481	-	4,365	-	12,846
General Exploration Expenses	1,886	245	24,416	244	26,791
Total	**185,835**	**13,995**	**315,645**	**244**	**515,719**

Analysis of Acquisitions, Write-off and Renewal of Mining Claims
These amounts represent the costs pertaining to the payments in cash or in shares of the Company following options agreements for the acquisition of mining properties.

Properties	Payments in Cash	Payments in Shares	Write-Off	Total
	$	$	$	$
Abitibi Gold	57,000	777,750	-	834,750
Casa Berardi	15,000	94,500	-	109,500
Coda	40,000	108,000	(148,000)	-
Vauquelin	-	55,000	-	55,000
Total	**112,000**	**1,035,250**	**(148,000)**	**999,250**

<u>Royalties on the mining properties are as follows:</u>

Abitibi Gold Project	2%	Casa Berardi	2%
Vauquelin	1%		

The Company has no research and development expenses.

The Company doesn't have any deferred expenses others than the mining properties and the deferred exploration expenses.

Person Responsible of the Technical Information
The qualified person pursuant to National Instrument 43-101, responsible of the technical information of the Company is Mr. Christian Dupont, P.Eng.

GLOBAL PERFORMANCE OF THE FISCAL YEAR

On February 26, 2010 at the shareholders meeting, the shareholders of the Company approved a qualifying transaction to acquire the Abitibi Gold Property from 1527805 Ontario Ltd, a private company, by issuing 3,000,000 common shares at a deemed price of $0.20 per common share. The shareholders also approved the name change from Nano Capital Corp. to Z-Gold Exploration Inc and elected a new board of directors. The Company also elected new officers and moved its head office to Rouyn-Noranda (Quebec). On March 11, 2010, the Company changed its articles to change its name from Nano Capital Corp. to Z-Gold Exploration Inc. Upon completion of the qualifying transaction, the Company is now classified as a Tier 2 company in the category of mining issuer. Z-Gold Exploration Inc. is a junior mining exploration company, exploring for gold and base metals in the Abitibi Greenstone Belt.

On March 16, 2010, the common shares of Z-Gold Exploration Inc. started trading on the TSX Venture under the symbol ZGG.

During the year ending December 31, 2010, the Company has closed seven private placements for a total amount of $1,652,500, out of which $1,375,600 is in flow-through shares and $276,900 is in common shares. Also, the Company recorded the amount of $12,167 following the exercise of stock options.

During the year ending December 31, 2010, the Company has acquired four mining properties and has written off one of them. Now, its properties assets are of one property in Ontario and two properties in Quebec.

The shareholders of the Company have approved a stock option plan. Pursuant to this plan, the Company can grant stock options up to 10% of the issued and outstanding shares of the Company.

During the year ended December 31, 2010, the Company has granted 550,000 stock options at a price of $0.20 valid for a period of two years.

SELECTED ANNUAL INFORMATION

Our financial statements were prepared in conformity with generally accepted accounting principles in Canada, and all monetary values contained in this MD&A are expressed in Canadian currency.

Significant Financial Data (Audited)

YEARS ENDED DECEMBER 31	2010	2009	2008
	$	$	$
Total assets	1,844,647	307,089	297,296
Total liabilities	113,669	161,715	10,622
Revenue	1,330	-	-
Net loss	(1,134,456)	(141,300)	(26,700)
Net loss per share on a diluted basis	(0.11)	(0.03)	(0.01)

QUARTERLY INFORMATION (Not Audited)

	Dec. 31, 10	**Sept. 30, 10**	**June 30, 10**	**Mar. 31, 10**	**Dec., 30, 09**	**Sep. 30, 09**	**Jun 30, 09**	**Mar. 31, 09**
Total Assets	1,844,647	1,480,977	1,167,062	1,227,097	307,089	272,875	290,757	296,932
Total Liabilities	113,669	318,037	69,137	323,662	161,715	15,751	31,067	18,342
Revenues	1,330	-	-	-	-	-	-	-
Net loss	(651,101)	(148,133)	(134,740)	(200,482)	(111,750)	(2,566)	(18,900)	(8,084)
Basic and diluted loss per share	(0.05)	(0.01)	(0.02)	(0.03)	(0.03)	(0.00)	(0.01)	(0.00)

STATEMENT OF EARNINGS

Being a mining exploration company, Z-Gold does not generate any regular earnings so in order to survive; the Company has to issue capital stock. The revenues recorded are interests received.

Expenses

During the year ended December 31, 2010, the registration, listing fees and shareholders information increased, going from $16,198 in 2009 to $75,568 in 2010 as well as the general administrative expenses that went from $655 in 2009 to $31,604 in 2010, and also the professional fees went from $124,447 in 2009 to $209,275 in 2010. The consultants' fees item also increased, going from $0 in 2009 to $201,000 in 2010. The Company also recorded a stock based compensation of $61,050 in 2010 ($0 in 2009). Furthermore, the Company has written-off a mining property for an amount of $148,000 ($0 in 2009) and its exploration expenditures for an amount of $315,645 ($0 in 2009).

FOURTH QUARTER

The last quarter of the fiscal year 2010 closed with a net loss of $649,771. This loss is mainly due to the accounting of future taxes for an amount of $92,680, by the write-off of a mining property for an amount of $148,000 and of its deferred exploration expenditures for an amount of $315,645. Also, the Company has realized for $403,171 in exploration work on its mining properties.

Summary of the administrative expenses for the last fourth quarters

	Dec. 31, 2010	Sept. 30, 2010	June 30, 2010	Mar. 31, 2009
General administrative expenses	11,638	4,854	6,519	8,593
Professional fees	17,595	6,395	67,432	117,853
Consultants fees	47,987	60,513	41,000	51,500
Registration, listing fees and shareholders' information	16,592	16,651	19,789	22,536
Stock-based compensation	-	61,050	-	-
Amortization	964	-	-	-

a) During the quarter ended December 31, 2010, the general administrative expenses are higher compared to the other quarters. All the items have increased.

b) During the quarter ended March 31, 2010, the professional fees are higher because the Company amended its articles to change its corporate name from Nano Capital Corp. to Z-Gold Exploration inc., changed its classification and became a Tier 2 company in the category of mining issuer.

c) During the quarter ended September 30, 2010, the consultant fees have increased constantly because the Company is working with the financial community to make its projects known.

d) The registration, listing fees and shareholders' information are higher in the quarter ending March 31, 2010 because the Company changed its classification, closed a private placement and paid fees to the Exchange and to the Securities Commissions to be relisted.

e) During the quarter ended September 30, 2010, the Company has disbursed $61,050 in stock based compensation because of the grant of stock options.

CASH FLOWS

During the year ended December 31, 2010, the Company has recorded $1,399,167 following private placements and the exercise of stock options. The Company incurred $40,907 in issuance expenses following the acquisition of mining properties and of private placements.

During the year ended December 31, 2010, the Company incurred in investment activities expenses, $112,000 for the acquisition of mining properties, $515,719 in deferred exploration expenses and $8,939 for the acquisition of fixed assets. These financing activities are directly linked to the sector of activity of Z-Gold and are in accordance with the plans of management.

SOURCE OF FINANCING

Date	Financing		Commercial Goals
March and April 2010	Flow-through shares Common shares	$340,000 $109,000	Exploration expenditures in Ontario Working capital
August 2010	Flow-through shares	$120,000	Exploration expenditures in Quebec
October 2010	Flow-through shares Common shares	$304,000 $16,000 $80,000	Exploration expenditures in Quebec Exploration expenditures in Ontario Working capital
October 2010	Flow-through shares Common shares	$268,200 $29,800	Exploration expenditures in Ontario Working capital
December 2010	Flow-through shares Common shares	$34,200 $136,800 $19,000	Exploration expenditures in Quebec Exploration expenditures in Ontario Working capital
December 2010	Flow-through shares Common shares	$16,000 $140,400 $39,100	Exploration expenditures in Quebec Exploration expenditures in Ontario Working capital
February 2011	Flow-through shares Common shares	$45,000 $135,000 $20,000	Exploration expenditures in Quebec Exploration expenditures in Ontario Working capital

During the year ended December 31, 2010, the Company closed seven private placements for a total amount of $1,375,600 in flow-through shares and $276,900 as working capital. During the first quarter of the year 2011, the Company has closed a private placement out of which $180,000 is in flow-through shares and $20,000 is in common shares.

The Company will have to disburse about $300,000 in administrative expenses in the coming year. The Company will have to continue its efforts in order to realize others financings to pursue its projects.

OBLIGATION AND CONTRACTUAL COMMITMENTS

Because of the flow-through financings, the Company will have to incur work on its mining properties in Ontario for an amount of $715,565 and $144,316 on its mining properties in Quebec prior to December 31, 2011.

In April 2010, the Company entered into a management contract with a private company. This service contract provides for the management of the mining exploration projects of the Company. This contract is ending on April 21, 2012. However, both parties reserve the right to terminate the agreement at any time. The private company will incur the majority of the expenses pertaining to the exploration projects and it will invoice to Z-Gold Exploration the costs by using a rate comparable to the one used in the mining industry.

RELATED PARTY TRANSACTIONS AND COMMERCIAL GOALS

Rodrigue Tremblay

The Company incurred exploration expenses of $65,015 ($0 in 2009) with a company controlled by the president of Z-Gold Exploration Inc. The Company also incurred professional fees for an amount of $50,000 ($0 in 2009) with the president of the Company. The Company also incurred general administrative expenses for an amount of $6,548 ($0 in 2009) with a company that the president of Z-Gold is also a director.

The Company incurred exploration expenses of $1,000 ($0 in 2009) with a director.

These transactions are concluded in the normal course of operations of the Company and are measured at the exchange amount which is the amount of consideration established and agreed by the parties.

ACCOUNTING POLICIES

Accounting Estimates

The preparation of the financial statements in accordance with Canadian generally accepted principles requires that management makes estimates and assumptions that have an impact on the figures presented in the financial statements and the accompanying notes. The main accounting estimates include the recoverable amount of the mining properties and deferred exploration expenses, the future income taxes and the value of stock-based compensation. Actual results may differ from these estimates.

Off-Balance Arrangements

There was no off-balance arrangement in 2010.

International Financial Reporting Standards (IFRS)

In February 2008, the Canadian Institute Accounting Standard Board confirmed that January 1st, 2011 will be the changeover date that the financial information of Canadian public companies will have to correspond to the International Financial Reporting Standards (the "IFRS").

In accordance with the dispositions of CSA Staff Notice 52-320 *Disclosure of Expected Changes in Accounting Policies Relating to Changeover to International Financial Reporting Standards*, Z-Gold has recently implemented a conversion plan to apply the IFRS beginning on January 1st, 2011.

This conversion plan will consists of these phases:

1. Phase I – Preliminary Analysis
2. Phase II- Implementation of a conversion plan
3. Phase III- Assessment of the expected impact of the conversion

Phase I

Management has started its evaluation process of the possible choices in accounting policies that will be authorized pursuant to IFRS. Management also evaluated the effects this transition will have on the Company's operations, especially the information technology and data systems, the internal controls pertaining to the financial information and control over financial reporting.

Team and Training:

Management of Z-Gold decided to hire an external consultant to implement the new IFRS and also train the president and the chief financial officer. Researches pertaining to the IFRS have been done to increase our knowledge pertaining to these new standards and insure continuous training. Step 1 of the conversion plan to the IFRS is almost completed.

Phase II

Accounting Policies impacted:

The detailed analysis of the accounting policies impacted by the changeover to IFRS is not entirely completed but management of the Company has made this a priority. In general, a lot of efforts will be put in the presentation of financial statements as IFRS requires more disclosure. Based on this analysis of the differences identified as of now, below is a non-exhaustive list of the IFRS accounting policies that will have an impact on the Company's financial statements:

First Time Adoption (IFRS I)

IRFS I provides guidance on the general approach to be taken when first adopting the IFRS. Under IFRS I, there is now a requirement to disclose not only comparative information but also, the year of adoption, the opening balance sheet at the start of the comparative year. IFRS 1 also provides guidance concerning retrospective application and prescribed exemptions and mandatory exceptions. These choices make that the Company's opening balance sheet as at January 1st, 2011, established in accordance with the IFRS will be similar to the balance sheet of December 31, 2010 established in accordance with the GAAP.

Share-Based Payments (IFRS 2)

When the acquisition is gradual, this IFRS requires that each tranche of the grant be evaluated and accounted separately. The Company currently uses the linear method. The use of the method of gradual acquisition of rights won't have a significant impact during the complete period of acquisition of rights. However, the model of gradual acquisition of rights will allow the accounting of accrued charges during the first quarters of the year of acquisition and of lesser charges for the last quarters, in comparison with the model currently used by the Company. At the transition date, there will be no significant impact on this matter for the Company.

IFRS 6

According to this IFRS, the Company has to determine an accounting policy to identify which exploration expenditures and the evaluation of the mineral resources activities expenses that will be recorded as assets on the balance sheet. The Company intends to keep its current accounting policy which defers exploration expenses until the production stage. However, expenses incurred beyond the exploration and evaluation stage will have to be considered as accounting to the capitalization criteria for property, plant and equipment. As the Company's mineral properties are not in development phase, no significant impact is expected. There will be no changeover impact on the status of the financial situation or the statement of earnings. The Company will choose to present its assets as intangible assets.

IAS 36 (Impairment of Assets)

Currently, impairments tests have been applied on the carrying value of projects on a quarterly basis, as required under Canadian GAAP. Although the methodology of testing impairment under IFRS is slightly different, no complications are expected on the transition to IFRS. IFRS requires reversal of impairment losses where previous adverse circumstances have changed. This IFRS concerns the method of amortization of assets based on discounted cash flows.

Some issues specific to mining exploration companies, such as the flow-through shares and the mining exploration tax credits don't have an IFRS equivalent:

- There is no accounting treatment for flow-through shares according to IFRS. During the first quarter of 2011, the Company will decide how to treat flow-through shares in accordance with the industry.
- The Company intends to adopt IAS 20 concerning the accounting treatment of mining exploration tax credits and these will be recorded as a reduction of assets. No adjustment will be necessary at the changeover date.

- Regarding the mining rights tax credit refundable for loss, the Company currently deduces the credit against assets. While IFRS does not provide a specific accounting treatment for this credit, the Company will decide during the first quarter of 2011 the appropriate IFRS treatment in accordance with the industry.

Accounting and Information Systems:
The accounting system of the Company is simple since Z-Gold is still an exploration company. The Company is able to operate its accounting systems under IFRS since no significant challenge has been identified. However, some Excel spreadsheets will have to be adapted to be able to support the necessary changes following the transition. The Company still has to establish if historical data will have to be regenerated in order to comply with the choices that will have been made under IFRS 1.

Internal Controls:
To insure the quality of the transition process from GAAP to IFRS, a regular control is implemented as well as continuous training to insure a good follow-up of the process and that the elements of the regulatory framework in which evolves the Company will be integrated to the process so that the persons responsible of the governance have the means to execute their role of monitoring the process.

Since the Company is a venture issuer, officers don't have to make a certification concerning the establishment and maintaining of controls and disclosure policies and internal control of financial reporting as defined in NI 52-109. The signatory officers of the issuer have the responsibility that there are procedures to allow them to have the necessary knowledge to be able to confirm the statements made in the certifications, most particularly that the documents filed on SEDAR are reliable. Officers will make sure that once the transition process is completed, they will still be able to sign their certification.

Impact on the Business:
The business processes of the Company are simple and no major challenges are expected at this point to operate under IFRS. The Company has no transactions in foreign currency and has little debt. The Company doesn't expect that IFRS will have an impact when it completes flow-through shares private placements. The Company has no compensation arrangements that will be affected by the IFRS implementation and its stock option plan will not be affected by ratios of financial objectives. The business processes will be monitored during 2011 in order to detect non identified impacts during our initial diagnostic.

Phase III

Implementation:
This phase will include the implementation of all changes approved during the evaluation and elaboration of the transition plan that will permit the preparation of the interim financial statements of March 31, 2011 (with the comparative figures of March 31, 2010) with the opening balance sheet of January 1st, 2011. The Company confirms that it will be able to establish interim financial statements according to International Accounting Standard IAS-34, *Interim Financial Reporting*, for the quarter ending March 31, 2011.

FINANCIAL INSTRUMENTS

The fair value of the Company's financial instruments nears the book value unless indicated otherwise in the notes. The cash flow, creditors and accrued liability bear no interest.

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's activities are exposed to financial risks: market risk, credit risk and liquidity risk.

Market Risk

i) Fair Value

Fair value estimates are made at the balance sheet date, based on relevant market information and other information about the financial instruments. Fair value of cash, cash reserved for exploration and accounts payable and accrued liabilities approximate carrying value due to their short-term.

ii) Fair Value Hierarchy

Cash and cash reserved for exploration are measured at fair value and they are categorized in Level 1. This valuation is based on data observed in the market.

iii) Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The financial assets and liabilities are not exposed to interest rate risk because they don't bear interest.

iv) Currency Risk

The Company is not exposed to currency fluctuations as all transactions occur in Canadian dollars.

Credit Risk

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes the other party to incur a financial loss. Financial instruments which potentially expose the Company to credit risk mainly consist of cash, taxes receivable and other receivables. The credit risk on cash is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies. Also, as the majority of its receivables are from the governments of Quebec and Canada in the form of sales taxes receivable, the credit risk is minimal.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet the obligations associated with its financial liabilities. At the end of December 2010, management is optimistic to get sufficient funds to meet its financial liabilities and future financial liabilities from its commitments.

RISKS FACTORS

Exploration Risks

Exploration and mining involve a high degree of risk. Few exploration properties end up going into production. Other risks related to exploration and mining activities include unusual or unforeseen formations, fire, power failures, labor disputes, flooding, explosions, cave-ins, landslides and shortages of adequate or appropriate manpower, machinery or equipment. The development of a resource property is subject to many factors, including the cost of mining, variations in the quality of the material mined, fluctuations in the commodity and currency markets, the cost of processing equipment, and others, such as aboriginal claims, government regulations including regulations regarding royalties, authorized production, import and export of natural resources and environmental protection. Depending on the price of the natural resources produced, the Company may decide not to undertake or continue commercial production. There can be no assurance that the expenses incurred by the Company to explore its properties will result in the discovery of a commercial quantity of ore. Most exploration projects do not result in the discovery of commercially viable mineral deposits.

Environmental and Other Regulations
Current and future environmental laws, regulations and measures could entail unforeseeable additional costs, capital expenditures, restrictions or delays in the Company's activities. Environmental regulations and standards are subject to constant revision and could be substantially tightened, which could have a serious impact on the Company and its ability to develop its properties economically. Before it commences mining a property, the Company must obtain environmental permits and the approval of the regulatory authorities. There is no assurance that these permits and approvals will be obtained, or that they will be obtained in a timely manner. The cost of complying with government regulations may also impact the viability of an operation or altogether prevent the economic development of a property.

Financing and Development
Development of the Company's properties therefore depends on its ability to raise the additional funds required. There can be no assurance that the Company will succeed in obtaining the funding required. The Company also has limited experience in developing resource properties, and its ability to do so depends on the use of appropriately skilled personnel or signature of agreements with other large resource companies that can provide the required expertise.

Commodity Prices
The factors that influence the market value of gold and any other mineral discovered are outside the Company's control. Resource prices can fluctuate widely, and have done so in recent years. The impact of these factors cannot be accurately predicted.

Risks Not Covered by Insurance
The Company may become subject to claims arising from cave-ins, pollution or other risks against which it cannot insure itself or chooses not to insure itself due to the high cost of premiums or other reasons. Payment of such claims would decrease and could eliminate the funds available for exploration and mining activities.

Tax
No assurance can be given that Canada Revenue Agency or that the Quebec Ministry of Revenue will agree with the Company's characterization of expenditures as Canadian exploration expenses.

Dependence on Key Personnel
The development of the Company is and will continue to be dependent on its ability to attract and retain highly qualified management and mining personnel. The Company faces competition for personnel from other mining companies.

Conflict of Interest
Certain directors of the Company are also directors, officers or shareholders of other companies that are similarly engaged in the business of acquiring, developing and mining of natural resources properties. Such associations may give rise to conflicts of interests from time to time. The directors of the Company are required by law to act honestly and in good faith of view of the best interests of the Company and to disclose any interest, which they may have on any project or opportunity of the Company. If a conflict arises at the meeting of the board of directors, any director in conflict will disclose his interest and abstain from voting on such matter.

The general and administrative expenses for the quarter ended December 31, 2010 are broken down as follows:

Mail and courier:	$4,776
Traveling expenses, representation and promotion:	4,442
Office supplies:	7,595
Office rent:	4,948
Electricity and telecommunications:	2,925
Bank expenses and interests:	525
Permits	6,393
For a total of:	$31,604

Long-Term Debt

The Company has no long-term debt.

INFORMATION ON OUTSTANDING SHARES

As at December 31, 2010, the share capital of the Company is composed of 16,921,669 common shares, issued and outstanding. As at the date of this MD&A, the share capital of Z-Gold is composed of 18,768,734 common shares issued and outstanding.

Share Purchase Options

The Company has a stock option plan intended for its officers, consultants and directors. As at April 29, 2011, the stock options are as follows:

Number	Exercise price	Expiration
342,222	$0.15	04-26-2012
550,000	$0.20	09-14-2012
892,222		

Warrants

As at April 29, 2011, the Company's outstanding warrants are as follows:

Number	Exercise price	Expiration
847 500	$0.26	03-15-2012
275,000	$0.26	04-14-2012
333,333	$0.26	08-13-2012
1,000,000	$0.26	10-07-2012
1,490,000	$0.26	10-13-2012
527,778	$0.26	12-03-2012
488,750	$0.26	01-12-2013
869,565	$0.29	02-23-2013
5,831,926		

Options issued to Brokers

As at April 29, 2011, the Company's outstanding options issued to brokers are as follows:

Number	Exercise price	Expiration
100,000(1)	$0.20	03-15-2012
66,666(2)	$0.18	08-13-2012
166,666		

(1) These options entitle their holder to acquire one unit, in consideration of $0.20, composed of one share and one warrant. One warrant and $0.26 are required to acquire one share.
(2) These options entitle their holder to acquire one unit, in consideration of $0.18, composed of one share and one warrant. One warrant and $0.26 are required to acquire one share.

STRATEGY AND PERSPECTIVE

Z-Gold Exploration Inc. is a new junior mining exploration company which is listed on the TSX Venture (ZGG) since March 16, 2010. Z-Gold has acquired the Abitibi Gold Property located approximately 86 kilometers east north-east of the city of Timmins, Province of Ontario. The Abitibi Gold Property consists of five mining leases containing 85 claims (91 units) covering approximately 1459 ha. The Company has recently increased this property by acquiring 27 additional claims.

The Property sits within the Abitibi Greenstone Belt and more specifically near the south boundary of the Kidd-Munro Assemblage just north of the Porcupine Assemblage, the contact of which is marked by the Pipestone Deformation Zone, a regional thrust fault that can be traced from approximately Garrison Township in the east to west of Timmins. The Property is underlain by mafic and ultramafic volcanic rocks that vary from peridotitic komatiite to High Fe tholeiite which have been intruded by felsic and mafic dykes and sills.

Mineralization on the Property appears to be of two types, either associated with strike-slip shear structures that are related to the Munro Fault or cross fault dilatant structures. The higher gold values do not appear to be associated preferentially with either structural style but the presence of higher concentrations of arsenopyrite and to a lesser extent sulphides usually bodes well for higher gold values. There are ten identified gold zones within the area of the Property (zones A to J) with the most spectacular zone, the zone C, where grab samples have returned assays as high as 2,500 g/t Au. Gold mineralization appears to sit within shallow dipping quartz-carbonate vein systems that are hosted in quartz-carbonate-sericite-sulphide zones that may be near vertical.

Many gold showings have to be investigated by geophysical surveys and by a diamond drill program. An airborne survey covered the property and successfully outlined many structural features. Once the geophysical surveys are completed, a diamond drill program will be carried out.

Z-Gold acquired the Casa Berardi Property for its exploration potential. The property is located in Northwestern Quebec in the prolific Abitibi Greenstone Belt from where a large amount of Canada's gold has been extracted. The property is contiguous to the Casa Berardi Mine controlled by Aurizon. The property is characterized by splay faults of the Casa Berardi Fault and the same type of alteration. Many geological input anomalies are present and represent the splay faults and need to be investigated by diamond drilling. A compilation of historical work will help the Company to determine the future work.

In October 2010, the Company has acquired the Vauquelin property. This property is interesting because of its localisation in the Val-d'Or mining camp. A ground geophysical survey will permit to locate targets, which will be followed by drilling.

The outlook looks encouraging for Z-Gold. The positive results obtained during the geophysical works completed on the Abitibi Gold property have determined very interesting drill targets. A drilling program is scheduled to begin in the summer of 2011. As of the Vauquelin property, a drill campaign, scheduled for May 2011, should determine the potential of this property. Finally, the results of the compilation of works completed on the Casa Berardi property should identify geological horizons for more advanced exploration work. Z-Gold is also evaluating the acquisition of potential gold and base metals properties to enhance shareholder value.

ADDITIONAL INFORMATION AND ONGOING DISCLOSURE

This MD&A was prepared as at April 29, 2011. The Company regularly discloses additional information by means of press releases and quarterly financial statements on SEDAR's website (www.sedar.com).

CERTIFICATE

This MD&A was approved by the board of directors.

(s) Rodrigue Tremblay
Rodrigue Tremblay
April 29, 2011