FAIRMONT RESOURCES INC.
FORM 51-102F1
MANAGEMENT DISCUSSION AND ANALYSIS
THREE MONTH PERIOD ENDED JANUARY 31, 2011

The following discussion and analysis, prepared as of March 30, 2011 should be read together with the unaudited financial statements for the three month period ended January 31, 2011 and related notes attached thereto, which are prepared in accordance with Canadian generally accepted accounting principles. All amounts are stated in Canadian dollars unless otherwise indicated.

The reader should also refer to the Company's audited annual financial statements for the years ended October 31, 2010 and 2009, and the Management Discussion and Analysis for those years.

Additional information related to the Company is available for view on SEDAR at www.sedar.com.

Forward Looking Statements

Certain information included in this discussion may constitute forward-looking statements. Readers are cautioned not to put undue reliance on forward-looking statements. These statements relate to future events or the Company's future performance, business prospects or opportunities. All statements other than statements of historical fact may be forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar expressions. These forward-looking statements include statements regarding the future price of gold, the timing and amount of estimated future production, costs of production, capital expenditures, the success of exploration activities, permitting time lines, currency fluctuations, the requirements of future capital, drill results and the estimation of mineral resources and reserves. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. The Company believes that the expectations reflected in those forward-looking statements are reasonable, but no assurance can be given that these expectations will prove to be correct and such forward-looking statements contained into this report should not be unduly relied upon. These statements speak only as of the date of this report. Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this report. Such statements are based on a number of assumptions which may prove to be incorrect, including, but not limited to, assumptions about:

- general business and economic conditions;
- the supply and demand for, deliveries of, and the level and volatility of prices of petroleum products;
- the availability of financing for the Company's development of the Project on reasonable terms;
- the ability to procure equipment and operating supplies in sufficient quantities and on a timely basis;
- the ability to attract and retain skilled staff;

These forward-looking statements involve risks and uncertainties relating to, among other things, changes in commodity and, particularly, gold prices, access to skilled mining development personnel, results of exploration and development activities, uninsured risks, regulatory changes, defects in title, availability of materials and equipment, timeliness of government approvals, actual performance of facilities, equipment and processes relative to specifications and expectations and unanticipated environmental impacts on operations. Actual results may differ materially from those expressed or implied by such forward-looking statements. Factors that could cause actual results to differ materially include, but are not limited to, the risk factors hereinabove. Additional risk factors are described in more detail hereinafter. **Investors should not place undue reliance on forward-looking statements as the plans, intentions or expectations upon which they are based might not occur. The Company cautions that the foregoing list of important factors is not exhaustive. Investors and others who base themselves on the Company's forward-looking statements should carefully consider the above factors as well as the uncertainties they represent and the risk they entail. The forward-looking statements contained in this report are expressly qualified by this cautionary statement.**

Description of Business

Fairmont Resources Inc. (the "Company") was incorporated on May 25, 2007 under the British Columbia Business Corporations Act as Strike Explorations Corp. On April 23, 2009, the Company changed its name to Fairmont Resources Inc. The Company is primarily engaged in the acquisition, exploration and development of mineral properties. At January 31, 2011, the Company had not yet determined whether the properties contain ore reserves that are economically recoverable. The recoverability of amounts shown for mineral properties and related deferred exploration costs is dependent upon the discovery of economically recoverable reserves, confirmation of the Company's interest in the underlying mineral claims, the ability of the Company to obtain necessary financing to complete the development, and upon future profitable production from the mineral properties or proceeds from the disposition of the mineral property.

Overall Performance

The Company incurred a net loss of $355,525 (2010 - $13,580) during the three month period ended January 31, 2011. The increased loss is primarily attributed to the recognition of non-cash stock-based compensation. During the three month period ended January 31, 2011, the Company granted 1,250,000 (2010 – Nil) stock options. The total stock-based compensation calculated on the options granted in the current period was $323,499 (2010 - $Nil). The Company expensed $267,857 (2010 - $Nil) of the total stock-based compensation leaving an unamortized balance of $55,642 (2010 - $Nil).

During the current period the Company commenced with exploration activities on the Clay and Powell mineral property. The Company continued to conduct exploration activities on the Nicoamen River claims. On January 7, 2011, the Company entered into letter agreement with Karl Bjorkman (the "Optionor") to earn a 100% interest in 47 mineral claims known as the Marmion South Contact property.

At January 31, 2011, the Company had cash and cash equivalents of $633,086 (2010 - $975,901). Working capital at January 31, 2011 was $535,475 (October 31, 2010 - $887,694). To date, the Company's sole source of financing has been derived from the issuance of common shares.

The Company earned interest income from a redeemable guaranteed investment certificate. Interest income of $998 (2010 - $Nil) was recognized as a result of having significantly more funds to invest during the current period.

Other Events and Transactions

Appointments and Resignation

On December 29, 2010, the Company announced the resignation of Mr. Robert Coltura as Director, President and Chief Executive Officer. The Company wishes to thank Mr. Coltura for his past contributions to the Company and wishes him well in his future endeavours.

On December 29, 2010, the Company announced the appointment of Mr. Bernard Dewonck as President and Chief Executive Officer. Mr. Dewonck has served as a member of the Company's Board of Directors since September, 2010. Mr. Dewonck graduated from the University of British Columbia with a Bachelor of Science degree in geology in 1974 and Bachelor of Education in 1993. He has worked throughout North, Central and South America on a wide range of base, precious and industrial mineral projects, as well as in the Athabasca oil sands of Northern Alberta. He has participated in and managed programs ranging from grassroots to detailed surface and underground drilling programs, and evaluated projects requiring report submissions to regulatory agencies.

On December 29, 2010, the Company announced the appointment of Mr. Bruno Kasper to the Board of Directors. Mr. Kasper graduated from the University of Alberta with a Bachelor of Science degree in 1988. Mr. Kasper has consulted on various mineral projects located in Canada, Mexico, Kyrgyzstan and throughout South America, focusing on precious and base metal projects. He has participated in and managed programs that have developed from grassroots discoveries to prefeasibility status. Mr. Kasper has been a senior geologist and project manager of Coast Mountain Geological Services Ltd. since 2004.

Commitments

Clay and Powell Properties (Ontario)

On September 14, 2010, the Company entered into a Letter of Intent with Rainy Mountain Royalty Corp. and Mega Uranium Ltd. (the "Optionors") for an option to purchase a 70% undivided interest in 11 mineral tenures comprising the Powell property and 10 mineral tenures comprising the Clay property (the "Properties") located near Thunder Bay, Ontario.

The Company may exercise the option by the issuance to the Optionors of 400,000 common shares in the capital stock of the Company, and by incurring a total of $1,000,000 in exploration and development expenditures on the properties as follows:

Date of Completion	Number of Common Shares	Minimum Expenditures
Within 10 days of October 15, 2010 (issued)	100,000	$ -
Before October 15, 2011	100,000	250,000
Before October 15, 2012	100,000	250,000
Before October 15, 2013	100,000	500,000
	400,000	$ 1,000,000

In the event that the Company decides to abandon the Option and the Properties, the Company will provide thirty days prior written notice and will provide payment of rental fees for a period of at least six months from the effective date of such abandonment.

Pursuant to the Letter of Intent, the Clay and Powell properties are subject to a 2% net smelter return ("NSR") of which 1% can be purchased for $500,000 and $1,000,000 respectively. The Company and the Optionors will pay the amount in proportion to their respective interest in the Properties.

Marmion South Contact Property (Ontario)

On January 7, 2011, the Company entered into a letter agreement with Karl Bjorkman (the "Optionor") to earn a 100% interest in 47 mineral claims known as the Marmion South Contact property. The property is located in the Thunder Bay Mining Division, Ontario. To acquire the 100% interest, the Company agreed to pay $320,000, issue a total of 750,000 common shares and incur a total of $1,500,000 in exploration expenditures as follows:

	Cash Payments	Number of Common Shares	Exploration Expenditures
By January 7, 2011 (paid)	$ 25,000	-	$ -
On receiving approval from TSX Venture Exchange (issued at a value of $35,000)	-	100,000	-
By January 7, 2012	40,000	150,000	150,000
By January 7, 2013	60,000	150,000	250,000
By January 7, 2014	75,000	150,000	400,000
By January 7, 2015	120,000	200,000	700,000
	$ 320,000	750,000	$ 1,500,000

As at January 31, 2011, the Company accrued $13,000 in accounts payable for a finder's fee related to the Marmion South Contact acquisition.

The property is subject to a 2.5% net smelter return royalty. The Company has the right to acquire 50% of the royalty at any time prior to the commencement of commercial production upon the property for $1,000,000.

Nicoamen River Claims (British Columbia)

On July 30, 2009, the Company entered into an option agreement to acquire an initial 51% interest in the Nicoamen River Claims located in the Kamloops Mining Division, British Columbia. In order to earn its interest the Company agreed to make $25,000 cash payments to the optionor and incur $300,000 in exploration expenditures as follows:

	Cash Payments	Exploration Expenditures
On execution of the Agreement (paid)	$ 10,000	$ -
By December 31, 2009 (completed)	-	100,000
Before April 15, 2011 (cash paid – see subsequent events)	15,000	200,000
	$ 25,000	$ 300,000

The Company may acquire an additional 9% interest in the Nicoamen River Claims by issuing 300,000 common shares to the optionor and incurring $1,700,000 in exploration expenditures as follows:

	Number of Common Shares	Exploration Expenditures
By April 15, 2012	-	$ 300,000
By April 15, 2013	50,000	500,000
By April 15, 2014	100,000	-
By April 15, 2015	150,000	900,000
	300,000	$ 1,700,000

The following events occurred subsequent to January 31, 2011:

Exercised Agent Warrants

On February 4, 2011, the Company issued 53,100 common shares at $0.20 per share for proceeds of $10,620 pursuant to the exercise of agent warrants with an April 13, 2012 expiry date.

On March 4, 2011, the Company issued 12,000 common shares at $0.30 per share for proceeds of $3,600 pursuant to the exercise of agent warrants with an October 25, 2011 expiry date.

Nicoamen River Claims Amendment

On February 14, 2011, the Company entered into an amending agreement for the July 30, 2009 option agreement. Pursuant to the option agreement, the Company was required to incur $200,000 in exploration expenditures on the property by April 15, 2011. The optionor agreed to extend the exploration expenditure deadline from April 15, 2011 to July 31, 2011. As consideration for the amendment, the Company immediately paid the $15,000 cash obligation that would have been due on April 15, 2011.

Private Placement

On March 4, 2011, the Company completed a brokered private placement by issuing 3,275,000 Flow-Through Units ("FT Unit") at a price of $0.40 per unit for total proceeds of $1,310,000. Each FT Unit is comprised of one flow-through common share and one-half of a non-transferable share purchase warrant. Each whole warrant is exercisable into an additional common share at $0.50 per unit until March 4, 2012 and at $0.75 per share until March 4, 2013.

An additional 1,625,500 Non-Flow Through Units ("Unit") at a price of $0.35 per unit for total proceeds of $568,925 were received in conjunction with the private placement. Each Unit is comprised of one common share and one non-transferable share purchase warrant. Each warrant is exercisable into an additional common share at $0.45 per unit until March 4, 2012 and at $0.70 per share until March 4, 2013.

The Company paid finder's fees of $106,450 cash and issued a total of 178,000 agent warrants, of which 15,000 are exercisable into one common share at $0.50 per share until March 4, 2012 and at $0.75 per share until March 4, 2013. The remaining 163,000 agent warrants are exercisable into one common share at $0.45 per share until March 4, 2012 and at $0.70 per share until March 4, 2013.

The Company issued an additional 287,500 agent options which are exercisable into units at $0.40 per unit. The units are comprised of one common share and one-half of a non-transferable share purchase warrant. Each whole warrant is exercisable into an additional common share at $0.50 per share until March 4, 2012 and at $0.75 per share until March 4, 2013.

Due diligence fees of $37,500 attributed to the private placement were also recorded as share issuance costs.

Annual General Meeting

On March 7, 2011, the Company announced that it will hold its Annual General Meeting at Suite 620, 650 West Georgia Street, Vancouver, British Columbia on Thursday, April 7, 2011, at 10:00am (PST).

Results of Operations

The Company incurred a net loss of $355,525 (2010 - $13,580) during the three month period ended January 31, 2011. The expenses are comprised of some of the following items:

- Accounting and audit of $2,000 (2010 – $4,050) is lower than the comparative period. The Company required audited financial statements to be included in the Prospectus during the comparative period.

- Administration of $1,500 (2010 - $Nil) was incurred in the current period as the Company's business activities increased significantly.

- Advertising and promotion of $3,161 (2010 - $Nil) in the current period was incurred as a result of exhibiting at the Prospectors and Developers Association of Canada trade show in Toronto, Canada.

- Bank charges and interest of $65 (2010 - $64) are similar to the comparative period.

- Consulting of $6,000 (2010 - $Nil) was incurred in the current period as the Company required the services of a consultant in Asia.

- Insurance of $451 (2010 - $Nil) was incurred in the current period as a result of the Company purchasing a Director and Officer Liability insurance policy.

- Investor relations of $22,500 (2010 - $Nil) was incurred in the current period as a result of retaining Rain Communications Corp. to provide various investor relations consulting services for $7,500 per month.

- Legal of $9,886 (2010 - $1,992) increased significantly compared to the comparative period. The increase is primarily attributed to the acquisition of the Marmion South Contact property.

- Management fees of $24,500 (2010 - $10,500) are substantially higher than the comparative period which is attributed to increased business activities, more complex transactions and the addition of personnel to the management team.

- Office and miscellaneous of $1,872 (2010 - $Nil) are primarily comprised of expenses for the Company's Christmas party.

- Rent of $4,500 (2010 - $1,500) during the current period increased significantly as a result of relocating to a larger office.

- Registration and filing fees of $5,866 (2010 - $Nil) are to filing fees for the October 28, 2010 private placement, personal information forms, letter agreement for acquisition of the Marmion South Contact property and SEDAR filing of the Company's annual audited financial statements.

- Shareholder costs of $2,000 (2010 - $Nil) were incurred for the annual fee to disseminate news releases to the public.

- During the three month period ended January 31, 2011, the Company granted 1,250,000 (2010 – Nil) stock options. The total stock-based compensation calculated on the options granted in the current period was $323,499 (2010 - $Nil). The Company expensed $267,857 (2010 - $Nil) of the total stock-based compensation leaving an unamortized balance of $55,642 (2010 - $Nil).

- Transfer agent fees of $3,278 (2010 - $Nil) were incurred during the current period. The Company did not appoint a transfer agent until May, 2010 and therefore no such fees were expensed in the comparative period.

- Travel and related fees of $1,087 (2010 - $Nil) were incurred during the current period as a result of the Company requiring a consultant to travel to its head office in Vancouver, Canada.

The Company earned interest income from a redeemable guaranteed investment certificate. Interest income of $998 (2010 - $Nil) was recognized as a result of having significantly more funds to invest during the current period.

Summary of Quarterly Results

The Company did not prepare interim financial statements prior to fiscal 2010. As a result, the Company is unable to provide a complete summary of quarterly results for periods prior to fiscal 2010.

	Three Months Ended January 31, 2011	Three Months Ended October 31, 2010	Three Months Ended July 31, 2010	Three Months Ended April 30, 2010
Total assets	$ 1,190,939	$ 1,185,332	$ 535,995	$ 611,372
Working capital	535,475	887,694	395,734	472,611
Shareholders' equity	1,022,523	1,075,330	533,370	608,747
Interest income	998	49	522	-
Net loss	(355,525)	(67,333)	(55,543)	(101,917)
Loss per share	(0.03)	(0.01)	(0.01)	(0.02)

	Three Months Ended January 31, 2010
Total assets	$ 244,431
Working capital (deficiency)	(23,255)
Shareholders' equity	177,146
Interest income	-
Net loss	(13,580)
Loss per share	(0.01)

Significant changes in key financial date from 2010 to 2011 can be attributed to the Company completing its initial public offering and a non-brokered private placement for gross proceeds of $1,260,500. The Company paid a total of $327,554 in share issuance costs and issued 100,000 common shares valued at $15,000 as a corporate finance fee in connection with these financing activities. An additional $8,000 was received from the exercise of 400,000 agent warrants.

To date, the Company has paid or accrued $137,224 for mineral property acquisition costs and $349,824 for deferred exploration costs on the Clay and Powell, Marmion South Contact and Nicomen River Claims.

During the three month period ended January 31, 2011, the Company granted 1,250,000 (2010 – Nil) stock options. The total stock-based compensation calculated on the options granted in the current period was $323,499 (2010 - $Nil). The Company expensed $267,857 (2010 - $Nil) of the total stock-based compensation leaving an unamortized balance of $55,642 (2010 - $Nil).

The Company has no present intention of paying dividends on its common shares as it anticipates that all available funds will be used to complete its initial public offering and anticipated qualifying transaction.

Liquidity and Capital Resources

The financial statements have been prepared on a going concern basis which assumes that the Company will be able realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The continuing operations of the Company are dependent upon its ability to complete the initial public offering and anticipated qualifying transaction.

	January 31, 2011	October 31, 2010
Working capital	$ 535,475	$ 887,694
Deficit	(705,492)	(349,967)

Net cash used in operating activities during the three month period ended January 31, 2011, was $221,349 (2010 – $127,585). The cash used in operating activities for the period consists primarily of the operating costs and a change in non-cash working capital.

Net cash used in financing activities during the three month period ended January 31, 2011, was $139 (2010 - $14,295). During the current period the Company paid $139 in legal fees directly attributed to the October 25, 2010 private placement and therefore were allocated to share issuance costs. Deferred financing costs of $14,295 related to the initial public offering were paid in the comparative period.

Net cash used in investing activities during the three month period ended January 31, 2011, was $121,327 (2010 - $Nil). During the current period the Company paid $25,000 cash to the optionor pursuant to the letter agreement for the Marmion South Contact property. A total of $96,327 cash was paid on deferred exploration costs for the Company's mineral properties during the current period.

There can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. If adequate financing is not available when required, the Company may be unable to continue operating. The Company may seek such additional financing through debt or equity offerings, but there can be no assurance that such financing will be available on terms acceptable to the Company or at all. Any equity offering will result in dilution to the ownership interests of the Company's shareholders and may result in dilution to the value of such interests.

The Company has sufficient funds to cover anticipated administrative expenses and continue to conduct exploration activities throughout the current fiscal year. It will continue to focus on actively exploring its mineral properties and seeking additional financing.

Related Party Transactions

Included in accounts payable and accrued liabilities at January 31, 2011 is $3,214 (2010 - $3,360) due to 0838355 BC Ltd., a company controlled by Bernard Dewonck, a director of the Company. An additional $Nil (2010 - $3,360) is due to J.A. Minni & Associates Inc., a company controlled by Jerry Minni, a director of the Company.

a) Paid or accrued $2,000 (2010 – $Nil) in management fees to J.A. Minni & Associates Inc., a company controlled by Jerry Minni, a director of the Company.

b) Paid or accrued $7,500 (2010 - $Nil) in management fees to 0838355 BC Ltd., a company controlled by Bernard Dewonck, a director of the Company.

c) Paid or accrued $Nil (2010 - $5,250) in management fees to JVM Management Ltd., a company controlled by Jerry Minni, a director of the Company.

d) Paid or accrued $Nil (2010 - $5,250) in management fees to Matalia Investments Ltd., a company controlled by Robert Coltura, a former director of the Company.

e) Paid or accrued $Nil (2010 - $4,050) in accounting fees to J.A. Minni & Associates Inc., a company controlled by Jerry Minni, a director of the Company.

f) Paid or accrued $Nil (2010 - $1,500) in office rent to Matalia Investments Ltd., a company controlled by Jerry Minni, a director of the Company.

The related party transactions are in the normal course of operations and were measured at the exchange value, which represented the amount of consideration established and agreed to by the related parties.

Changes in Accounting Policies

Recent Accounting Pronouncements

In June 2009, Section 3855 has been amended to clarify the application of the effective interest method after a debt instrument has been impaired, and when an embedded prepayment option is separated from its host debt instrument for accounting purposes. These amendments apply to the Company's interim and annual financial statements beginning on or after November 1, 2011. The Company does not expect any significant impact on its financial position, operating results or disclosure on adopting the amended Section 3855.

In January 2009, the AcSB issued CICA Handbook Section 1582, "Business Combinations", which replaces Section 1581, "Business Combinations". The AcSB also issued Section 1601, "Consolidated Financial Statements", and Section 1602, "Non-Controlling Interests", which replace Section 1600, "Consolidated Financial Statements". These new sections are based on the International Accounting Standards Board's ("IASB") International Financial Reporting Standard 3, "Business Combinations". These new standards replace the existing guidance on business combinations and consolidated financial statements. These new standards require that most assets acquired and liabilities assumed, including contingent liabilities, to be measured at fair value and all acquisition costs to be expensed. These new standards also require non-controlling interests to be recognized as a separate component of equity and net earnings to be calculated without a deduction for non-controlling interests. The objective of these new standards is to harmonize Canadian accounting for business combinations with the international and U.S. accounting standards. The new standards are to be applied prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011, with earlier application permitted. Assets and liabilities that arose from business combinations whose acquisition dates preceded the application of the new standards will not be adjusted upon application of these new standards. The Non-Controlling Interests standard should be applied retrospectively except for certain items. The Company does not expect that the adoption of these standards will have a material impact on the Company's financial statements.

International Financial Reporting Standards Changeover Plan and Assessment

In February 2008, the Accounting Standards Board ("AcSB") confirmed that International Financial Reporting Standards ("IFRS") will replace Canadian GAAP for public accountable enterprises for fiscal years beginning on or after January 1, 2011, including comparative figures for the prior year.

The Company will transition to IFRS effective November 1, 2010 and plans to issue its first interim financial statements under IFRS for the year ending October 31, 2011.

A changeover plan is being established to convert to the new standards within the allotted timeline and is expected to consist of the following three key phases:

1. Phase 1 – Assess the impact;
2. Phase 2 - Design; and
3. Phase 3 - Implementation

Phase one will carry out a detailed assessment of the impact of the conversion to IFRS.

Phase two will build the tools required for the conversion based on management's decisions about accounting options and the related disclosures.

Phase three will roll-out the designed changes. The changes will include the development of the new accounting policies and consolidation templates, the preparation of the IFRS financial statements, and related note disclosure.

The Company is going to consult external advisors to assist in the development and execution of a changeover plan to complete the transition to IFRS.

The key elements of the Company's changeover plan will include the impact of IFRS on the following items:

•Accounting policies

•Property, Plant and Equipment ("PP&E")

IFRS and Canadian GAAP contain the same basic principles of accounting for property, plant and equipment; however, there are some differences between them. For example, capitalization of directly attributable costs in accordance with IAS 16, Property, Plant and Equipment ("IAS 16") may require measurement of an item of property, plant and equipment upon initial recognition to include or exclude certain previously recognized amounts under Canadian GAAP. Specifically, there may be changes in accounting for:

•The amount of capitalized overheads;

•The capitalization of major inspections that were previously expensed under Canadian GAAP;

•The capitalization of depreciation for which the future economic benefits of that asset are absorbed in the production of other assets; and

•The capitalization of borrowing costs in accordance with IAS 23, borrowing Costs.

Management does not expect this change to have an impact on the Company's financial position.

•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 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 discount cash flows. The use of discount cash flows under IFRS to test and measure asset impairment differs from Canadian GAAP where undiscounted future cash flows are used to compare against the asset's carrying value to determine if impairment exists. This may result in more frequent write-downs in the carrying value of assets under IFRS since asset carrying values that were previously supported under Canadian GAAP based on undiscounted cash flows may not be supported on discounted cash flow basis under IFRS. However, under IAS 36, previous impairment losses may be reversed where circumstances change such that the impairment has reduced. This also differs from Canadian GAAP, which prohibits the reversal of previously recognized impairment losses. Management does not expect this change to have an impact on the Company's financial position.

•Income Taxes

IAS 12, Income Taxes ("IAS 12") prescribes that an entity account for the tax consequences of transactions and other events in the same way that it accounts for the transactions and other events themselves. Therefore, where transactions and other events are recognized in earnings, the recognition of deferred tax assets or liabilities which arise from those transactions should also be recorded in earnings. For transactions that are recognized outside of the statement of earnings, either in other comprehensive income or directly in equity, any related tax effects should also be recognized outside of the statement of earnings.

The most significant impact of IAS 12 on the Company will be derived directly from the accounting policy decisions made under IAS 16. Management does not expect this change to have an impact on the Company's financial position.

•First-Time Adoption of International Financial Reporting Standards

Under IFRS 1, First-Time Adoption of International Financial Reporting Standards ("IFRS 1") provides the framework for the first time adoption of IFRS and specifies that an entity shall apply the principles under IFRS retrospectively. All adjustments that arise on retrospective conversion to IFRS from other GAAP should be recognized directly in retained earnings. Certain optional exemptions and mandatory exceptions to retrospective application are provided for under IFRS 1.

Under IFRS 1, an entity has the option to retroactively apply IFRS 3 to all business combinations or may elect to apply the standard prospectively only to those business combinations that occur after the date of transition. The CICA Handbook Section 1582, Business Combinations and Section 1602, Non-Controlling Interests are substantially aligned with the accounting for business combinations and non-controlling interests under IFRS 3. Management does not expect this change to have an impact on the Company's financial position.

Financial Instruments

Fair Values

The Company's financial instruments consist of cash and cash equivalents, accounts payable and due to related parties. The fair values of these financial instruments approximate their carrying values because of their current nature.

The following table summarizes the carrying values of the Company's financial instruments:

	January 31, 2011	October 31, 2010
Held for trading (i)	$ 633,086	$ 975,901
Other financial liabilities (ii)	168,416	110,002

(i) Cash and cash equivalents
(ii) Accounts payable and amounts due to related parties

The Company classifies its fair value measurements in accordance with the three level fair value hierarchy as follows:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities
Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices), and
Level 3 – Inputs that are not based on observable market date

The following table sets forth the Company's financial assets measured at fair value by level within the fair value hierarchy as follows:

Assets	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 633,086	-	-	$ 633,086

Credit Risk

Credit risk is the risk of loss associated with the counterparty's inability to fulfill its payment obligations. Financial instruments that potentially subject the Company to concentrations of credit risks consist principally of cash and cash equivalents. To minimize the credit risk the Company places these instruments with a high credit quality financial institution.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure and financial leverage as outlined above.

The Company monitors its ability to meet its short-term exploration and administrative expenditures by raising additional funds through share issuances when required. All of the Company's financial liabilities have contractual maturities of 30 days or are due on demand and are subject to normal trade terms. The Company does not have investments in any asset backed deposits.

Foreign Exchange Risk

The Company does not have significant foreign exchange risk as all of its transactions are in Canadian dollars.

Interest Rate Risk

The Company is not exposed to significant interest rate risk.

Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements as at January 31, 2011.

Critical Accounting Policies

The financial statements have been prepared in accordance with accounting principles generally accepted in Canada and form the basis for the following discussion and analysis of critical accounting policies and estimates. The Company makes estimates and assumptions that affect the reported amounts of assets, liabilities and expenses and related disclosure of contingent assets and liabilities during the course of preparing these financial statements. On a regular basis, the Company evaluates estimates and assumptions including those related to the recognition of stock-based compensation.

Estimates are based on historical experience and on various other assumptions that the Company believes to be reasonable. These estimates form the basis of judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from those estimates.

Additional Disclosure for Venture Issuers without Significant Revenue

Please refer to Note 5 in the unaudited financial statements for the three month period ended January 31, 2011 for a description of the capitalized exploration and development costs on the Clay and Powell, Marmion South Contact and Nicoamen River Claims mineral properties.

As of January 31, 2011, the Company has incurred losses and accumulated a $705,492 deficit. The Company's primary focus for the foreseeable future will be on actively exploring its mineral properties and seeking additional financing.

Outstanding Share Data

The following table summarizes the outstanding share capital as of the date of the MD & A:

	Number of shares issued or issuable
Common shares	15,482,100
Stock options	1,650,000
Agent options	287,500
Warrants	4,584,000
Agent warrants	639,300

Escrow Shares

At January 31, 2011, pursuant to an escrow agreement dated December 10, 2009, 1,689,378 of the common shares issued and outstanding were held in escrow and 337,875 are to be released every six months from April 15, 2011 to April 15, 2012.

Disclosure Controls and Procedures

The Chief Executive Officer and Chief Financial Officer (“CFO”) are responsible for designing internal controls over financial reporting in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Company’s financial statements for external purposes in accordance with Canadian GAAP. The design of the Company’s internal control over financial reporting was assessed as of the date of this Management Discussion and Analysis.

Based on this assessment, it was determined that certain weaknesses existed in internal controls over financial reporting. As indicative of many small companies, the lack of segregation of duties and effective risk assessment were identified as areas where weaknesses existed. The existence of these weaknesses is to be compensated for by senior management monitoring, which exists. The officers will continue to monitor very closely all financial activities of the Company and increase the level of supervision in key areas. It is important to note that this issue would also require the Company to hire additional staff in order to provide greater segregation of duties. Since the increased costs of such hiring could threaten the Company’s financial viability, management has chosen to disclose the potential risk in its filings and proceed with increased staffing only when the budgets and work load will enable the action. The Company has attempted to mitigate these weaknesses, through a combination of extensive and detailed review by the CFO of the financial reports, the integrity and reputation of senior accounting personnel, and candid discussion of those risks with the audit committee.

Management's Responsibility for Financial Statements

Information provided in this report, including the financial statements, is the responsibility of management. In the preparation of these statements, estimates are sometimes necessary to make a determination of future value for certain assets or liabilities. Management believes such estimates have been based on careful judgments and have been properly reflected in the accompanying financial statements. Management maintains a system of internal controls to provide reasonable assurances that the Company's assets are safeguarded and to facilitate the preparation of relevant and timely information.

Business Risks

Natural resources exploration, development, production and processing involve a number of business risks, some of which are beyond the Company's control. These can be categorized as operational, financial and regulatory risks.

- Operational risks include finding and developing reserves economically, marketing production and services, product deliverability uncertainties, changing governmental law and regulation, hiring and retaining skilled employees and contractors and conducting operations in a cost effective and safe manner. The Company continuously monitors and responds to changes in these factors and adheres to all regulations governing its operations. Insurance may be maintained at levels consistent with prudent industry practices to minimize risks, but the Company is not fully insured against all risks, nor are all such risks insurable.

- Financial risks include commodity prices, interest rates and the Canada / United States exchange rate, all of which are beyond the Company's control.

- Regulatory risks include the possible delays in getting regulatory approval to the transactions that the Board of Directors believe to be in the best interest of the Company, and include increased fees for filings, the introduction of ever more complex reporting requirements the cost of which the Company must meet in order to maintain its exchange listing.

The Company currently has adequate cash for planned exploration expenditures in the remainder of the current fiscal year but will require financing in the future to continue in business and there can be no assurance that such financing will be available or, if available, that it will be on reasonable terms. If financing is obtained by issuing common shares from treasury, control of the Company may change and investors may suffer additional dilution. To the extent financing is not available, lease payments, work commitments, rental payments and option payments, if any, may not be satisfied and could result in a loss of property ownership or earning opportunities for the Company.

A detailed analysis of the difference between International Financial Reporting Standards and the Company's accounting policies as well as an assessment of the impact of various alternatives is underway. Changes in accounting policies are likely and may materially impact the Company's financial statements.

Outlook

The Company's primary focus for the foreseeable future will be on actively exploring its mineral properties and seeking additional financing.