

CARLISLE GOLDFIELDS LIMITED
(A Development and Exploration Stage Company)
MANAGEMENT DISCUSSION AND ANALYSIS

Date

This management discussion and analysis (“**MD&A**”) covers the six months ended February 28, 2010 and was prepared on April 28, 2010.

General

The following discussion and analysis of the operations, results and financial position of Carlisle Goldfields Limited (“**Carlisle**” or the “**Company**”) for the six months ended February 28, 2010, should be read in conjunction with the Company’s unaudited consolidated interim Financial Statements for that period, including the notes thereto. Unless otherwise noted, all amounts are in Canadian dollars and based on Canadian Generally Accepted Accounting Principles.

Company Overview and Outlook

The Company is a junior mining exploration and development company engaged in the acquisition, exploration and development of gold and silver projects in Northern Manitoba and Ontario, Canada. The Company’s registered office is located at Suite 1801, 180 Dundas Street West, Toronto, Ontario M5G 1Z8 and its business office is located at 401 Bay Street, Suite 1702, Toronto, Ontario, M5H 2Y4.

The past nearly two years have witnessed a drastic decline, selective partial recovery and continuing volatility of the global financial markets. Share prices of junior exploration companies listed on both the Toronto and Venture stock exchanges, including Carlisle’s, experienced a significant negative impact as a result. Equity financing for the junior resource sector, its primary source of capital, became very difficult to obtain with the number of financings and the relative size of those financings declining significantly.

As well, the Company has experienced a working capital deficiency due in large part to being assessed by Canada Revenue Agency (“CRA”) for not spending sufficient funds on qualifying Canadian exploration expenses within the prescribed times to meet the Company’s renunciation obligations for funds raised in the Company’s 2006 and 2007 flow-through share financings. The Company’s potential liability for taxes, penalties, interest and other related claims is approximately \$1,397,000 in the aggregate.

In August 2008, the Company’s previous President and CEO was terminated by the board of directors and the CFO resigned; one of the Directors, Carl McGill, took over as interim President & CEO and also stayed on as a Director. The Company’s shares were de-listed from the Toronto Stock Exchange on July 16, 2009 for not meeting the exchange’s market capitalization requirements. Then, on July 31, 2009, in a proxy contest initiated by dissident shareholders, the Company’s shareholders rejected the dissidents’ proposed slate of directors and elected four new experienced directors proposed by interim management, together with one member of the former Board, Carl McGill, to create a new 5-member board.

In response to current economic circumstances, the Company has taken several steps to assist it in enduring the next several months until its business plan can be finalized and implementation begun. These steps include (i) significantly reducing general and administrative costs to allow only for essential expenditures, (ii) pursuing appeals of the tax assessments to reduce amounts payable and seeking forbearance from CRA pending such appeal, (iii) suspending exploration activities until more favourable market conditions return, (iv) pursuing equity financing through private placements to recapitalize the Company, and (v) completing a review the Company’s assets and a strategic review of the Company’s prospects and opportunities in the ever-changing resource world before committing the Company to any specific directions or programs.

Management is confident that it has the ability to raise the necessary funds for the continuation of operations, especially in light of the improving favourable market for gold and silver and, accordingly, the

improving attractiveness of gold and silver exploration companies, like Carlisle, that have existing resources together with the prospect for building on those resources.

The Company has recently taken steps to improve its balance sheet by completing several private placements and debt settlements. In October 2009, the Company settled \$17,500 of outstanding accounts payable by issuing 350,000 shares at \$0.05 each. In November 2009, one of the directors bought \$60,000 of outstanding debentures for \$70,000 then converted it to 2,000,000 common shares and 2,000,000 warrants and exercised all such warrants at \$0.05 each, paying \$100,000 to the Company for 2,000,000 common shares. Then, in January and February 2010, the Company completed a private placement in three tranches for aggregate gross proceeds of \$746,500 by issuing 14,930,000 units at \$0.05 each (each such unit being comprised of one common share and one share purchase warrant exercisable within one year to purchase one additional common share at \$0.10). In January 2010, the Company also settled \$34,000 of outstanding accounts payable by agreeing to issue 680,000 shares at \$0.05 each. In February, 2010, the Company issued 2,375,000 units at \$0.08 per unit to settle outstanding liabilities of \$190,000. Each unit consisted of one common share and one common share warrant. Each warrant entitles the holder to acquire one common share at an exercise price of \$0.10 for one year from the date of issue.

Finally, the Company also announced a proposed rights offering to all holders of its common shares on January 29, 2010 under which each such shareholder will receive one right for each share held on that date. Eight rights and \$0.05 will entitle the holder to purchase one unit comprised of one common share and one share purchase warrant entitling the holder to purchase one common share for \$0.10 at any time on or before January 15, 2011. If all of the rights were exercised, the rights offering could raise gross proceeds of approximately \$413,000. The Company is waiting for regulatory approvals to proceed with the rights offering; once received, as a result of regulatory requirements, the record date will have to be changed to a more current date and the final terms of the rights offering determined.

The Company also reorganized and expanded its management team to further its efforts to analyze and reassess the Company's assets and to pursue a strategic review of the Company's prospects and opportunities. The Company's board of directors appointed Bruce Reid as President and Chief Executive Officer; Carl McGill transitioned to Vice-President, Corporate Development; Donald Alexander Sheldon was appointed as Chief Financial Officer. The board also appointed Chris Dougherty and Pierre Gagne as Vice-Presidents and Gilles Fillion as Special Geological Advisor to the Board.

The Company's principal mineral property is comprised of a group of gold and base metal exploration claims and leases in the Lynn Lake Greenstone Belt of Northern Manitoba ("**Lynn Lake**"), covering approximately 20,000 hectares. Included in the land package are the former producing Burnt Timber and Farley Lake Open Pit Mines and the underground MacLellan Mine where gold and silver were produced from 1986 to 1989. The total Lynn Lake properties are comprised of a diverse group of 128 gold exploration claims and 185 mining leases. Of this, the Company holds a 100% interest in various groups of properties comprised of 111 mining leases and 107 mining claims covering 16,466 hectares. In addition, the Company holds a 78.03% interest in the Nail-Franklin group of properties comprised of 73 mining leases and 14 mining claims covering 2,830 hectares, and a 50.31% interest in the Shoe-Lace group of properties comprised of 6 mining claims covering 576 hectares.

The Company also holds a 100% interest in the Goodfish Property consisting of 16 patented mining claims covering 245.8 hectares in Morrisette Township, Larder Lake Mining Division, near the town of Kirkland Lake, Ontario.

The Company's principal assets, though, are the MacLellan and Dot Properties at Lynn Lake. In total, 6 mining claims covering 597 hectares and 1 mining lease covering 288.73 hectares ("ha") comprise the MacLellan Property. The Dot Property covers the remaining 3 mining claims (205 ha) and 106 contiguous mining leases (2,358 ha). The primary focus is the former MacLellan Gold Mine where approximately 144,000 ounces of Gold and 432,000 ounces of Silver were produced between 1986 and 1989.

The MacLellan Mine was acquired by the Company in December 2006. The Company completed an acquisition agreement with AMPX Corporation (“AMPX”), a private company, whereby AMPX was required to complete a “Going Public Transaction” on or before December 31, 2006 and concurrently complete a minimum financing of \$2,000,000. In this regard, AMPX changed its name to Carlisle Goldfields Limited, and obtained a stock exchange listing (TSX - CGJ) by having its Final Prospectus approved and accepted on December 28, 2006. Carlisle raised gross proceeds of \$4,325,000 by way of its initial public offering. The Company also met the requirement to incur expenditures on the properties of a minimum of \$1,000,000 on or before February 1, 2007 and thus earned its complete interest in the properties under terms of the agreement. The Company granted a 2% net smelter returns royalty to the vendor (unless the spot price of gold in London falls below US\$300 per ounce, in which event the royalty reduces to 1% net smelter returns) which reduces to the extent that any other underlying royalties are concurrently payable on any part or parts of the property.

The Company completed a drill program during 2006-07 which has been called the Phase I work program. This was undertaken to evaluate and confirm the historic geological reserves (non-compliant with NI 43-101) stated to be in the order of 1,076,000 tonnes grading 6.51 grams per tonne, the equivalent of 210,000 ounces of gold.

In June, 2008, the Company released details of a NI 43-101 compliant resource estimate based on this Phase I drilling program. The estimate includes a *Measured and Indicated Resource of 932,000 tonnes grading 6.81 g/t gold and 11.4 g/t silver (204,200 oz gold and 341,300 oz silver), as well as Inferred Resources of 904,000 tonnes grading 7.16 g/t gold and 11.4 g/t silver (208,000 oz gold and 330,900 oz silver)*. This was also the first time that the Company had been able to substantiate any definitive silver resource, noting that silver is evident in an approximate 3:1 ratio to gold. The complete 43-101 report containing the resource estimate is available on www.sedar.com (June 4, 2008).

The **Phase II** drilling program which was completed in May 2008 tested all of the known zones at the MacLellan Mine from the Nisku Zone on the east, to the Rainbow zone on the west, and below the mine workings. Drilling in the relatively under-drilled Rainbow Zone has provided a number of intervals with visible gold. This continues to be an area of interest for development of additional resources outside of the current resource envelope. Currently, the deposit remains open along strike and down-dip. Significant gold mineralization to date has been encountered for over 1.2 kilometres along strike and 500 metres down-dip. Many of the Phase II drill intervals are outside of the area in which the published resource (June 2008) is contained and will contribute to the Company’s objective of enlarging the total resource estimate and upgrading some resources from Inferred to Indicated resources.

Results of this further 8100 meters of drilling from the now completed Phase II work program is being compiled and will be added to the existing NI 43-101 compliant resource estimate. The Company’s Geological Consultants are currently working on this compilation and are expecting to release a new 43-101 compliant resource estimate in 2010. Management anticipates that this revised resource estimate will also contribute to the Company’s objectives by moving existing indicated and inferred resources into higher classifications.

Mineral Resources are sub-divided, in order of increasing geological confidence, as to Inferred, Indicated and Measured categories. An Inferred Mineral Resource has a lower level of confidence than that applied to an Indicated Mineral Resource, and an Indicated Mineral Resource has a lower level of confidence than a Measured Mineral Resource. The **Phase I** drill program showed that approximately 50% of the resource is in the higher confidence levels of Measured and Indicated categories. This reflects the high level of confidence in the exploration, drilling, sampling, rock characteristics, and understanding of the geology, and controls on mineralization. The presence of a large amount of Inferred Resources suggests the opportunity to increase the quantities of the higher confidence categories with additional drilling.

The MacLellan deposit remains open to depth and along strike in both the east and west directions. There is significant potential to develop additional resources with additional drilling below the area for which the resource is estimated. There is also potential to add resources with drilling to the southwest

along strike where Phase II (completed in May 2008) drilling intersected veins with visible gold in the Dot and Rainbow zones.

The current resource has met management's initial objective of roughly doubling the historic resource figure, with recognition of the silver values now included in this resource for the first time. The resource modeling has also improved management's understanding of the distribution of the gold mineralization within the resource envelope. This has resulted in a higher percentage of meters drilled intersecting significant gold values.

Accordingly, if it is determined that such a level of exploration activity should be continued, it will be necessary for the Company to sell further treasury shares for funding such programs. The business objective of the Company is to acquire, explore and develop mineral properties of gold and silver in further defining the mineralization potential at the MacLellan Mine and adjoining properties. In addition, as the Company has no operations from which revenue is generated for the payment of general and administrative costs, it will become necessary to sell further treasury shares for funding such costs, unless cash is first generated from the sale of assets or revenue is realized from the commencement of operations.

Financial Condition

The results of operations for the six months ended February 28, 2010 reflect costs incurred by the Company to maintain its properties in good standing and to maintain itself in good standing with regulatory authorities, as well as administrative expenses to manage the exploration, operating, financing and other activities of the Company.

As of February 28, 2010, the Company had \$503,173 in cash and cash equivalents (August 31, 2009 - \$48,087) and a working capital deficiency of \$1,230,067 (compared to August 31, 2009 working capital deficiency of \$1,918,184). This increase in cash is mainly attributable to financings of approximately \$900,000 less general operating and exploration expenses incurred during the period. The decrease in working capital deficiency is attributable to the above plus the reduction in accounts payable by the issuance of shares in settlement of approximately \$240,000 of accounts payable.

Funding is required for the Company to continue operations. Management believes it has the ability to raise the necessary funds for the continuation of operations given the currently improving favourable market conditions for gold and silver; however, there is no certainty of this or that such favourable market conditions will continue.

Selected Financial Information

	<i>Six Months Ended February 28 2010</i>	<i>Year Ended August 31 2009</i>	<i>Year Ended August 31 2008</i>	<i>Year Ended August 31 2007</i>
Statement of Operations				
Total Revenues	\$ 0	\$ 0	\$ 28,552	\$ 47,876
Total Expenses	371,680	994,402	1,604,533	887,597
Net Income/(Loss) before income taxes	(371,680)	(994,402)	(1,575,981)	(859,988)
Net Income/(Loss) per share – Basic	(0.01)	(0.03)	(0.02)	(0.02)
Net Income/(Loss) per share – Fully Diluted	(0.01)	(0.03)	(0.02)	(0.02)
Balance Sheet				
Total Assets	\$ 7,773,934	\$7,268,555	\$ 7,150,743	\$ 6,026,360
Total Long Term Debt	35,000	83,205	0	0
Total Liabilities	2,556,363	2,815,351	1,956,267	1,413,311
Shareholders' Equity	5,217,571	4,453,204	5,194,206	4,613,049
Dividends	-	-	-	-

Results of Operations

As of February 28, 2010, the Company had spent \$7,089,638 on its mineral properties (compared to \$7,053,066 as at August 31, 2009), as follows:

	February 28, 2010	Additions	August 31, 2009
	\$	\$	\$
Acquisition Costs	650,982	-	650,982
Assaying	425,758	-	425,758
Drilling	3,103,170	-	3,103,170
Environmental studies	225,474	-	225,474
Field office expense	473,190	5,172	468,018
Geology	1,022,997	16,400	1,006,597
Lease payments and land taxes	147,712	-	147,712
Project management	503,018	-	503,018
Project Planning and Reports	211,556	15,000	196,556
Surveying	96,341	-	96,341
Other	229,440	-	229,440
	7,089,638	36,572	7,053,066

In the six months ended February 28, 2010, the Company expensed a relatively small amount, namely \$36,572, on its mineral properties, compared to \$116,508 during the fiscal year ended August 31, 2009. This reduced spending was due to unfavourable market conditions and the lack of funding available to the Company, as well as the decision by current management and the board of directors to temporarily defer exploration decisions and activities pending further equity financings and a review of the Company's assets as well as strategic review of the Company's prospects and opportunities in the ever-changing resource world before committing the Company to any specific directions or programs.

General and Corporate Expenses

Following is a summary of current general and corporate expenses of the Company for the six months ended February 28, 2010 and 2009.

	February 28, 2010	February 28, 2009
Expenditures		
Shareholder relations and exchange fees	8,425	-
Management fees	190,655	-
Professional fees	79,840	61,012
Office and General	46,758	171,207
Stock based compensation	122,400	-
Advertising and promotion	73	26,936
Financing expense	35,376	-
Depreciation	8,946	20,000
	492,473	279,155

The increases of \$190,655 in Management fees, \$122,400 in stock based compensation and \$35,376 in Finance expense made to reorganize the Company were partially offset by a decrease in Office and general expense of \$134,439.

Summary of Quarterly Results

Following is a summary of selected financial data for the Company's last eight completed quarters:

	<i>Feb 28 2010</i>	<i>Nov. 30, 2009</i>	<i>Aug 31* 2009</i>	<i>May 31 2009</i>	<i>Feb 28 2009</i>	<i>Nov 30 2008</i>	<i>Aug 31* 2008</i>	<i>May 31 2008</i>
Revenue	-	-	-	-	-	-	28,522	(3,768)
Operating Loss	(371,680)	(120,793)	(994,402)	(126,599)	(159,255)	(119,900)	(1,575,981)	(272,655)
Net Income (Loss)	(371,680)	(120,793)	(1,152,812)	(156,599)	(244,255)	(23,000)	(851,695)	(564,665)
Loss per Share	(0.01)	0.00	(0.03)	(0.00)	(0.01)	(0.00)	(0.02)	(0.01)

* - for the full year ended August 31

Liquidity

The Company is a junior resource exploration and development corporation and, accordingly, it does not have the ability to generate sufficient amounts of cash from earnings or asset sales to pay for its operating costs, even in the short term. The activities of the Company, principally the exploration and development of mineral properties, are therefore financed through the sale of equity securities. These equity offerings generally include private placements and the exercise of warrants and options. To meet its working capital deficiency obligations and to fund further exploration and development activities, the Company must utilize its current cash reserves and seek additional equity financings.

As of February 28, 2010, the Company had \$503,173 in cash and cash equivalents (August 31, 2009 - \$48,087) and a working capital deficiency of \$1,230,067 (compared to August 31, 2009 working capital deficiency of \$1,918,184). The primary causes of the working capital deficiency are accounts payable and accrued liabilities (which decreased during the period as a result of debt settlements (in exchange for shares) and cash received in equity financings), and a tax assessment resulting from an audit performed by CRA in which the Company was unable to provide evidence that amounts renounced to investors on the issuance of flow-through shares in 2006 and 2007 were spent on qualifying Canadian exploration expenses within the prescribed time periods ending in 2007 and 2008.

During 2006, the Company raised gross proceeds of approximately \$4.7 million of flow-through share financing from investors. The gross proceeds of the financing were renounced to the investors as at December 31, 2006 and were to be used by the Company to incur qualifying Canadian exploration expenses by December 31, 2007. Based on the Company's records, approximately \$1,200,000 of the gross proceeds renounced did not appear to have been used to incur qualifying Canadian exploration expenses by that date. As a result of this initial assessment, the Company has accrued \$252,000 for part XII.6 taxes and penalties on the \$1,200,000 shortfall. However, the Company has since that time determined that many of its expenditures should be eligible to be categorized as qualifying Canadian exploration expenses and, accordingly, the Company is proceeding to appeal CRA's tax assessment. On the other hand, CRA has issued an assessment notice claiming that approximately \$500,000 more of the Company's expenditures were not qualifying Canadian exploration expenses. The Company has objected to this additional assessment and, accordingly, has not accrued any liability for it; however, if the Company's objection is not successful, an additional \$103,000 of part XII.6 taxes and penalties could be owing.

During 2007, the Company raised gross proceeds of \$2,079,522 of flow-through share financing from investors. The gross proceeds of the financing were renounced to the investors as at December 31, 2007 and were to be used by the Company to incur qualifying Canadian exploration expenses by December 31, 2008. Based on the Company's records, approximately \$580,000 of the gross proceeds renounced do not appear to have been used to incur qualifying Canadian exploration expenses by that date. \$70,000 has therefore been accrued for Part XII.6 taxes and penalties related to this shortfall.

An additional \$200,000 was accrued in the fiscal year ended August 31, 2009, as well as a further \$20,000 in the six months ended February 28, 2010 for additional interest on past tax claims arising from the 2006 and 2007 flow-through share financings.

In addition, \$855,000 has been accrued for potential claims which may arise as a result of possible re-assessments denying personal tax deductions to the investors. If the Company's objection to CRA's additional \$500,000 assessment relating to the 2006 flow-through share financing is not successful, the Company may accrue an additional \$240,000 for additional potential claims from investors.

In October 2009, the Company issued 350,000 common shares at \$0.05 per share to settle an outstanding liability of \$17,500.

In November 2009, the Company issued 2,000,000 units upon conversion of \$60,000 of convertible debentures. Each unit consisted of one common share and one share purchase warrant. Each share purchase warrant entitles the holder to acquire one common share at an exercise price of \$0.05 at any time on or before November 16, 2011, two years from the date of conversion. These warrants were valued at \$12,100, were exercised and the Company issued 2,000,000 common shares and received gross proceeds of \$100,000.

In January, 2010, the Company issued 680,000 common shares at \$0.05 per share to settle an outstanding liability of \$34,000.

In January and February, 2010, the Company issued 14,930,000 units for \$0.05 per unit for gross proceeds of \$746,500. Each unit consisted of one common share and one common share warrant. Each warrant entitles the holder to acquire one common share at an exercise price of \$0.10 for one year from the date of issue. The warrants were valued at \$44,790.

In February, 2010, the Company issued 2,375,000 units at \$0.08 per unit to settle outstanding liabilities of \$190,000. Each unit consisted of one common share and one common share warrant. Each warrant entitles the holder to acquire one common share at an exercise price of \$0.10 for one year from the date of issue. The warrants were valued at \$29,775.

Capital Resources

The discovery, development and acquisition of mineral properties are in many instances unpredictable events. Future metal prices, the success of exploration programs and other property transactions can have a significant impact on capital requirements. The Company does not expect to receive significant income from any of its properties within the foreseeable future. Should the Company decide to further develop any of its properties, the Company may fund its capital requirements by arranging further equity financing, issuing long-term debt, arranging joint ventures with other companies, or through a combination of the above. At present, there are no commitments obliging the Company to undertake any such capital expenditures other than annual mining lease payments of \$12 per hectare per year and mineral claim assessment work of \$25 per hectare per year.

Off-Balance Sheet Transactions

The Company has not entered into any off-balance sheet transactions.

Transactions with Related Parties

Amounts due to the related parties are payable to entities controlled by shareholders, officers or directors of the Company as are transactions with these related parties. These transactions have been measured at their exchange amounts, being the amounts agreed upon between the Company and the related parties, and are summarized as follows:

	February 28, 2010	August 31, 2009
Balances:		
Due to a director and officer	\$ 6,300	\$ -
Due to Companies owned by directors and officers	161,130	44,100
	\$ 167,430	\$ 44,100
Transactions:		
Management fees	163,500	228,000
Legal fees	30,766	113,000
	\$ 194,266	\$ 341,000

During the period ended February 28, 2010, a director of the Company converted \$60,000 of convertible debentures into 2,000,000 common shares and 2,000,000 warrants (each warrant entitled the holder to purchase one common share of the Company for \$0.05 per common share for a period of two (2) years from the date of conversion. The director exercised the 2,000,000 warrants, paid \$100,000 to the Company and received 2,000,000 common shares.

In February 2010, the Company issued 2,375,000 units at \$0.08 per unit to settle outstanding liabilities of \$190,000 for compensation owed to officers and directors of the Company (or corporations controlled by them). Each unit consisted of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one common share for \$0.10 at any time until February 24, 2011.

Proposed Transactions

There are no proposed transactions that will materially affect the performance or operations of the Company in the near term. However, the lack of revenue requiring the Company to rely on the issue of treasury shares to fund its operations could have a material effect on its performance and operations.

On January 26, 2010, the Company announced a proposed rights offering subject to regulatory approval. Under the terms of the proposed rights offering, each shareholder of record on January 29, 2010 will be entitled to one right for each share held. Eight (8) rights and \$0.05 will entitle the holder to purchase one unit. Each such unit will be comprised of one common share and one warrant; each whole warrant will entitle the holder to purchase one additional common share for \$0.10 at any time on or before January 15, 2011. If all rights are exercised, 8,263,561 common shares and 8,263,561 warrants would be issued and gross proceeds would be approximately \$413,000. The Company is waiting for regulatory approvals to proceed with the rights offering; once received, as a result of regulatory requirements, the record date will have to be changed to a more current date and the final terms of the rights offering determined.

Share Data

The Company's authorized capital is an unlimited number of common shares and an unlimited number of special shares issued in series. As at April 28, 2010, there were 71,283,492 shares issued and outstanding. The Company has 18,918,333 share purchase warrants outstanding. Each warrant entitles the holder to purchase one common share at prices of \$0.05 to \$0.12 per share until February 24, 2011. Stock options outstanding as of April 28, 2010 total 6,800,000 and are exercisable for common shares at \$0.10 per share.

Financial Instruments

The Company estimates the fair value of its financial instruments based on current interest rates, quoted market values or the current price of financial instruments with similar terms. Unless otherwise disclosed

herein, the carrying value of financial instruments, especially those with current maturities such as cash and cash equivalents, accounts receivable, and accounts payable and accrued liabilities are considered to approximate their fair values.

A Promissory Note was issued March 31, 2009 for \$75,000 due on demand and bearing interest at 4% per annum payable March 31, June 30, September 30 and December 31. On November 6, 2009 \$50,000 of this note was repaid and the balance of \$25,000 was repaid on March 23, 2010.

Convertible debentures having an aggregate principal amount of \$165,000 were issued on June 4, 2009. They are non-interest-bearing, unsecured and due April 3, 2011. Prior to maturity, each holder has the right to convert his, her or its convertible debenture into units at a conversion rate of \$0.03 per unit. Each unit is comprised of one common share and one share purchase warrant. Each share purchase warrant provides the holder with the right to purchase one additional common share at a price of \$0.05 at any time within two years after conversion. These share purchase warrants were valued at the time of financing at a fair value of \$0.00605 each. The cost of this financing was \$35,354, which has been capitalized as a reduction of the funds raised and will be amortized as a financing expense during the term of the loan. As part of the financing costs, broker warrants with a fair value of \$182 were issued providing the broker with the right to purchase \$13,200 of convertible debentures at any time within 2 years after closing. During the year, convertible debentures with a face value of \$70,000 were converted into units. The carrying value of the outstanding debentures as at August 31, 2009 was \$83,205. In November 2009, \$60,000 of convertible debentures were converted into units, resulting in the Company issuing 2,000,000 common shares and an equal number of share purchase warrants, thereby reducing the outstanding balance of outstanding convertible debentures by that amount. In addition, all 2,000,000 share purchase warrants issued on the conversion were exercised in November 2009 for gross proceeds of \$100,000. There is currently \$35,000 of convertible debentures outstanding.

It is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments.

Significant Accounting Policies

Income Taxes

Income taxes are calculated using the liability method of tax allocation accounting. Temporary differences arising from the difference between the tax basis of an asset or liability and its carrying value on the balance sheet are used to calculate future income tax liabilities or assets. Future income tax liabilities or assets are calculated using tax rates anticipated to apply in the periods that the temporary differences are expected to reverse. The effect on future tax assets and liabilities of a change in tax rates is recognized in the period that substantive enactment occurs. To the extent that the Company does not consider it to be more likely than not that a future tax asset will be recovered, it provides a valuation allowance against the amount.

Disclosure Controls and Internal Controls Over Financial Reporting

Management, with the participation of Carl McGill, President and CEO, and Steven Mintz, CFO at that time, evaluated the effectiveness, as of August 31, 2009, of the Company's design of internal controls over financial reporting. These controls were evaluated during the period and it was noted that due to the early stage of the development of the Company and the limited amount of staff available, controls over financial reporting are heavily reliant on the knowledge of senior management and their review of the activities reflected in the financial statements. Due to recent changes in management and the recent corporate restructuring of the board of directors of the Company, management is in the process of evaluating the effectiveness of the Company's present disclosure controls and procedures to provide reasonable assurance that the Company's disclosures are compliant with securities regulations. During the most recent quarter ended February 28, 2010, Bruce Reid was appointed President, Carl McGill transitioned to Vice-President Corporate Development and Donald A. Sheldon was appointed Chief Financial Officer and Chief Administrative Officer.

Mineral Properties and Deferred Exploration Costs

The Company defers the costs of exploration on existing projects and carries them as assets until production commences. The amounts at which mineral properties and deferred exploration expenditures are recorded do not necessarily reflect present or future values. If a project is successful, the related mineral properties and deferred exploration costs will be amortized over the estimated economic life of the project. If a project is unsuccessful, or if exploration has ceased because continuation is not economically feasible, the mineral properties and related exploration expenditures are written off.

International Financial Reporting Standards (IFRS)

In February 2008, the Canadian Accounting Standards Board (“**AcSB**”) confirmed that publicly accountable enterprises will be required to adopt International Financial Reporting Standards (“**IFRS**”) for fiscal years beginning on or after January 1, 2011, with earlier adoption permitted. Accordingly, the conversion to IFRS will be applicable to the Company’s reporting no later than in the first quarter of 2012 ending November 30, 2011, with restatement of comparative information presented. The conversion to IFRS will impact the Company’s accounting policies, information technology and data systems, internal control over financial reporting, and disclosure controls and procedures. The transition may also impact business activities, such as foreign currency and hedging activities, certain contractual arrangements, debt covenants, capital requirements and compensation arrangements. The Company has substantially completed the scoping and planning phase of its changeover plan and commenced the detailed assessment phase. The Company has made a commitment to designate the appropriate resources to the project to develop an effective plan and to continue to assess resource and training requirements as the project progresses. The Company has identified the following four phases of its conversion plan: scoping and planning, detailed assessment, operations implementation and post implementation. The scoping and planning phase involves establishing a project management team, mobilizing organizational support for the conversion plan, obtaining stakeholder support for the project, identifying major areas, and developing a project charter, implementation plan and communication strategy. The Company is currently in the scoping and planning phase. The detailed assessment phase (“**Phase 2**”) will result in accounting policies and transitional exemptions decisions, quantification of financial statement impact, preparation of shell financial statements and identification of business processes and resources impacted. The operations implementation phase (“**Phase 3**”) includes the design of business, reporting and system processes to support the compilation of IFRS compliant financial data for the opening balance sheet at September 1, 2010 and the Company’s financial statements thereafter. Phase 3 also includes ongoing training, testing of the internal control environment and updated processes for disclosure controls and procedures. Post implementation (“**Phase 4**”) will include sustainable IFRS compliant financial data and processes for fiscal 2011 and beyond. The Company will continue to monitor changes in IFRS throughout the duration of the implementation process and assess their impacts on the Company and its reporting.

Other Accounting Policies

This MD&A, together with the Company’s Annual Audited Financial Statements and Interim Unaudited Financial Statements, which includes additional information relating to the Company’s accounting policies, is available on the Company’s SEDAR Page Site accessed through www.sedar.com.

Incentive Stock Option Plan

The Company has established a stock option plan to provide incentive compensation to the Company’s directors, officers, employees and consultants (the “**Stock Option Plan**”). The Stock Option Plan is administered by the board of directors of the Company. Stock options may be granted at any time to any director, senior officer, key employee or other person providing services to the Company, taking into consideration his or her contribution to the success of the Company and any other factor which the board of directors of the Company may deem proper and relevant. The aggregate number of Common Shares which may be reserved for issuance pursuant to the Stock Option Plan and any other share compensation arrangements of the Company will not exceed 10% of the total number of issued and outstanding Common Shares (calculated on a non diluted basis) from time to time. Stock options granted under the Stock Option Plan are exercisable over a period not exceeding five years, subject to earlier cancellation upon the optionee ceasing to be an employee, senior officer, director or consultant of the Company, as applicable, or upon the optionee retiring, becoming permanently disabled or dying. The stock options are non-assignable and non-transferable. The Stock Option Plan contains provisions for

adjustment in the number of shares issuable in the event of a subdivision, consolidation, reclassification or change of the common shares, or a merger or other relevant changes in the Company's capitalization. The Stock Option Plan does not contain any provision for financial assistance by the Company in respect of stock options granted. As at November 30, 2009, the Company had 300,000 stock options outstanding under the Stock Option Plan, each exercisable until April 1, 2011 at \$0.305 to purchase one common share; all 300,000 stock options were cancelled on January 15, 2010. On January 28, 2010, the board of directors, subject to completing all necessary documentation and receiving any necessary approvals, granted stock options to various officers, directors and consultants to acquire up to 6,800,000 common shares pursuant to the Company's Stock Option Plan; each such option entitles the holder to purchase one common share at an exercise price of \$0.10 within five (5) years or earlier termination in accordance with the Stock Option Plan. Shareholders of the Company provided their approval to amendments to the Stock Option Plan at the annual and special meeting of shareholders held on March 1, 2010.

Risks and Uncertainties

The following is a brief description of some of the risks that investors should be aware of. This discussion should not be considered complete and, therefore, the Company, its directors and officers would like to recommend that shareholders, lenders, investors and readers of this MD&A, and other documents that the Company may disseminate, review their investments directly with their own financial advisors.

- (a) investment in the common shares of the Company is highly speculative given nature of the Company's business and additional funding requirements to continue operations;
- (b) directors and officers of the Company will only devote a portion of their time to the business and affairs of the Company and some of them are or will be engaged in other projects or businesses such that conflicts of interest may arise from time to time; and
- (c) there can be no assurance that an active and liquid market for the Company's common shares will develop and an investor may find it difficult to resell the Company's common shares.

Nature of Operations

The Company is an exploration company. Its mineral properties are currently being explored and the Company has not yet determined whether these properties contain reserves that are economically recoverable. The recoverability of the amount shown for mineral properties is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete exploration and development and upon future profitable production or proceeds from disposition of such properties. The Company tries to maximize its exposure to promising exploration opportunities, to manage the risks inherent in exploration and to make appropriate use of financial management resources. The Company intends to hire several employees who worked the properties in the past and, accordingly, are familiar with the legacy workings and historic infrastructure; further, such individuals are familiar with the historic mine data and government reports that identify some of the positive attributes of the properties. This experience and knowledge base would mitigate the risks associated with otherwise unknown properties.

Nature of Mineral Exploration and Mining

At the present time, the Company does not hold any interest in a mining property in production. The Company's viability and potential success lie in its ability to discover, develop, exploit and generate revenue out of mineral deposits. The exploration and development of mineral deposits involve significant financial risks over a significant period of time, which even a combination of careful evaluation, experience and knowledge may not eliminate. While discovery of a mine may result in substantial rewards, few properties which are explored are ultimately developed into producing mines. Major expenses may be required to establish reserves by drilling and to construct mining and processing facilities at a site. It is impossible to ensure that the current or proposed exploration programs on exploration properties in which the Company has an interest will result in a profitable commercial mining operation.

The operations of the Company are subject to all of the hazards and risks normally incidental to exploration and development of mineral properties, any of which could result in damage to life or property,

environmental damage and possible legal liability for any or all damage. The activities of the Company may be subject to prolonged disruptions due to weather conditions depending on the location of operations in which the Company has interests. Hazards, such as unusual or unexpected formation, rock bursts, pressures, cave-ins, flooding or other conditions may be encountered in the drilling and removal of material. While the Company may obtain insurance against certain risks in such amounts as it considers adequate, the nature of these risks is such that liabilities could exceed policy limits or could be excluded from coverage. There are also risks against which the Company cannot insure or against which it may elect not to insure. The potential costs which could be associated with any liabilities not covered by insurance or in excess of insurance coverage or compliance with applicable laws and regulations may cause substantial delays and require significant capital outlays, adversely affecting the future earnings and competitive position of the Company and, potentially, its financial position.

Whether a mineral deposit will be commercially viable depends on a number of factors, some of which are the particular attributes of the deposit, such as its size and grade, proximity to infrastructure, financing costs and governmental regulations, including regulations relating to prices, taxes, royalties, infrastructure, land use, importing and exporting and environmental protection. The effect of these factors cannot be accurately predicted, and the combination of these factors may result in the Company not receiving an adequate return on invested capital.

Fluctuating Prices

Factors beyond the control of the Company may affect the marketability of any gold, silver or other minerals discovered. Resource prices have fluctuated widely and are affected by numerous factors beyond the Company's control. The effect of these factors cannot accurately be predicted.

Permits and Licences

The operations of the Company may require licences and permits from various governmental authorities. The Company believes that it presently holds all necessary licences and permits required to carry on with activities which it is currently conducting under applicable laws and regulations and the Company believes it is presently complying in all material respects with the terms of such laws and regulations. However, such laws and regulations are subject to change. There can be no assurance that the Company will be able to obtain all necessary licences and permits required to carry out exploration, development and mining operations at its projects.

No Assurance of Titles

The acquisition of title to mineral projects is a very detailed and time consuming process. Although the Company has taken precautions to ensure that legal title to its property interests is properly recorded in the name of the Company where possible, there can be no assurance that such title will ultimately be secured. Furthermore, there is no assurance that the interest of the Company in any of its properties may not be challenged or impugned. Some of the Company's properties may be subject to claims from aboriginal peoples which may affect exploration, development or operating activities and the costs thereof.

Environmental Regulations

The operations of the Company are subject to environmental regulations promulgated by government agencies from time to time. Environmental legislation provides for restrictions and prohibitions on spills, releases or emissions of various substances produced in association with certain mineral exploration and mining operations, which would result in environmental pollution. A breach of such legislation may result in the imposition of fines and penalties. In addition, certain types of operations require the submission and approval of environmental impact assessments. Environmental legislation is evolving in a manner which means stricter standards and enforcement; fines and penalties for non-compliance are more stringent. Environmental assessments of proposed projects carry a heightened degree of responsibility for companies and their directors, officers and employees. The cost of compliance with changes in governmental regulations has a potential to reduce the profitability of operations.

Dividends

The Company has not paid any dividends on its common shares since incorporation and does not anticipate paying any dividends on its common shares in the foreseeable future. The Company has a limited operating history and there can be no assurance of its ability to operate its projects profitably.

Conflicts of Interest

The directors and officers of the Company may serve as directors or officers of other public resource companies or have significant shareholdings in other public resource companies. Situations may arise in connection with potential acquisitions and investments where the other interests of these directors and officers may conflict with the interest of the Company. In the event that such a conflict of interest arises at a meeting of the directors of the Company, a director is required by the *Business Corporations Act* (Ontario) to disclose the conflict of interest, to be absent from the discussions and to abstain from voting on the matter.

Joint Ventures and Other Structures

From time to time several companies may participate in the acquisition, exploration and development of natural resource properties thereby allowing for their participation in larger programs, permitting involvement in a greater number of programs and reducing financial exposure in respect of any one program. It may also occur that a particular company will assign all or a portion of its interest in a particular program to another of these companies due to the financial position of the company making the assignment. In determining whether or not the Company will participate in a particular program and the interest therein to be acquired by it, the directors will primarily consider the degree of risk to which the Company may be exposed and its financial position at that time.

Key Executives

The Company is dependent on the services of key executives and a small number of highly skilled and experienced consultants and personnel. Locating mineral deposits depends on a number of factors, not the least of which is the technical skill of the exploration personnel involved. Due to the relatively small size of the Company, the loss of these persons or the Company's inability to attract and retain additional highly skilled employees may adversely affect its business and future operations. The Company does not currently carry any key man life insurance on any of its executives. The directors and officers of the Company will initially devote only part of their time to the affairs of the Company.

Additional Funding Requirements

As discussed above, the mineral properties of the Company are in the exploration stage and, as a result, the Company has no source of operating cash flow. The Company intends to raise such additional funds to continue its operations. The Company does not currently have the financial resources necessary to undertake such activities. The Company anticipates raising cash in the next fiscal quarter although there is no assurance that the Company will be successful in obtaining required funding necessary to execute its operating plan.

Forward-Looking Statements

This MD&A contains "forward-looking information" which may include, but is not limited to, statements with respect to the future financial or operating performance of the Company, and its projects, the exploration expenditures, costs and timing of future exploration, requirements for additional capital, government regulation of mining operations, environmental risks, limitations of insurance coverage, tax assessments and appeals related thereto and regulatory matters. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates", or "believes" or variations (including negative variations) of such words and phrases, or state that certain actions, events or results "may", "could", "would", "should", "might" or "will" be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such factors include, among others, general business, economic, competitive, political and social uncertainties; the actual results of current exploration activities; conclusions of economic evaluations; changes in project

parameters as plans continue to be refined; the future price of gold and silver; possible variations of ore grades or recovery rates; failure of the plant, equipment or processes to operate as anticipated; accidents, labour disputes and other risks of the mining industry; delays in obtaining governmental approvals or financing or in the completion of development or construction activities. A detailed description of risk factors can be found in the Company's filings available on SEDAR at www.sedar.com. Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results to differ from those anticipated, estimated or intended. Forward-looking statements contained in such documents are made as of their respective dates and the Company disclaims any obligation to update any forward-looking statements, whether as a result of new information, future events or results or otherwise. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. The Company undertakes no obligation to update forward-looking statements if circumstances, management's estimates or opinions should change, except as required by securities legislation. Accordingly, the reader is cautioned not to place undue reliance on forward-looking statements.

Additional Information

Additional information relating to the Company is available on SEDAR at www.sedar.com