Victoria GOLD CORP

(an exploration and development stage company)

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL RESULTS

For the three months ended May 31, 2010

DATED: July 29, 2010

TABLE OF CONTENTS

Management's Discussion and Analysis 1
FORWARD LOOKING STATEMENTS 1
OVERVIEW 1
CORPORATE ACTIVITIES (since March 1, 2010) 2
EXPLORATION ACTIVITIES 2
PROPERTY SUMMARIES 2
RECENTLY COMPLETED ACTIVITIES & OUTLOOK 2
- Eagle Gold Project, Yukon Territory 2
- Cove Gold Project, Nevada 3
- Santa Fe, Nevada 3

SELECTED FINANCIAL INFORMATION 4
RESULTS OF OPERATIONS 4
LIQUIDITY AND CAPITAL RESOURCES 5
OPERATING ACTIVITIES 6
RELATED PARTY TRANSACTIONS 6
FINANCING ACTIVITIES 6
OUTSTANDING SHARE DATA 8
RISK AND UNCERTAINTIES 8
- Exploration and mining risks 8
- Financial capability and additional financing 8
- Dependence on key personnel 8
- Fair value of financial instruments 8
- Sensitivity Analysis 10

ACCOUNTING CHANGES 10
FUTURE ACCOUNTING CHANGES 10
OFF-BALANCE SHEET TRANSACTIONS 13
FINANCIAL INSTRUMENTS 13
ADDITIONAL INFORMATION 13

VICTORIA GOLD CORP.
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Management's Discussion and Analysis

This Management's Discussion and Analysis has been prepared as at July 29, 2010, and contains certain "Forward-Looking Statements" within the meaning of the Canadian Securities laws. All statements, other than statements of historical fact, included herein, including, without limitation, statements regarding potential mineralization and reserves, exploration results and future plans and objectives of Victoria Gold Corp. (the "Company" or "Victoria") are forward-looking statements that involve various risks and uncertainties. There can be no assurance that such statements will prove to be accurate and actual results and future events could differ materially from those anticipated in such statements.

The following management's discussion and analysis ("MD&A") of the operating results and financial position of the Company should be read in conjunction with the accompanying unaudited interim consolidated financial statements and the notes thereto of the Company for the three months ended May 31, 2010 and the audited consolidated financial statements and the notes thereto of the Company for the year ended February 28, 2010. These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP") and all amounts are expressed in Canadian dollars, unless otherwise stated.

FORWARD LOOKING STATEMENTS

These consolidated financial statements and MD&A contain certain forward-looking statements relating to, but not limited to, the Company's expectations, intentions, plans and beliefs. Forward-looking information can often be identified by forward-looking words such as "anticipate," "believe," "expect," "goal," "plan," "intend," "estimate," "may" and "will" or similar words suggesting future outcomes, or other expectations, beliefs, plans, objectives, assumptions, intentions or statements about future events or performance. Forward-looking information may include reserve and resource estimates, estimates of future production and the timing thereof and costs and timing of drilling campaigns, and is based on current expectations that involve a number of business risks and uncertainties. Factors that could cause actual results to differ materially from any forward-looking statement include, but are not limited to, failure to establish estimated resources and reserves, exploration and drilling success or failure, delays in obtaining or failures to obtain required governmental, environmental or other project approvals, inflation, changes in exchange rates, fluctuations in commodity prices, delays in the development of projects and other factors. Forward-looking statements are subject to risks, uncertainties and other factors that could cause actual results to differ materially from expected results.

Potential shareholders and prospective investors should be aware that these statements are subject to known and unknown risks, uncertainties and other factors that could cause actual results to differ materially from those suggested by the forward-looking statements. Shareholders are cautioned not to place undue reliance on forward-looking information. By its nature, forward-looking information involves numerous assumptions, inherent risks and uncertainties, both general and specific, that contribute to the possibility that the predictions, forecasts, projections and various future events will not occur. The Company undertakes no obligation to update publicly or otherwise revise any forward-looking information whether as a result of new information, future events or other such factors which affect this information, except as required by law.

OVERVIEW

Victoria is an exploration and development stage company with interests in gold projects located in Nevada, USA and Yukon Territory, Canada. The Company's strategy is to add value per share through efficient exploration, project development and accretive acquisitions. Victoria's management team endeavours to mitigate risk through project diversification, sound financial management and operating in relatively secure jurisdictions.

CORPORATE ACTIVITIES (since March 1, 2010)

On April 23, 2010 the Company completed a transaction with Takara Resources Inc. ("Takara") to sell all of the issued and outstanding shares of StrataGold Guyana Inc. through an indirectly held,wholly owned subsidiary, Tassawini Gold (Barbados). Pursuant to this transaction, Takara has issued 21,858,355 of its common shares to Victoria. The shares are subject to a 4-month hold period and will be held in escrow with a release as follows: 10% on issuance of the TSX Venture Exchange bulletin and 15% every six months thereafter for a period of three years. Victoria is restricted, subject to Takara Board approval, from trading, on any one day, more than 25% of Takara's daily trading volume based on a 30-day average. Prior to closing, Victoria held 350,000 of Takara's shares and thus Victoria now currently holds 22,208,355 of Takara's issued and outstanding shares post-closing of the asset sale. Victoria is also be entitled to an additional 4,000,000 shares of Takara in the event that Takara reaches certain operational or exploration milestones.

EXPLORATION ACTIVITIES

During the quarter ended May 31, 2010, the Company incurred resource property expenditures, net of property impairments, totalling $1.6 million (quarter ended May 31, 2009 $1.5 million).

PROPERTY SUMMARIES

PROPERTY	COMPLETED ACTIVITIES (March 1, 2010 – July 29, 2010)	OUTLOOK (three to six months forward)
Dublin Gulch (with a primary focus on the Eagle Gold Project)	Started the 2010 summer site program included exploration drilling, environmental and permitting activities and engineering work	Engineering, permitting, and environmental work will continue. A Project Proposal will be completed and submitted for review. The 2010 summer site program, including exploration drilling on the Eagle, Olive and Shamrock zones will be completed.
Cove	Submitted permit applications, which if granted, will allow the Company to proceed with the Cove, Helen underground program. Designed drill programs for targets outside the Helen zone.	Permitting and design of an underground exploration and bulk sampling program will be ongoing.
Santa Fe	Continued Phase 2 drilling program including completion of drill holes BH-7 and BH-8.	Complete Phase 2 drilling program.
Mill Canyon	Mapping, targeting and surveying in anticipation of drilling.	Target prioritization and possible drilling; the timing of which is dependent upon results at other properties and availability of resources.
Relief Canyon	Minimal exploration work.	Structural mapping and possible drilling; the timing of which is dependent upon results at other properties and availability of resources.
Big Springs	Permitting and environmental monitoring.	Structural mapping, permitting and environmental monitoring.

RECENTLY COMPLETED ACTIVITIES & OUTLOOK

Eagle Gold Project, Yukon Territory

During the quarter ended May 31, 2010, and through the date of this report, the Company continued its 2010 summer site program including exploration drilling, environmental and permitting activities and engineering work to support a future feasibility study scheduled to begin in the fourth quarter of 2010. Work on environmental baseline studies to support a comprehensive Project Proposal that satisfies the requirements of the Yukon Environmental and Socio-Economic Assessment Act, and all associated permits necessary for the development of the Eagle Gold Project continued.

During the remainder of calendar 2010, the Company plans to:

(a) submit a Project Proposal to the Yukon Environmental and Socio-economic Assessment Board initiating the formal process;

(b) initiate a feasibility study;

(c) complete the 2010 summer exploration program to assess the gold potential of areas within trucking distance of Eagle on the large Dublin Gulch property including the Eagle, Shamrock and Olive zones; and

(d) advance discussions with the Na-Cho Nyak Dun First Nation on a benefits agreement.

Cove Gold Project, Nevada

During the quarter ended May 31, 2010, and through the date of this document the Company submitted permit applications to the Bureau of Land Management and the Nevada Department of Environmental Protection, which if granted, will allow the Company to proceed with the Cove, Helen underground program.

Next steps at the Cove Gold Project include continuing the environmental permitting process in order to construct a ramp from the side of the existing open pit to access the underground Helen Zone. This will be followed by underground in-fill drilling and bulk sampling.

Santa Fe, Nevada

During the quarter ended May 31, 2010, and through the date of this report, the Company continued its' Phase 2 drill program on the property. Holes BH-7 and BH-8 have been completed and drilling of BH-9 is underway.

The table below outlines the results of Victoria drilling at Santa Fe:

SUMMARY OF SELECTED RESULTS FROM SANTA FE PHASE 1 DRILLING		
DRILL HOLE	**INTERVAL (m)**	**GOLD GRADE (g/t)**
BH-1	47.6	1.34
Includes	20.0	2.24
BH-2	309.0	2.25
Includes	49.0	3.93
BH-3	283.9	2.50
Includes	11.3	11.46
BH-4	43.6	3.02
Includes	17.7	4.11
And	25.8	1.31
And	41.8	2.31
BH-5	22.6	1.68
And	16.8	2.42
Includes	6.1	5.32
And	6.1	4.11
BH-6	157.0	3.94
Includes	30.6	6.67

During the remainder of calendar 2010 the Company will complete the second phase of drilling which comprises 10 holes totalling approximately 5,000 meters. The targets will focus on identifying feeders for the higher grade sulfide/illite-filled fractures that cut the earlier silica-sulfide breccias, while also continuing to expand and define the large, lower grade silica-sulfide breccia zones. We also anticipate drilling on targets farther away from the Santa Fe open pit, pending the results of ongoing mapping and sampling efforts.

SELECTED FINANCIAL INFORMATION

The following information has been extracted from the Company's consolidated financial statements prepared in accordance with Canadian GAAP, for each of the quarters ended May 31.

Selected Quarterly Information ended May 31:

		2010		2009		2008
Total revenues	$	-	$	-	$	-
Net loss	$	68,420	$	908,800	$	423,645
Net loss per share – basic and diluted	$	0.000	$	0.006	$	0.005
Total assets	$	82,281,267	$	43,192,982	$	37,750,359
Total long-term liabilities	$	728,545	$	222,278	$	212,669

RESULTS OF OPERATIONS

Quarters ended May 31, 2010 and 2009

The Company reported a loss of $68,420 ($0.000 per share) for the quarter ended May 31, 2010, compared to a loss of $908,800 ($0.006 per share) in the equivalent period during the previous year. The current year's reduced loss is due to the gain on the sale of property and gains on foreign exchange offset by higher stock-based compensation, salaries, office and administrative and marketing expenses.

Variance analysis	**3 months ended May 31 2010**	**3 months ended May 31 2009**	**Quarterly Variance higher/(lower)**
Expenses			
Stock-based compensation	**$ 288,844**	$ 96,041	**$ 192,803**
Salaries	**362,469**	233,128	**129,341**
Office and administrative	**113,237**	93,800	**19,437**
Consulting	**60,006**	67,479	**(7,473)**
Marketing	**119,393**	69,912	**49,481**
Legal and accounting	**67,978**	75,836	**(7,858)**
Interest and bank charges	**10,885**	2,735	**8,150**
Amortization	**27,240**	1,448	**25,792**
Resource property costs and impairments	**2,761**	31,385	**(28,624)**
	1,052,813	671,764	**381,049**
Loss before the undernoted expenses	**1,052,813**	671,764	**381,049**
Foreign exchange loss/ (gain)	**(34,808)**	270,284	**(305,093)**
Change in fair value of marketable securities	**139,426**	-	**139,426**
(Gain) on disposal of mineral properties	**(1,035,346)**	-	**(1,035,346)**
(Gain) on sale of short term investment	**(44,205)**	-	**(44,205)**
Interest income	**(9,460)**	(33,248)	**23,788**
Net loss and comprehensive loss for the period	**68,420**	908,800	**(840,381)**

During the quarter ended May 31, 2010, the Company reported stock-based compensation expense of $288,844 versus $96,041 for the previous year's comparable period. The increase in stock-based compensation expense is due to the vesting schedule and a higher fair value of options granted. Salaries are $129,341 higher year over year due to an increased number of employees. Increased office and administration expenses of $19,437 are primarily the result of the inclusion of the StrataGold office. Management has placed an increased emphasis on marketing, leading to a year over year cost increase of $49,481. Gains on foreign exchange during the quarter ended May 31, 2010 were $34,808 compared to a loss of $270,284 in the previous year's comparable period due to fluctuations in the Canadian and US exchange rate. Interest income was $23,788 lower as the previous year includes interest on the bridge loan to StrataGold. During the quarter ended May 31, 2010 the Company reported a decrease in the fair value of marketable securities of $139,426 compared to nil in the previous year's comparable period. These cost increases were offset by a gain on sale of mineral properties of $1,035,346 and a gain on short term investments of $44,205. The current quarter's resource property write-off is $2,761 compared to $31,385 during the previous year.

Total assets increased by $5.4 million from $75.8 million to $81.2 million during the period from March 1, 2010 to May 31, 2010. Current assets increased by $1.0 million (see "Liquidity and Capital Resources" herein) while resource properties increased by $1.7 million due to continued exploration expenditures. Total liabilities, primarily accounts payable and accrued liabilities were lower by $1.1 million due to timing of payments associated with regular operating activities.

Summary of Unaudited Quarterly Results:

	31 May 10	28 Feb 10	30 Nov 09	31 Aug 09
Total Revenues	$ -	$ -	$ -	$ -
Loss	$ 68,420	$ 109,425	$ 3,006,879	$2,175,098
Loss per share – basic and diluted	$ 0.000	$ 0.000	$ 0.015	$ 0.012
	31 May 09	**28 Feb 09**	**30 Nov 08**	**31 Aug 08**
Total Revenues	$ -	$ -	$ -	$ -
Loss	$ 908,800	$ 8,327,679	$ 802,857	$ 545,621
Loss per share – basic and Diluted	$ 0.006	$ 0.066	$ 0.009	$ 0.006

LIQUIDITY AND CAPITAL RESOURCES

At May 31, 2010, the Company had cash and cash equivalents of $20,883,110 (February 28, 2010 - $19,846,495) and a working capital surplus of $19,586,589 (February 28, 2010 – $17,554,700). The increase in cash and cash equivalents of $1.0 million over the quarter ended May 31, 2010, was due to the issuance of common shares for cash and the exercise of warrants and options ($6.0 million increase in cash) offset by investing activities ($4.1 million use of cash) for the on-going exploration of the Company's resource properties) and operating expenses and changes in working capital including foreign exchange losses ($0.9 million use of cash). The Company's ability to meet its obligations and maintain operations is contingent upon successful completion of additional financing arrangements. The Company periodically seeks financing to continue the exploration of its mineral properties and to meet its ongoing administrative requirements. Although the Company has been successful in raising funds to date, there can be no assurances that additional funding will be available in the future. These combined factors lend significant doubt about the Company's ability to continue as a going concern and, accordingly, the appropriateness of the use of accounting principles applicable to a going concern.

These consolidated financial statements have been prepared using Canadian GAAP applicable to a going concern, which assumes that the Company will be able to realize assets and discharge liabilities in the normal course of operations as they come due. These consolidated financial statements do not include any adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classification that would be necessary should the Company be unable to continue as a going concern. These adjustments could be material.

The Company is in the process of advancing its mineral properties and the recoverability of the amounts shown for mineral properties and related deferred costs is dependent upon the ability of the Company to obtain the necessary financing to complete the development and upon future profitable production or proceeds from disposition of the mineral properties. The amounts shown as mineral property costs represent incurred costs to date and do not necessarily represent future values.

The Company holds the predominant amount of its cash in chequing and investment accounts at a major Canadian bank. The investment accounts predominantly invest in Government of Canada treasury bills.

OPERATING ACTIVITIES

During the quarter ended May 31, 2010, operating activities, including non-cash working capital changes, required funding of $0.9 million (as compared with the same period during the previous year that required funding of $0.5 million). The year over year increase in cash required for operating activities is due higher usage of cash for working capital purposes, higher salary and marketing.

RELATED PARTY TRANSACTIONS

There were no related party transactions during the quarter ended May 31, 2010.

FINANCING ACTIVITIES

On April 20, 2010, the Company closed a non-brokered private placement flow-through offering (the "Offering") raising gross proceeds of approximately $4.3 million, representing the issuance of 4,100,000 common shares priced at $1.05 per share. Finders' fees of $225,500 were paid in conjunction with the Offering. The flow-through shares will be subject to a four-month hold period.

April 20, 2010 Financing
(All amounts are approximate and are as at May 31, 2010)

Description	Budget as per Original Disclosure	Actual Spent as at May 31, 2010	Remaining to be Spent*	Current Total Forecast	Variance Current Forecast less Original Budget
Eagle Exploration	$4.3	$0.1	$4.2	**$4.3**	Nil

*Remaining funds are held in the form of cash and are expected to be used by the Company to incur exploration expenses in respect of the Eagle Gold Project.

On November 24, 2009, the Company closed a brokered agreement of 23,809,522 special warrants ("Special Warrants"), priced at $0.63 per Special Warrant, for gross proceeds of $14,999,999 (the "Offering"). Each Special Warrant was exercisable into one common share of the Company (a "Common Share). On January 26, 2010, the Company received a receipt for its final prospectus which qualified the distribution of Common Shares issuable upon exercise of the Special Warrants. Kinross Gold Corporation ("Kinross") purchased 3,174,603 Special Warrants of the Offering and, after conversion of the Special Warrants into Common Shares, held a 21% interest in the Company as at November 24, 2009. Raymond James Limited, led a syndicate of underwriters in connection with the Offering and received a cash commission equal to 6% of the gross proceeds from the sale of the Offering.

November 24, 2009 Financing
(All amounts are approximate)

Description	Budget as per Original Disclosure	Actual Spent as at May 31, 2010	Remaining to be Spent*	Current Total Forecast	Variance Current Forecast less Original Budget
Eagle Gold Project exploration	$3.0	$0.8	$0.2	**$1.0**	$(2.0)
Eagle Gold Project development	$7.0	$2.5	$3.5	**$6.0**	$(1.0)
Corporate expenses	$2.1	$1.5	$0.6	**$2.1**	$-
Nevada exploration	$2.0	$2.2	$2.8	**$5.0**	$3.0
Total:	**$14.1**	**$7.0**	**$7.1**	**$14.1**	**Nil**

*Remaining funds are held in the form of cash or cash equivalents.

On August 6, 2009, the Company closed a brokered private placement of 4,231,055 flow-through common shares priced at $0.45 each, for gross proceeds of $1.9 million (the "Offering"). Sandfire Securities Inc. (the "Agent") acted as agent and received a cash commission equal to 7% of the gross proceeds from the sale of the Offering. The Agent was also issued broker warrants to purchase 285,285 common shares of the Company at a price of 0.45 per common share until August 6, 2010. All securities issued pursuant to the Offering were subject to a four month hold period which expired on December 12, 2009.

August 6, 2009 Financing
(All amounts are approximates)

Description	Budget as per Original Disclosure	Actual Spent as at May 31, 2010	Remaining to be Spent*	Current Total Forecast	Variance Current Forecast less Original Budget
Eagle Exploration	$1.9	$1.9	$0	**$1.9**	Nil

Pursuant to the terms of the warrants issued on December 18, 2008, if the closing price of common shares of the Company on the TSX Venture Exchange is equal to or greater than $0.35 per common share for a period of 20 consecutive trading days at any time after four months and one day from the date of the issue of the warrants, the Company was entitled to accelerate the expiry date of the warrants. The Company delivered such notice to the warrant holders that it was exercising the foregoing right of acceleration such that the term of the warrants would expire on July 18, 2009. 10,647,000 warrants (representing all of the warrants issued in the December 18, 2008 placement) were subsequently exercised providing the Company with proceeds of $2,661,750.

On June 4, 2009, the Company completed the acquisition of StrataGold by way of Plan of Arrangement. Pursuant to the Arrangement, holders of StrataGold shares were entitled to receive 0.1249 of a Victoria common share for each StrataGold common share held totalling 23,000,709 common shares to shareholders of StrataGold.

On May 1, 2009, the Company issued 200,000 shares to a consultant of the Company to settle an outstanding debt.

On March 13, 2009, the Company closed a brokered private placement of 15,832,000 Units and 6,791,800 Subscription Receipts priced at $0.45 each, for gross proceeds of $10.2 million (the "Offering"). Each Unit "Unit" consists of one common share of the Company and one-half of one common share purchase warrant (each whole warrant a "Warrant"). Each Warrant entitled the holder to acquire one additional common share at a price of $0.55 until March 13, 2012. Each Subscription Receipt was converted, upon satisfaction of certain escrow release conditions, into one common share of the Company and one-half of one common share purchase warrant (each whole warrant a "SR Warrant"). Each SR Warrant entitled the holder to acquire one additional common share of the Company at a price of $0.55 until March 13, 2011. The escrow release conditions include the completion by the Company of the acquisition of StrataGold Corporation ("StrataGold") announced on February 11, 2009 (the "StrataGold Acquisition") and have been fully met. Wellington West Capital Markets Inc. led a syndicate including Raymond James Ltd., Haywood Securities Inc. and M. Partners (together, the "Agents") in connection with the Offering. As compensation for services rendered in connection with the Offering, the Agents were paid a cash commission equal to 7% of the gross proceeds from the sale of Units and Subscription. The Agents were also issued broker warrants to purchase 1,583,666 Common Shares of the Company at a price of $0.45 per Common Share until March 13, 2010. All securities issued pursuant to the Offering were subject to a four month hold period which expired on July 13, 2009.

OUTSTANDING SHARE DATA

The authorized capital of the Company consists of an unlimited number of common shares without par value. As of July 29, 2010, the number of issued common shares was 234,092,761. (251,405,492 on a fully diluted basis).

As at July 29, 2010, there were 12,376,731 director, employee and consultant stock options outstanding with an exercise price ranging from $0.21 to $10.64 per share and expiring between January 31, 2011 and December 18, 2014. This represents 5% of the issued and outstanding common shares. As at July 29, 2010, there were 4,936,000 warrants outstanding with an exercise price of $0.55 per share and with expiration dates of March 13, 2011 and March 13, 2012.

RISK AND UNCERTAINTIES

Exploration and mining risks

The business of exploration for minerals and mining involves a high degree of risk. Few properties that are explored are ultimately developed into producing mines.

Financial capability and additional financing

The Company has limited financial resources, has no source of operating cash flow and has no assurance that additional funding will be available to it for further exploration and development of its projects. Although the Company has been successful in the past in financing its activities through the sale of equity securities, there can be no assurance that it will be able to obtain sufficient financing in the future to execute its business plan.

Dependence on key personnel

Many of Victoria's personnel are specialized, highly skilled and experienced. The Company's future exploration success will depend to a significant extent on its ability to attract and retain qualified personnel. While Victoria has not experienced any significant difficulties to date in attracting and retaining personnel, there can be no assurance that this will continue. The loss of key personnel could have a material adverse effect on the Company's operations and business prospects.

Fair value of financial instruments

The carrying values for primary financial instruments, including cash and cash equivalents, accounts receivable, and accounts payable and accrued liabilities, approximate fair values due to their short-term maturities.

Risk exposure is summarized as follows:

(e) Credit risk

Certain of the Company's financial assets are exposed to a degree of credit risk. The Company endeavours to mitigate credit risk by holding its cash and cash equivalents as cash deposits and short-term government treasury funds with major commercial banks.

Credit risk relating to accounts receivable, loan receivable and restricted cash arises from the possibility that any counterparty to an instrument fails to perform. The Company's accounts receivable relate to recoveries of GST. Restricted cash includes reclamation bonds. Reclamation bonds reflect non-interest bearing cash deposits held with governmental agencies representing the state of Nevada and joint venture partners and interest bearing certificates of deposit held by Wells Fargo. The Company does not feel there is significant counterparty risk that could have an impact on the fair value of such receivables and reclamation bonds.

(f) 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. Accounts payables and accrued liabilities are due within the current operating period, from June 1, 2010 through August 31, 2010.

(g) Market risk

I. Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The risk that the Company will realize a loss as a result of a decline in the fair value of the short-term investments included in cash and cash equivalents is limited as these investments, although available for sale, renew daily. The short-term investments included in cash and cash equivalents earn interest at prevailing rates.

II. Foreign currency risk

The Company's incurs exploration expenditures in the United States and Guyana and holds a portion of its cash and cash equivalents in US dollars. This gives rise to a risk that its US dollar expenditures and US dollar cash holdings may be adversely impacted by fluctuations in foreign exchange. The Company does not undertake currency hedging activities.

III. Price risk

The Company financial assets and liabilities are not exposed to price risk with respect to commodity prices. The Company's exploration drill programs are exposed to price risk, of which the Company has no control. The Company's exploration drill programs are carried out by outside contractors. Cost increases for consumables such as fuel and drill bits are indirectly passed on to the Company through its contracted drill programs.

There has been no significant change in the risk factors affecting the Company on a period over period basis.

Sensitivity Analysis

The following table summarizes the sensitivity of the Company's cash, cash equivalents and restricted cash to changes in interest rates and foreign exchange rates over the three month reporting period ended May 31, 2010.

	Carrying amount	**Interest rate change (1)**		**Foreign currency change (2)**	
		+ 1%	**- 1%**	**+ 10%**	**- 10%**
Cash and cash equivalents (Cdn $)					
Cash - Cdn$ denominated	5,910,141	14,775	(14,775)	-	-
Cash - US$ denominated	1,190,309	2,976	(2,976)	119,031	(119,031)
Treasury funds –Cdn$ denominated	13,782,660	34,457	(34,457)	-	-
Total cash and cash equivalents	20,883,110	52,208	(52,208)	119,031	(119,031)
Reclamation bonds - US$ denominated (non-interest bearing)	402,581	-	-	40,258	(40,258)
Reclamation bonds - US$ denominated (interest bearing)	412,127	1,030	(1,030)	41,213	(41,213)
Total amount or impact - cash and deposits	21,697,818	53,238	(53,238)	200,502	(200,502)

1) Interest earned on the Company's interest bearing cash accounts, treasury funds and certificates of deposit is at prevailing rates that fluctuate with changes in banking interest rates and Government t-bill rates. Management believes that a plus or minus 1% annual change in rates is a reasonable estimate of variability over a twelve month period.

2) The Company's US dollar cash balance, US dollar reclamation bonds and US dollar based certificates of deposit are subject to foreign exchange risk. Management has shown a sensitivity analysis of a plus or minus change of 10%.

ACCOUNTING CHANGES

FUTURE ACCOUNTING CHANGES

Canadian Institute of Chartered Accountants ("CICA") Handbook Sections 1582, 1601, 1602 Business Combinations, Consolidations, and Non-Controlling Interests

In January 2009, the Accounting Standards Board issued the following Handbook sections: 1582 – Business Combinations, 1601 – Consolidations, and 1602 – Non-Controlling Interests. These new Sections will be applicable to financial statements relating to the Company's interim and fiscal year end beginning on or after January 1, 2011. Early adoption is permitted. The Company does not expect that there will be any material impact upon its adoption of these new sections on its consolidated financial statements.

Adoption of International Financial Reporting Standards (IFRS)

In February 2008, the CICA announced that Canadian GAAP for publicly accountable enterprises will be replaced by International Financial Reporting Standards ("IFRS") for fiscal years beginning on or after January 1, 2011. Companies will be required to provide IFRS comparative information for the previous fiscal year. Accordingly, the conversion from Canadian GAAP to IFRS will be applicable to the Company's reporting for the first quarter of 2011 for which the current and comparative information will be prepared under IFRS. The Company is required to apply all of those IFRS standards which are effective for fiscal year ending February 28, 2012 and apply them to its opening March 1, 2010 balance sheet. The Company has completed the initial diagnostic phase and has continued to update its review during the first quarter. The Company expects to finalize its implementation plan during the remainder of the 2010 fiscal year.

The Company's IFRS implementation project consists of three primary phases which will be completed by a combination of in-house resources and external consultants.

- Initial diagnostic phase ("Phase I") – Involves preparing a preliminary impact assessment to identify key areas that may be impacted by the transition to IFRS. Each potential impact identified during this phase is ranked as having a high, moderate or low impact on our financial reporting and the overall difficulty of the conversion effort.
- Impact analysis, evaluation and solution development phase ("Phase II") – Involves the selection of IFRS accounting policies by senior management and the review by the audit committee, the quantification of the impact of changes on our existing accounting policies on the opening IFRS balance sheet and the development of draft IFRS financial statements.
- Implementation and review phase ("Phase III") – Involves training key finance and other personnel and implementation of the required changes to our information systems and business policies and procedures. It will enable the Corporation to collect the financial information necessary to prepare IFRS financial statements and obtain audit committee approval of IFRS financial statements.

Financial reporting expertise and communication to stakeholders

The Company has retained an external consultant to establish appropriate IFRS financial reporting expertise at all levels of the business. The Company has also provided Audit Committee members with detailed project scoping, timelines and deliverables. Based on matters brought to their attention the Audit Committee members will review the Audit Committee Charter and make changes to reflect the requirements for IFRS financial expertise if deemed to be necessary. The Audit Committee will continue to receive periodic presentations and project status updates from the external consultant and management.

The Company has completed the preliminary diagnostic phase and will continue to update its disclosures throughout 2010 to reflect specific actions taken to facilitate adoption of IFRS effective March 1, 2011. The Company will also continue to review and update its preliminary conclusions from the diagnostic phase during 2010 as new facts emerge. The differences that have been identified in the diagnostic phase are summarized below.

a) Transitional Impact on Financial statement presentation and classification

The Company's financial statements will have a different format upon transition to IFRS.

The components of a complete set of IFRS financial statements are: statement of financial position (balance sheet), statement of comprehensive income, statement of changes in equity, statement of cash flows, and notes including accounting policies. The income statement will be presented as a component of the statement of comprehensive income. The balance sheet may be presented in ascending or descending order of liquidity. The income statement is classified by each major functional area – marketing, distribution, etc.
Impact on Company: *The Company will reformat the financial statements in compliance with IAS 1.*

b) IFRS-1 Transitional policy choices and exceptions for retrospective application

IFRS-1 contains the following policy choices with respect to first-time adoption that are applicable to the Company.

Designation of previously recognized financial instruments:
IFRS: IAS 39 restricts the circumstances in which the option to measure a financial instrument at fair value through profit or loss is available. In particular, an entity is permitted to designate, at the date of transition to IFRSs, any financial asset or financial liability as at fair value through profit or loss provided the asset or liability meets certain criteria. **Canadian GAAP**: Contains no similar restriction.
Impact on Company: *The Company has certain marketable securities that it has previously designated as held-for-trading. During Phase II the Company will re-evaluate its policy by reference to the IAS 39 criteria to determine whether this will have a material impact upon transition. At the present time the Company does not expect a material impact.*

Property, plant & equipment:
IFRS 1 provides a choice between measuring property, plant and equipment at its fair value at the date of transition and using those amounts as deemed cost or using the historical valuation under the prior GAAP.
Impact on Company: *The Company will elect to use the historical balances under Canadian GAAP as the deemed cost for transitional purposes. With respect to assets acquired through external acquisitions the Company will elect to use the valuations at which the assets were recognized at date of acquisition.*

c) Mandatorily applicable standards with retrospective application (i.e., not specifically exempt under IFRS - 1)

Mineral resource properties and deferred exploration costs
Upon adoption of IFRS the Company will have a choice between retaining its existing policy of capitalizing all pre feasibility evaluation and exploration ("E&E") expenditures and electing to change its policy retrospectively to expense all pre feasibility E&E costs.
Impact on Company: *The Company will make a final determination of its policy in this area during Phase II.*

Property, plant and equipment - cost
IFRS: IAS 16 contains more extensive guidance with respect to components within PP&E. When an item of property, plant and equipment comprises individual components for which different depreciation methods or rates are appropriate, each component is accounted for separately (component accounting). **Canadian GAAP**: Section 3061 essentially contains similar guidance but is less extensive.
Impact on Company: *The Company does not expect that this will have a material impact upon transition.*

Property, plant and equipment - impairment
IFRS: Under IAS 36 an asset is impaired if the recoverable amount is lower than the asset's carrying amount. The recoverable amount is defined as the higher of the asset's fair value less cost to sell and its value-in-use. The value-in-use calculation involves discounting the expected future cash flows to be generated by the asset to their net present value. Canadian companies should (i) determine the existence of any impairment loss, and (ii) measure and recognize such impairment, if any at March 1, 2010**.** **Canadian GAAP**: A two-step approach is used to measure impairment. In step 1, a recoverability test is performed by comparing the expected undiscounted future cash flows to be derived from the asset with its carrying amount. If the asset fails the recoverability test, step 2 is triggered, and the entity must record an impairment loss calculated as the excess of the asset's carrying amount over its fair value.
Impact on Company: *During Phase II the Company will IAS 36 methodology to determine whether any impairment must be recognized at March 1, 2010.*

Future income taxes recognized in connection with Flow-through shares
IFRS: There is no specific standard under IFRS that directly addresses flow-through shares. **Canadian GAAP**: The Company reduces the net proceeds of the flow through share issuance by the future tax liability of the Company resulting from the renunciation of the exploration and development expenditures in favour of the flow though share subscribers.
Impact on Company: *During Phase II the Company will review (i) the general principles in IAS 12, (ii) additional guidance from the CICA Accounting Standards Board and (iii) the FASB model that has been endorsed by the SEC through the SEC International Practices Task Force in determining the adjustments that might be required as at March 1, 2010 and for the annual and interim periods ended February 28, 2011.*

Provision for environmental rehabilitation
IFRS – IFRS 37 applies to a constructive obligation, where the event creates valid expectations that the entity will discharge the obligation, as well as a legal obligation. The amount recognized should be the best estimate of the expenditure required to settle the obligation at the balance sheet date. Present value should be used where the effect of the time value of money is material. The discount rate (or rates) utilized should be a pre-tax rate (or rates) that reflect(s) current market assessments of the time value of money and the risks specific to the liability. Provisions should be reviewed at each balance sheet date and adjusted to reflect the current best estimate. **Canadian GAAP –** CICA Section 3110 applies to legal obligations associated with the retirement of a tangible long-lived asset. Such an obligation is to be initially measured at fair value in the period in which the obligation is incurred, unless it cannot be reliably measured at that date.

Impact on Company: *During Phase II the Company will recalculate the ARO liability to determine whether there is a material impact upon transition. The Company does not expect a material transitional impact.*

Functional currency

The Company uses the Canadian dollar as both its functional and reporting currency. IAS 21 contains a more comprehensive framework for the determination of functional currency.

Impact on Company: *During Phase II the Company will review the IAS 21 criteria to determine whether there is a material impact upon transition at March 1, 2010 or at February 28, 2011 and for the interim periods and the year then ended. The Company does not expect a material transitional impact.*

Share based compensation

IFRS: Under IFRS 2, graded vesting awards must be accounted for as though each instalment is a separate award. IFRS does not provide for an election to treat the instruments as a pool and recognize expense on a straight line basis. **Canadian GAAP**: Straight line basis is permissible under Canadian GAAP.

Impact on Company: *The Company has recognized option expense on a graded basis that is consistent with the IFRS 2 amortization methodology. Accordingly, the Company does not expect any transitional impact for options unvested at March1, 2010. For options granted on or after March 1, 2010 the Company will calculate the aggregate fair value as though each instalment is a separate award and will amortize the value on a graded basis.*

Impact on the Company's systems and processes

Based on findings from the diagnostic phase of the project the Company does not expect that adoption of International Accounting Standards will have a pervasive impact on its present systems and processes. The Company expects to implement certain minor changes to the general ledger account descriptions as well as the calculation methodologies currently in use for certain specific financial statement areas such as asset impairment, share based compensation etc. As the accounting policies are selected, appropriate changes to ensure the integrity of disclosure controls and procedures will be made. For example, any changes in accounting policies could result in additional controls or procedures being required to address reporting of first time adoption as well as ongoing IFRS reporting requirements. At this point, the Company has not determined its final accounting policy choices. The certifying officers plan to complete the design, and initially evaluate the effectiveness of, any significant changes to controls in the third quarter of 2010 to prepare for certification under IFRS in 2011.

OFF-BALANCE SHEET TRANSACTIONS

During the most recent three months ended May 31, 2010, and up to the date of this report, the Company had no off-balance sheet transactions.

FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash and cash equivalents, restricted cash, accounts receivable, loan receivable, accounts payable and accrued liabilities and reclamation bonds. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest or credit risks arising from these financial instruments. The reclamation bonds are held with a state of Nevada governmental institution, a joint venture partner or as letters of credit at Wells Fargo and represent restricted cash, which will be returned to the Company upon the satisfactory completion of reclamation obligations. The reclamation bonds and certain of the Company's cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities are denominated in $US leading to currency risk arising from fluctuations in the $C and $US exchange rate. The fair value of these financial instruments approximates their carrying values due to the short-term nature of these instruments.

ADDITIONAL INFORMATION

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

"Chad Williams"	**"Marty Rendall"**
Chad Williams	Marty Rendall
Chief Executive Officer & President	Chief Financial Officer