

JET GOLD CORP.
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE PERIOD ENDED MAY 31, 2010

REPORT DATE
JULY 27, 2010

This Management Discussion and Analysis (the “MDA”) provides relevant information on the operations and financial condition of Jet Gold Corp. (the “Company”) for the period ended May 31, 2010. This MD&A has been prepared as of July 27, 2010.

The Company’s activities are primarily directed towards exploration and development of mineral interests. The realization of amounts shown for mineral interests and oil and gas interests are dependent upon the discovery of economical recoverable reserves and future profitable production, or proceeds from the disposition of these properties. The carrying values of mineral interests and oil and gas interests do not necessarily reflect their present or future values.

The MD&A should be read in conjunction with the Company’s audited financial statements and notes thereto for the year ended August 31, 2009 herein that are prepared in accordance with Canadian generally accepted principles, all of which can be found on SEDAR at www.sedar.com.

All monetary amounts in this MD&A and in the financial statements are expressed in Canadian dollars, unless otherwise stated. All of the financial information referenced below has been prepared in accordance with Canadian generally accepted accounting principles applied on a consistent basis.

The Company is a reporting issuer in each of the Provinces of British Columbia and Alberta. Its head and principal office is located at 507 – 475 Howe Street Vancouver, British Columbia, V6C 2B3. It’s registered and records office is located at 1710 – 1177 Hastings Street, Vancouver, British Columbia, V6E 2L3.

OVERALL PERFORMANCE

In order to better understand the Company’s financial results, it is important to gain an appreciation for the significant events, transactions and activities on mineral properties which have occurred to the date of this MD&A.

Kshish Property – British Columbia

The Kshish molybdenum property under option to Jet Gold Corp. is just northeast of the town of Terrace, BC. It is on the southern slopes of Mount Vanarsdoll and can be easily accessed from downtown Terrace.

It is accessed from recently built logging roads that reach to the southern and western edge of the property. Prior to the construction of the logging road system, it was difficult to access and remained largely under explored. Exploration work in 2008 has confirmed the presence of the molybdenum mineralization in and around the original showings identified in the 1960’s. Further field and research completed in 2008 has extended the area of the molybdenum mineralization to encompass a area of “porphyry” type alteration in an ellipse estimated at 4 kilometers long, in a NW direction, with a width of approximately 2 kilometers. This zone of porphyry alteration, within the host intrusive, has a frequency of fractures which increases from meter or sub meter in the fresh intrusive to decimeter or centimeter

spacing in the altered intrusive. The fractures are the locus of molybdenum bearing quartz veinlets. The target is for an open pit mine within the ellipse of alteration.

It is anticipated that the molybdenum mineralization will extend well beyond the 4 by 2 Km ellipse of alteration. There are reported showings of molybdenum bearing veins well beyond the ellipse boundary as well as soil and stream geochemical molybdenum anomalies.

A technical report for further exploration and budget for it has been completed by Alex Burton, P. Eng., P. Geo., and Consulting Geologist. In the report a comprehensive surface trail building program is recommended so crews can access this large property. Further exploration is recommended and includes geochemical and geophysical surveys, geologic mapping and diamond drilling of targets defined by field work.

Virginia Gold Property – Arizona USA

The Company has entered into an option agreement to acquire the Virginia gold property located in the Sheep Tank Mining District in La Paz County, Arizona a well known gold producing area.

The property is located about two miles northwest of the former producing Verdstone gold mine which was mining grades of 0.5oz/T gold and 5oz/T silver when it was in production.

The Virginia gold property is an epithermal type of deposit typical of the Verdstone and former producing Sheep Tank mines in the District. The Virginia has a well developed epithermal alteration system around it. The previous owner reported gold and silver values in the vein at surface. These reports are anecdotal and therefore not to be relied upon.

The property has excellent infrastructure in place, located about 100 miles west of Phoenix and 14 miles south of Highway I-10, and serviced by all-weather roads from the nearby towns of Quartzite and Salome, AZ.

A work program of GIS mapping, photo interpretation, trenching, sampling and geological reconnaissance along with an IP survey to develop drill targets, is planned for the third quarter of 2010.

Big Hammer Property – British Columbia

The Company acquired an option to the Big Hammer property near Terrace, British Columbia, Canada. The Big Hammer property hosts new rare metals, Gold-Silver-Tellurium (Au-Ag-Te), discovery made by the British Columbia Geologic Survey in 2007.

The property consists of six tenures with a total area of 1,617 hectares (3,996 acres) and is located 13 kilometers southeast of Terrace B.C. on the lower elevations of Thornhill Mountain. It is situated on the western flank of the Intermontane Belt and bounded on the west by the Coast Crystalline Belt. The Big Hammer's Au-Ag-Te mineralization was first discovered on new logging road cuts in 2007 within a thick series of sheeted, low-angle quartz-pyrite veins. Host rocks are Tertiary granitics and possibly altered basement. The multiple Big Hammer Au-Ag-Te showings are also anomalous in lead (Pb), copper (Cu), zinc (Zn), cobalt (Co) and tungsten (W).

Intrusive associations and extensional structures combined with good assays and trace geochemical returns make the Big Hammer a target for gold and the byproduct tellurium. The significant extent, greater than 1,000m horizontal and 300m vertical, of the known Big Hammer mineralization suggests additional veins may be found with mapping, surface trenching and diamond drilling. Demand for

tellurium has been increasing because of use in solar panels as well as in computer memory chips. As a result the price of tellurium has risen from \$10 to over \$250 per kilogram in recent years.

A work program of trenching, sampling and geological reconnaissance along with an IP survey to develop drill targets is planned for the third quarter of 2010.

Naskeena Coal Property –British Columbia

In 2006, The Company acquired a large-scale exploration coal property in Northern British Columbia which is 27 miles from the Terrace, B.C., railhead and about 100 miles from the Prince Rupert coal terminal. The 45-square-kilometre (17-square-mile) parcel of claims is known as the Naskeena property.

In September of 2007 independent geological consultant Brian Simmons, P. Geo. completed a 43-101 report on the coal project. His report recommended further drilling, and confirmed the original report in 1914 by G. F. Monckton on the coal deposits he discovered that they actually were where they had been purported to be. Previously the name switch between two creeks had caused the true location to be lost. His report recommended further exploration of the coal beds.

Limited diamond drilling was done in 2007 and 2008 due to the shortage of drills and trained drill operators. Drilling focused on Lease 41712 just north of the historic coal showing discovered in 1914 where there was shallow to no overburden.

In this drilling the second of 9 holes intersected a 2.43 meter (8 ft) thick coal bed which prompted a step out pattern of drill holes around the intersection. From the 7 holes surrounding this intersection it was discovered that there was no connectivity between coal beds within this area of the tenure as the coal was discontinuous and lense like. While the intersections had a viable thickness, their drill core analyses returned unsatisfactory results as to quality.

The area drilled to date covers about 160 hectares of this 5900+ ha property and is a small portion of the whole basin under the four leases. The drilling was confined to date on the northern portion of the tenures and the greater portion of the basin is still untested.

The southern (417514) and the western (417513) tenures are where more continuous coal beds are expected to be found, however they have a surface cover of loose gravel over a significant portion of them. That would have made diamond drilling difficult and expensive under the staffing levels for diamond drill crews in 2008.

During the 2008 field season, the Company drilled nine (9) HQ holes for a total of 1,310 meters. This work followed on the 2007 drilling of sixteen (16) NQ holes for 1,215 meters. The drilling encountered several coal beds of variable thickness. For example, DDH#2 intersected a 2.43 meter coal bed which was followed up with a "step out" pattern of seven (7) holes to try to establish connectivity and continuation thickness. These additional holes could not determine this as the coal beds appeared to be discontinuous and lens like. While the intersection had viable coal thickness, the surrounding holes returned poor coal results. The specific gravity tests undertaken by the Company did not demonstrate that the recovery of coal collected in the drill core could be upgraded adequately to make it economic.

In early 2009, the Company decided to review the data and consider viability of the as yet undrilled southern portion of the tenure. Burton Consulting Inc. ("Consultants") was instructed to assess the ground to locate, if possible, areas that might contain economic coal deposits.

The consultant's report concluded that, although there may be a large coal deposit in the untested areas, the costs of further drilling and development would likely exceed the economic value of the resource. The southern portion of the tenures is covered with deep gravel and the cost of drilling through to establish a resource is cost prohibitive. In addition, any coal beds would likely be too deep for open pit mining and require a more costly shaft and underground mining for production.

As a result, the consultants have recommended that the Company give up the tenures as uneconomic. Upon Mr. Burton's recommendation, the Company has decided to relinquish the coal tenures.

During fiscal 2009, the Company abandoned the property and, accordingly, wrote-off exploration and acquisition expenditures of \$858,238.

The mineral property content of the MD&A has been reviewed and approved by Alex Burton, P.Eng., P.Geo., a qualified person as defined in National Instrument 43-101.

Stewart Property – Texas

The Company has elected to participate in a 2 ½% working interest in a drilling program for natural gas in a prospect known as the Stewart lease located in Goliad County, Texas. The project is comprised of 544 acres of leases in an area of current production of natural gas.

The Stewart No. 1 has been plugged and was abandoned due to poor flow rates and accordingly, \$26,042 in exploration costs has been written-off as of August 31, 2006. As of August 31, 2008 the carrying value was \$10,316 which consists of \$5,410 in acquisition costs and \$4,906 in exploration costs.

During the year ended August 31, 2009 the Company wrote-off its project cost of \$10,315 to a nominal value of \$1.

Funk Property – Texas

The Company has acquired a 5% working interest in a drilling program for natural gas in a prospect known as the Funk lease located in Goliad County, Texas. The project is comprised of two tracts of land comprising 240 acres and 160 acres in an area of current production of natural gas.

During the year ended August 31, 2009 the Company wrote-off its project cost of \$130,139.

Harris #2 Property – Texas

The Company acquired a 2% interest in two drilling projects. The joint venture was formed to secure, re-enter, re-establish, re-open, manage, cultivate, drill and operate the Harris-N- Well Number 2 on leased real property located in the Harris NE oil and gas fields in Live Oak County, Texas.

During the year ended August 31, 2009 the Company wrote-off its project cost of \$27,564.

Wanner 27-1 Property – North Dakota

The Company acquired a 1 ½% back in working interest in a drilling program for oil in a prospect known as the Wanner 27-1 well located in Stark County, North Dakota.

During the year ended August 31, 2009 the Company wrote-off its project cost of \$21,371.

SELECTED ANNUAL INFORMATION

The following selected financial data have been prepared in accordance with Canadian generally accepted accounting principals and should be read in conjunction with the Company's audited financial statements. The following table sets forth selected financial data for the Company for and as of the end of the last three completed financial years to the year ended August 31.

Financial Year Ended	2009	2008	2007
Total revenue	Nil	Nil	Nil
Net loss	(1,230,866)	(428,752)	(1,008,122)
Net loss per share – basic and diluted	(\$0.05)	(\$0.02)	(\$0.05)
Total assets	236,628	1,334,351	890,928
Total long term financial liabilities	Nil	Nil	Nil
Cash dividends declared – per share	Nil	Nil	Nil

Overview

For the year ended August 31, 2007 the Company had property expenditures of \$472,763 on the Naskeena coal property and abandon the Set Ga Done and the Atlin property and accordingly wrote off exploration expenditures in the amounts of \$503,907 and \$94,018 respectively. For greater detail please see the Company's Audited Financial Statements as at August 2007 and 2006.

For the year ended August 31, 2008 the Company had property expenditures of \$277,200 on the Naskeena coal property and \$114,175 on the Kshish property. The Company also abandons the remaining carrying value of the Atlin property and accordingly wrote off \$15,087. For greater detail please see the Company's Audited Financial Statements as at August 2008 and 2007.

For the year ended August 31, 2009 the Company had property exploration expenditures of \$86,980 on the Naskeena coal property and \$19,568 on the Kshish property. The Company also abandoned the Naskeena coal property and accordingly wrote off \$858,238 in acquisition and exploration expenditures. The Company also wrote off its oil and gas project cost of \$189,389 to a nominal value of \$1. For greater detail please see the Company's Audited Financial Statements as at August 2009 and 2008.

Results of Operation for the period ended May 28, 2010 and the year ended August 31, 2009

This review of operations should be read in conjunction with the Audited Financial Statements of the Company for the years ended August 31, 2009 and 2008.

Quarter ended May 31, 2010

Overview

For the period ending May 31, 2010 the Company incurred a loss of \$263,360 (\$0.01 per share) compared to a loss of \$207,887 (\$0.01 per share) for the period ended May 31, 2009. The Company expects to continue losses for Fiscal 2010 as it develops its mineral properties.

Expenses

General and administration expenses totaled \$260,563 for the period ended May 31, 2010 compared to \$182,184 for the period ended May 31, 2009. Details of the largest general and administration are as follows:

Administration fees of \$54,000 (2008 - \$54,000) to an officer and director of the Company as a result of the activities of the Company

Consulting fees of \$40,500 (2009 - \$50,250) consisting of \$22,500 (2009 - \$31,500) to a company controlled by an officer of the Company for administrative services and \$18,000 (2009 - \$18,750) for other.

Legal, Audit and Accounting of \$24,289(2009 - \$32,844) consists of audit and accounting fees.

The Company expects to spend the same amount in the next quarter.

All other expenses are in the normal course of doing business.

2009 Financial Results

Overview

For the year ending August 31, 2009 the Company incurred a loss of \$1,230,866 (\$0.05 per share) compared to a loss of \$428,752 (\$0.02 per share) for the year ended August 31, 2008. The Company expects to continue losses for Fiscal 2010 as it develops its mineral properties.

Expenses

General and administration expenses totaled \$230,913 for the year ended August 31, 2009 compared to \$414,000 for the year ended August 31, 2008. Details of the largest general and administration are as follows:

Stock based compensation of \$10,387 (2008 - \$191,717) as a result of the Company issuing stock options under the option plan during the year.

Administration fees of \$72,000 (2008 - \$63,000) to an officer and director of the Company as a result of the activities of the Company

Consulting fees of \$66,750 (2008 - \$37,500) consisting of \$42,000 (2008 - \$24,000) to a company controlled by an officer of the Company for administrative services and \$24,750 (2008 - \$13,500) for various services.

Legal, audit and accounting of \$38,845 (2008 - \$36,033) consisting of \$9,059 (2008 - \$6,233) for corporate legal services and \$29,786 (2008 - \$29,800) for auditing and accounting.

Insurance of \$Nil (2008 - \$13,175) consists of Officers and Directors Liability insurance.

The Company expects to spend the same amount in the next year.

All other expenses are in the normal course of doing business.

Other

The Company abandons the Naskeena coal property and accordingly wrote off its acquisition and exploration expenditures of \$858,238. The Company also wrote off its oil and gas project cost of \$189,389 to a nominal value of \$1.

SUMMARY OF QUARTERLY RESULTS

The following selected financial data have been prepared in accordance with Canadian generally accepted accounting principles and should be read in conjunction with the Company's audited financial statements. The following is a summary of selected financial data for the Company for its eight completed financial quarters ending August 31, 2009. Each quarter of each financial year is shown on a quarterly basis.

Quarter Ended Amounts in 000's	May 31, 2010	Feb 28, 2010	Nov 30, 2009	Aug 31, 2009	May 31, 2009	Feb 28, 2009	Nov 30, 2008	Aug. 31, 2008
Revenue	-	-	-	-	-	-	-	-
Loss before extraordinary items	(159.9)	(56.6)	(46.9)	(1,023.0)	(83.0)	(79.0)	(45.9)	(75.4)
Loss per share – basic and diluted	(0.01)	(0.00)	(0.00)	(0.04)	(0.01)	(0.00)	(0.00)	(0.00)
Net loss	(159.9)	(56.6)	(46.9)	(1,023.0)	(83.0)	(79.0)	(45.9)	(75.4)
Net loss per share – basic and diluted	(0.01)	(0.00)	(0.00)	(0.04)	(0.01)	(0.00)	(0.00)	(0.00)

During the quarter ended August 31, 2008 the general and administrative expenditures were consistent with previous quarters. The Company continued with its drill program on the Naskeena coal property.

During the quarter ended November 30, 2008 the general and administrative expenditures were consistent with previous quarters. The Company spent \$75,726 on its exploration properties.

During the quarter ended February 28, 2009 the general and administrative expenditures were consistent with previous quarters. The Company spent \$98,912 on its exploration properties.

During the quarter ended May 31, 2009 the general and administrative expenditures were consistent with previous quarters.

During the quarter ended August 31, 2009 the general and administrative expenditures were consistent with previous quarters. The Company abandoned the Naskeena coal property and accordingly wrote off \$858,238 in acquisition and exploration expenditures. The Company also wrote off its oil and gas project cost of \$189,389 to a nominal value of \$1.

During the quarter ended November 30, 2009 the general and administrative expenditures were consistent with previous quarters. The Company acquired the Virginia Gold property in Arizona.

During the quarter ended February 28, 2010 the general and administrative expenditures were consistent with previous quarters. The Company acquired the Big Hammer property in British Columbia.

During the quarter ended May 31, 2010

During the quarter ended May 31, 2010 the general and administrative expenditures were consistent with previous quarters.

As the Company has not owned nor owns any revenue producing resource properties, no mining revenue has been recorded to date.

LIQUIDITY AND CAPITAL RESOURCES

As of May 31, 2010 the Company has working capital deficit of \$131,706 (2009 - \$38,270). The Company has limited financial resources and has financed its operations primarily through the sale of its common shares. For the foreseeable future, the Company will need to rely on the sale of such securities for sufficient working capital and to finance its mineral property acquisition and exploration activities, and /or enter into joint venture agreements with third parties. As the Company does not generate any revenue from operations, the long-term profitability of the Company will be directly related to the success of its mineral property acquisition and exploration activities.

In April 2008 the Company closed a private placement as follows: 1,000,000 flow-through units at a price of \$0.15 per unit, each unit comprised one common share and one warrant to buy one common share at \$0.25 for two years; and 2,200,000 non-flow through units for a unit price of \$0.15 per unit, each unit comprised one common share and a two-year share purchase warrant to buy one common share at \$0.25 each; for gross proceeds of \$480,000.

In June 2009 the Company closed a share for debt transaction by settling debt in the amount of \$81,332 by issuing 542,213 common shares.

In February 2010, the Company closed a private placement of 2,400,000 units at a price of \$0.05 per unit for gross proceeds of \$120,000. Each unit consist of one common share and one share purchase warrant entitling the holder to purchase one additional common share at a price of \$0.10 for a period of one year.

As a result of the global economic downturn, there is uncertainty in capital markets and the Company anticipates that it and others in the mineral resource sector will have limited access to capital. Although the business and assets of the Company have not changed, investors have increased their risk premium and their overall equity investment has diminished. The Company continually monitors its financing alternatives and expects to finance its Fiscal 2010 operating overhead through a private placement and its exploration expenditures through a flow-through private placement.

The Company has no long-term debt obligations.

SHARE CAPITAL

As of the date of this MD&A, the Company has issued and outstanding common shares as follows. The authorized share capital is unlimited common shares without par value.

	Number of Common Shares	Amount
Balance, August 31, 2007	22,013,755	\$ 5,141,609
Issued for cash		
Exercise of options	675,000	91,250
Exercise of warrants	480,000	73,000
Private placement	3,200,000	480,000
Fair value of options exercised	-	85,007
Issued for mineral interests	250,000	40,000
Share issuance costs	-	(2,650)
Balance, August 31, 2008	26,618,755	\$ 5,908,216
Issued for cash		
Exercise of options	-	-
Exercise of warrants	-	-
Private placement	-	-
Future income tax on flow-through share renunciation	-	(44,970)
Share for debt	542,213	81,332
Balance, August 31, 2009	27,160,968	\$ 5,944,578
Issued for cash		
Private placement	2,400,000	120,000
Issued for mineral interests	350,000	23,500
Balance, July 27, 2010	29,910,968	\$ 6,088,078

As of the date of this MD&A the Company had the following incentive stock options outstanding:

Expiry Date	Exercise Price	Outstanding August 31, 2009	Granted	Exercised	Forfeited	Outstanding July 27, 2010
September 29, 2009	\$ 0.20	200,000	-	-	200,000	-
December 31, 2009	\$ 0.20	50,000	-	-	50,000	-
September 1, 2010	\$ 0.10	40,000	-	-	-	40,000
March 6, 2011	\$ 0.13	100,000	-	-	-	100,000
March 9, 2011	\$ 0.13	75,000	-	-	-	75,000
October 30, 2011	\$ 0.17	100,000	-	-	-	100,000
January 24, 2012	\$ 0.20	75,000	-	-	-	75,000
April 18, 2012	\$ 0.25	773,000	-	-	-	773,000
October 15, 2012	\$ 0.185	775,000	-	-	375,000	400,000
May 5, 2013	\$ 0.235	348,000	-	-	225,000	123,000
April 3, 2009	\$0.15	125,000	-	-	125,000	-

April 7, 2015	\$.10	-	1,229,000	-	-	1,229,000
		2,661,000	1,229,000	-	975,000	2,915,000

As of the date of this MD&A the Company had the following share purchase warrants, enabling the holder to acquire further common shares as follows:

Expiry Date	Exercise Price	Outstanding August 31, 2009	Issued	Exercised	Expired	Outstanding July 27 2010
April 28, 2010	\$ 0.25	3,200,000	-	-	3,200,000	-
February 2, 2011	\$0.10		2,400,000			2,400,000
		3,200,000	2,400,000	-	3,200,000	2,400,000

RELATED PARTY TRANSACTIONS

During the period ended May 31, 2010 and 2009 the Company entered into the following transactions with related parties.

Expenditure	May 31, 2010	May 31, 2009
Office and administrative services	\$76,500	\$85,500
Office lease	10,913	10,535

Office and administrative services contracts entered into between Robert Card, President and Blaine Bailey, CFO was entered into in the normal course of business. Office rent was paid to a company controlled by the President of the Company.

The Company paid \$54,000 (2009 - \$54,000) to a company controlled by the president of the Company pursuant to a consulting agreement dated May 15, 2003 for the provision of office and administration services. The Company paid \$22,500 (2009 - \$31,500) to a company controlled by an officer of the Company for consulting.

The Company paid \$10,913 (2009 - \$10,535) for office rent to a company controlled by common members of management.

Accounts payable and accrued liabilities included \$95,600 (2008 - \$41,500) due to directors. Amounts owing to directors have no specific terms of repayment or no stated terms of interest.

The president of the Company is a member, as to a 25% interest, in the optionor of the Naskeena Group Property.

OFF-BALANCE SHEET ARRANGEMENTS

The Company does not have any off-balance sheet arrangements.

PROPOSED TRANSACTIONS

The Company has no proposed transactions.

INVESTOR RELATIONS

The Company has entered into an Investor Relations agreement with Brian Stanford to provide investor relations services to the company. The term of the contract is for 12 months at a monthly fee of \$3,000. Effective May 31, 2010 the investor relations agreement with Brian Stanford was terminated.

APPROVAL

The Board of Directors of Jet Gold Corp. has approved the disclosures in this MD&A.

FORWARD LOOKING STATEMENTS

All statements in this report that do not directly and exclusively relate to historical facts constitute forward-looking statements. These statements represent the Company's intentions, plans, expectations and belief, and are subject to risk, uncertainties, and other factors of which many are beyond the control of the Company. These factors could cause actual results to differ materially from such forward-looking statements. The Company disclaims any intention or obligation to update or revise any forward-looking statements, as a result of new information, future events or otherwise.

RISKS AND UNCERTAINTIES

The Company's principal activity is mineral exploration and development. Companies in this industry are subject to many and varied kinds of risks, but not limited to, environmental, metal prices, political and economical.

Failure to comply strictly with applicable laws, regulations and local practices relating to mineral right applications and tenure could result in loss, reduction or expropriation of entitlements, or the imposition of additional local or foreign parties as joint venture partners with carried or other interests.

The occurrence of these various factors and uncertainties cannot be accurately predicted and could have an adverse effect on the Company's operations.

Although the Company has taken steps to verify the title to mineral properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property titles may be subject to unregistered prior agreements or transfers and title may be affected by undetected defects.

The Company has no significant sources of operating cash flow and no revenue from operations. Additional capital will be required to fund the Company's exploration program. The sources of funds available to the Company are the sale of equity capital or the offering of an interest in its project to another party. There is no assurance that it will be able to obtain adequate financing in the future or that such financing will be advantageous to the Company.

The property interests owned by the Company or in which it has an option to earn an interest are in the exploration stages only, are without known bodies of commercial mineralization and have no ongoing mining operations. Mineral exploration involves a high degree of risk and few properties, which are explored, are ultimately developed into producing mines. Exploration of the Company's mineral interests

may not result in any discoveries of commercial bodies of mineralization. If the Company's efforts do not result in any discovery of commercial mineralization, the Company will be forced to look for other exploration projects or cease operations.

The Company is subject to the laws and regulations relating to environmental matters in all jurisdictions in which it operates, including provisions relating to property reclamation, discharge of hazardous materials and other matters. The Company may also be held liable should environmental problems be discovered that were caused by former owners and operators of its properties in which it previously had no interest. The Company conducts its mineral exploration activities in compliance with applicable environmental protection legislation. The Company is not aware of any existing environmental problems related to any of its current or former properties that may result in material liabilities to the Company.

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements requires the Company to select from possible alternative accounting principles, and to make estimates and assumptions that determine the reported amounts of assets and liabilities at the balance sheet date and reported costs and expenditures during the reporting period. Estimates and assumptions may be revised as new information is obtained, and are subject to change. The Company's accounting policies and estimates used in the preparation of the financial statements are considered appropriate in the circumstances, but are subject to judgments and uncertainties inherent in the financial reporting process.

Property acquisition costs and related direct exploration costs may be deferred until the properties are placed into production, sold, abandoned, or written down, where appropriate. The Company's accounting policy is to capitalize exploration costs consistent with Canadian GAAP and applicable guidelines for exploration stage companies. The policy is consistent with other junior exploration companies which have not established mineral reserves objectively. An alternative policy would be to expense these costs until sufficient work has been done to determine that there is a probability a mineral reserve can be established; or alternatively, to expense such costs until a mineral reserve has been objectively established. Management is of the view that its current policy is appropriate for the Company at this time. Based on quarterly impairment reviews made by management, or earlier if circumstances warrant, in the event that the long-term expectation is that the net carrying amount of these capitalized exploration costs will not be recovered, then the carrying amount is written down accordingly and the write-down charged to operations. A write-down may be warranted in situations where a property is to be sold or abandoned; the exploration activity ceases on a property due to unsatisfactory results or insufficient available funding; or when it is determined that the carrying value exceeds the fair market value or the property.

Significant estimates are made in respect of the Company's asset retirement and environmental obligations. The Company's proposed mining and exploration activities are subject to various laws and regulations for federal, regional and provincial jurisdictions governing the protection of the environment. These laws are continually changing. The Company believes its operations are in compliance with all applicable laws and regulations. The Company expects to make, in the future, expenditures to comply with such laws and regulations but cannot predict the full amount or timing of such future expenditures.

Moreover, significant estimates are made in respect of accounting for stock-based compensation, which is calculated using the Black-Scholes option pricing model. Option pricing models require the input of highly subjective assumptions, including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore, the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options granted/vested during the period.

Other significant areas requiring the use of management estimates include the balances of accrued liabilities, rates for amortization for equipment and the valuation allowance for future income tax assets. While management believes that these estimates are reasonable, actual results could differ from those estimates and could impact future results of operations and cash flows.

FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, amounts receivable, deposits and accounts payable. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximates their carrying values, unless otherwise noted.

CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION

Effective September 1, 2008, the Company adopted, prospectively, the new recommendations of the Canadian Institute of Chartered Accountants ("CICA") under the following Handbook guidelines.

(i) Capital Disclosures

The CICA issued Section 1535, "Capital Disclosures", which requires the disclosure of both qualitative and quantitative information that provides users of financial statements with information to evaluate the entity's objectives, policies and procedures for managing capital.

(ii) Financial Instruments – Disclosures and Presentation

Sections 3862 and 3863 replace Section 3861, "Financial Instruments – Disclosure and Presentation", revising its disclosure requirements and carrying forward its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks.

Section 3862 specifies disclosures that enable users to evaluate: (i) the significance of financial instruments for the entity's financial position and performance; and (ii) the nature and extent of risks arising from financial instruments to which the entity is exposed and how the entity manages those risks.

(iii) Going Concern

The CICA Section 1400, "General Standards of Financial Statement Presentation", was amended to include requirements to assess and disclose an entity's ability to continue as a going concern. When financial statements are not prepared on a going concern basis, that fact shall be disclosed together with the basis on which the financial statements are prepared and the reason why the company is not considered a going concern..

Future accounting policies applicable to the Company are as follows:

(i) International Financial Reporting Standards ("IFRS")

In February 2008, the Canadian Accounting Standards Board ("AcSB") confirmed that GAAP for publicly accountable enterprises will be converged with IFRS effective for

fiscal years beginning on or after January 1, 2011. The Company will therefore be required to report using IFRS commencing with its unaudited interim financial statements for the three months ended November 30, 2011, which must include restated interim results for the prior period ended November 30, 2010 prepared on the same basis. The conversion to IFRS will impact the Company's accounting policies, information technology and data system, internal control over financial reporting, and disclosure controls and procedures. The Company is currently evaluating the future impact of IFRS on its financial statements.

(ii) Business Combinations

In January 2009, the CICA issued Section 1582, "Business Combinations", Section 1601, "Consolidated Financial Statements", and Section 1602, "Non-Controlling Interests". These sections replace the former Section 1581, "Business Combinations", and Section 1600, "Consolidated Financial Statements", and establish a new section for accounting for a non-controlling interest in a subsidiary.

Sections 1582 and 1602 will require net assets, non-controlling interests and goodwill acquired in a business combination to be recorded at fair value and non-controlling interests will be reported as a component of equity. In addition, the definition of a business is expanded and is described as an integrated set of activities and assets that are capable of being managed to provide a return to investors or economic benefits to owners. Acquisition costs are not part of the consideration and are to be expensed when incurred. Section 1601 establishes standards for the preparation of consolidated financial statements.

These new sections apply to interim and annual financial statements relating to fiscal years beginning on September 1, 2011. Earlier adoption of these sections is permitted as of the beginning of a fiscal year. All three sections must be adopted concurrently. The Company is currently evaluating the impact of the adoption of these sections.

INTERNATIONAL FINANCIAL REPORTING STANDARDS

In February 2008, the Canadian Accounting Standards Board ("AcSB") confirmed that GAAP for publicly accountable enterprises will be converged with IFRS effective for fiscal years beginning on or after January 1, 2011. The Company will therefore be required to report using IFRS commencing with its unaudited interim financial statements for the three months ended November 30, 2011, which must include restated interim results for the prior period ended November 30, 2010 prepared on the same basis.

The conversion to IFRS will likely impact the Company's statement of financial position and results of operations. To transition to IFRS, changes may be required to the Company's information technology and data systems, internal control over financial reporting, disclosure controls and procedures, financial reporting expertise and training requirements, and matters that may be influenced by GAAP measures such as capital requirements.

The detailed analysis of the IFRS – Canadian GAAP differences, and the selection of accounting policy choices under IFRS has commenced and the Company will continuously monitor changes in IFRS leading up to the changeover date, and will update its conversion plan as required.

DISCLOSURE CONTROLS AND PROCEDURES

The Company's management is responsible for establishing and maintaining disclosure controls and procedures to provide reasonable assurance that material information related to the Company is made known to senior management, including the Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") and, by others within those entities on a timely basis so that appropriate decisions can be made regarding public disclosure.

The CEO and CFO have evaluated the design and operation of the Company's disclosure controls and procedures and have concluded that they are effective as of May 31, 2010.

MANAGEMENT'S REPORT ON INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting. The Company's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of the Company's internal control over financial reporting as of August 31, 2009. Based on management's assessment and those criteria, management has concluded that the internal control over financial reporting as at May 31, 2010 was effective.

Additional information on the Company available through the following source: www.sedar.com.