

NEW GUINEA GOLD CORPORATION

Management Discussion & Analysis For the Quarter Ended September 30, 2010

INTRODUCTION

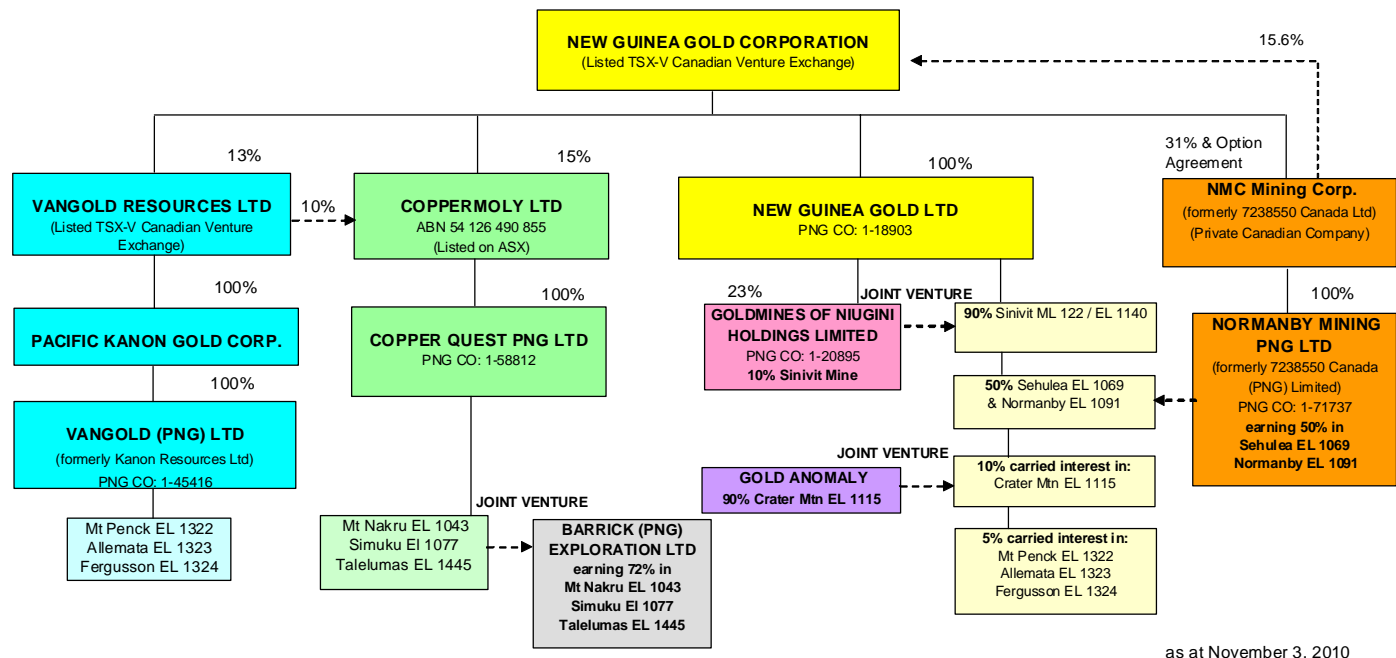
Management has prepared the following Management Discussion and Analysis of the unaudited consolidated financial results of New Guinea Gold Corporation (“NGGC” or “the Company”) for the 3 month and 9 month period ending September 30, 2010. It was prepared using Canadian GAAP accounting standards and should be read in conjunction with the unaudited consolidated interim financial statements and accompanying notes for the three and six month periods ended June 30, 2010. The Statements and related notes have been prepared in accordance with Canadian Generally Accepted Accounting Principles (GAAP)

This discussion includes certain statements that may be deemed “forward-looking statements”. Although the Company believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance. Factors that could cause actual results to differ materially from those in forward-looking statements include market prices, exploitation and exploration successes, continued availability of capital and financing and general economic, market or business conditions.

All amounts are stated in Canadian dollars unless indicated otherwise. Additional information regarding the Company is available on SEDAR at www.sedar.com and on the Company’s website at www.newguineagold.ca.

The information in this report is current to November 30, 2010 unless otherwise indicated.

Corporate Structure



as at November 3, 2010

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OVERALL PERFORMANCE

The main points for the quarter are summarised below.

Profit/Loss

The Company's net loss for the quarter ended September 30, 2010, was \$3,972,865 or \$0.02 per common share compared to a loss of \$1,176,398 or \$0.01 per common share for the same period last year.

Revenue

Revenue from gold and silver sales for the quarter from the Sinivit Mine was \$1,998,495 compared to revenue of \$1,426,246 for the same period in 2009.

Gold production at Sinivit Mine for the quarter ended September 30, 2010 was 1,503ozs compared to 1,857ozs for the same period in 2009. Gold production for the previous quarter was 1,078ozs.

Cash and Marketable Securities

The Company had cash of \$1,497,413 at September 30, 2010, plus marketable securities at fair market value of \$4,640,387. At November 1, 2010 the Company had cash of approximately \$1.5 million plus marketable securities at present market value of approximately \$4.6 million.

FUTURE STRATEGY FOR THE SINIVIT MINE

The Board of Directors has proven expertise in exploration, mining, finance and capital markets. The company's share register is strongly supported by significant investors.

The Board and Management are conscious of the fact that the Sinivit Mine has presented numerous challenges and unanticipated problems. The most fundamental operational problem is that the current leaching process can only extract up to 50% of the cyanide leachable gold.

Therefore, it is true that in the past and more recently in particular, the Company has, of necessity, had to focus upon managing liquidity. The high priority need to attend to the mine's operational issues is understood. It is also understood that the Sinivit asset has great potential.

There are some unique risks and contingencies involved in operating in PNG. The Board and Management aims to realize the true potential of the Sinivit assets while being fully cognizant of the risks that are involved in achieving a transition to a sustainable operation.

Improvement of the cash flows from the mine requires processing improvements which are being implemented. Ultimately further investment in more capital intensive processing methods will be required.

Although there remains a body of oxide mineralization which can be processed with the current vat / heap leaching methods we believe that, in the medium and long-term, the project will be better served if processing can be changed to using pulverized ore – i.e. gold leached in stirred tanks by CIP or CIL, or a modification of these processing methods. **This would allow not only the remaining resources to yield a much greater percentage of the contained gold but it would also allow re-processing of the crushed ore presently in vats.**

Due diligence to confirm the economic viability of such a change in processing first requires extensive metallurgical testing of vat material plus the in-ground resource, and some additional drilling to complete pit design and assessment of the required additional capital investment (mill, tanks, and perhaps extension of the present gold elution circuit).

Metallurgical testing has commenced on both the partly leached material in vats and on the yet to be mined mineralization. This initial testing suggests that 90 to 98% of the gold in mineralization and of the gold remaining in vats could be recoverable if the mineralization was ground to 150 microns and cyanide leached in tanks.

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Comprehensive metallurgical testing with development of a possible treatment flow sheet will be completed as the first priority when funding is finalized. This testing will be combined with the present **investigation as to the viability of extracting the tellurium** in the vats and remaining ore. Testing by World Industrial Minerals suggests that tellurium content of the vats could average between 200 and 300ppm. World Industrial Minerals is also preparing a draft flow sheet to determine if tellurium recovery is economic. We should receive the results of this study in the near future.

The assessments of these **very positive potentials** of the resource will however take time and money. These assessments will be conducted as part and parcel of the future exploration of the Sinivit prospects.

Exploration Plans and Update

The Company will be seeking to substantially increase the exploration program on the Sinivit prospect in the future. To be clear, the funding for this more extensive and concerted exploration is yet to be finalized but the Board and Management are confident that it will become available in the near future.

The 3D IP survey completed on August 20, 2010 confirmed the **potential for substantial oxide gold and/or gold/copper/tellurium mineralization at depth**, along strike and adjacent to the Sinivit Mine (see Press Release dated September 13, 2010 for detail).

The consulting geophysicist defined and described **18 target zones**, either chargeability (IP), resistivity or conductivity anomalies. In most cases these anomalies can be correlated with surface indications of known mineralisation. The IP Survey was also conducted over the known Central Sulphide Zone. Although the IP response here was of modest intensity, it has shown that this mineralisation did give an IP response and thus, by analogy, similar intensity anomalies defined at Gorocho, Kavursuki, and Memgmt could also be defining similar sulphides. The results of the northern part of the survey are illustrated on the chargeability and resistivity images and in several cross sections in the above Press Release.

In addition to targets related to the Sinivit structure, the survey has defined **a strong IP anomaly in the valley to the west of Sinivit**, known as Magiabi. There are extensive surface indications of copper in this area and it has been noted previously as a potential porphyry copper system. The IP response is shown in Figures 2 and 4 of the above Press Release.

Drill testing of these target zones is scheduled to commence in the first quarter 2011.

The complete results of the IP survey, including survey specifications, cross sections and commentary will be able to be accessed at www.newguineagold.ca in the near future.

Reverse Circulation drilling below the Southern Oxide Pit defined a significant zone of high grade gold and copper mineralisation. Best results were 10m at 18.47g/t gold and 2.89% copper; 6m at 65.03g/t gold and 3.93% copper.

Significant intersections are shown below:

Hole No	From (m)	To (m)	Length (m)	Gold (g/t)	Copper (%)
SGC 217	10	22	12	10.28	1.85
SCG 218	16	24	8	12.64	1.22
including	16	20	4	22.11	1.82
SGC 219	0	14	14	33.00	3.21
including	0	6	6	65.03	3.93
SGC 222	16	20	4	11.87	2.74

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Hole No.	From (m)	To (m)	Length (m)	Gold (g/t)	Copper (%)	Cutoff grade (gold g/t)
SGC 224	26	30	4	0.74	0.16	0.5
SGC 225	0	4	4	0.68	0.06	0.5
SGC 226	no assays greater than 0.5 g/t Au					
SGC 227	10	22	12	6.83	2.24	0.5
including	10	20	10	8.07	2.63	4.0
SGC 228	4	6	2	0.71	0.15	0.5
SGC 229	10	18	8	11.86	0.93	1.5
including	10	16	6	15.23	1.18	8.0
SGC 230	4	16	12	15.71	2.46	1.5
including	4	14	10	18.47	2.89	7.0
including	4	6	2	39.70	2.02	39.0
including	10	14	4	17.78	1.26	15.0

True widths of these intersections are estimated to be 70% of the above lengths.

This high-grade zone is over 100m in length and will be followed up with deeper diamond core drilling.

Trenching and drilling has continued at the Kavursuki Zone with the objective of defining additional oxide gold mineralization.

UPDATES ON OTHER PROJECTS

Imwauna and Weioko Projects (NMC Mining Corporation)

NGG holds 15,682,269 shares, representing a 31% interest in NMC. In turn, NMC holds approximately 15.6% of the issued and outstanding shares of NGG.

A Vice-President of Exploration has been employed and will commence in early December 2010 working from New Guinea Gold's Australian Office.

NMC Mining Corporation has developed a \$3 million exploration budget for the Imwauna Project for the 2011 calendar year. NMC holds 50% of the Normanby and Sehulea tenements in Papua New Guinea and can earn the remaining 50% by spending \$8 million on the properties by June 21, 2013. These properties include the Imwauna and Weioko Projects.

In a subsequent event (see Press Release dated October 18, 2010) NGG announced high grade drill results from three drill holes at the Imwauna Project.

These holes were drilled to obtain metallurgical samples to test the metallurgical characteristics of the southern high grade gold zone with depth. Assay results are summarised below:

Assay Summary (0.5g/t cut off)

Hole No	Intersection		Length (m)	Gold (g/t)	Silver (g/t)	Final Depth (m)
	From (m)	To (m)				
IMH 176	46.35	57.4	11.05	19.5	31.4	90.1
	71.2	71.55	0.35	4.3	68.2	
IMH 177	42.5	49.15	6.65	22.9	47.4	91.41
	86.15	87.5	1.35	4.3	25.6	
IMH 178	0.00	3.9	3.9	5.17	17.7	37.9
	4.65	4.75	0.1	4.95	49.0	

1. True width is uncertain but estimated to be in approximately 70% of the above length.

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In a subsequent event on October 19, 2010 NGG reported the results of extensive surface sampling at Kela's Prospect, Imwauna. This sampling, which is expected to be the pre-cursor for excavator trenching and drill testing returned many significant results – 20% of all samples were greater than 4g/t gold and 425 were greater than 1g/t gold. These results are encouraging and confirm that other parts of the general Imwauna area could contain significant gold resources. All sample results are given in the Press Release dated October 19, 2010.

The PNG Mineral Resources Authority's registration of NMC's 50% interest in Normanby and Sehulea is currently in progress.

Mt Nakru, Simuku and Talelumas Projects (Coppermoly Ltd)

NGG holds 20,973,684 shares, representing a 15% interest in Coppermoly. As at September 30, 2010, those shares had a market value of \$2,708,465.

Coppermoly holds 100% of three projects: Mt Nakru, Simuku and Talelumas. Coppermoly has entered into an exploration agreement under which Barrick is the operator on these tenements. Barrick have confirmed a substantial exploration budget for 2011 on the Coppermoly tenements.

Coppermoly Ltd ("Coppermoly"), announced in August that Barrick (PNG Exploration) Limited ("Barrick"), intersected in their first hole at the Nakru-1 Prospect, 213m at 0.92% copper and 0.33g/t gold.

In a subsequent event on November 26, 2010 Coppermoly announced that Barrick, in its first diamond drill hole at Nakru-2, had intersected 64m at 0.59% copper between 141m and 205m downhole including 10.2m at 1.59% copper.

Mt Penck, Fergusson and Allemata Projects (Vangold Resources Ltd)

NGG holds 6,219,455 shares, representing a 13% interest in the issued shares in Vangold. As at September 30, 2010, these shares had a market value of \$1,679,253. NGG also holds 61,110 Vangold Energy Ltd and 146,068 IBC Advanced Alloys Corp Shares. At September 30, 2010, these shares had a market value of \$39,722 and \$21,910 respectively. NGG also retains a 5% carried interest in the Mt Penck, Fergusson and Allemata Projects.

Trenching and preparations for drilling and further geophysics were also commenced on the Fergusson Project in the fourth quarter of 2010.

Vangold, on September 20, 2010 announced that the preliminary results of a 3D Induced Polarisation (IP) Survey at the Mt Penck Project in Papua New Guinea had defined the presence of excellent new targets and showed the potential for significant mineralization at depth. Notably, the anomalous IP at Mt Penck suggests the presence of a large and extensive sulphide system or systems. The geophysical survey at Mt Penck appears to have enhanced the prospectivity of the Project. Vangold commenced drilling on the Mt Penck Project early in November 2010.

Crater Mountain Project (Gold Anomaly Ltd)

In a subsequent event, on November 5, 2010, NGG agreed to a proposal from Gold Anomaly Ltd, the major owner of the Crater Mt Project, to exchange the 10% carried interest (noted above) for 31,250,000 Gold Anomaly shares. Gold Anomaly is listed on the ASX and the shares will be subject to a 6 month escrow period. At November 5, these shares would have had a marketable value of approximately \$1.05 million and represented approximately 3.21% ownership of Gold Anomaly.

GOA has recently raised further capital for its exploration programs and has a number of other exploration prospects in Brazil and Papua New Guinea. Gold Anomaly is planning to commence drilling at Crater Mountain in the near future. The conversion of an interest in the Crater Mountain Project to equity in Gold Anomaly is expected to return greater value, earlier, to NGG shareholders.

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Current production from the Sinivit Gold Project (92% NGG Beneficial Ownership)

The Sinivit Gold Mine was described in detail in the MD&A for the 6 months to June 2010. Please refer to that description to supplement the discussion below.

	3 Months ended September 30, 2010	3 Months ended June 30, 2010
Gold Production (ozs)	1,503	1,078
Revenue from Gold Production (\$)	1,926,425	1,371,321
Tonnes of ore mined	47,858	43,248
Tonnes of ore crushed	48,187	42,432
Waste mined	67,515	64,973
Tonnes placed in vats/heaps	46,124	16,762

In the quarter ended September 30, 2010 the following tonnages were added to vats/heaps.

Vat F - 13,360 tonnes at 2.27g/t cyanide soluble gold in -10mm crushed product
 Heap 1 - 6,739 tonnes at 2.54g/t cyanide soluble gold in -10mm crushed product
 Heap 2 - 26,025 tonnes at 2.75g/t cyanide soluble gold in -10mm crushed product
 Vat G - construction completed 15,000 tonne capacity (expected to be filled November/December 2010)

Subsequent to the end of the quarter and up until November 25, 2010 the following additional ore was placed in vats/heaps.

Vat F - 12,500 tonnes at 2.72g/t cyanide soluble gold in -10mm crushed product
 Vat L - 9,700 tonnes at 2.82g/t cyanide soluble gold in -10mm crushed product

As at November 22, 2010 the following vats/heaps were being actively leached (for site plan see MD&A for June quarter). Vats K, 5E, E, F, L N and Heap 3.

In comparison to the last quarter ended June 30, 2010 all aspects of production – gold produced, purity of dore, crushed product, less copper in gold dore, tonnes under leach all improved.

The percent of gold in dore increased from 9.5% in July to 14% in August and September. The improved purity of the dore is the result of improvements in the management of carbon columns and other enhancements in processing management.

A substantial improvement in the performance of the crushing circuit has been reflected in the financial performance of the mine. Improvements in operation and maintenance have been vital. The mine's operations in general have been assisted by the prevalence of relatively dry weather conditions.

The original Mine Plan envisaged using vat and/or heap leach, largely because of the relatively low capital cost and an estimated leach time to extract 80% of cyanide leachable gold of 2 months. Although capital cost was relatively low – topography, weather (excessive rain), slow leach times in vats, mining contractor disputes and other matters previously announced combined to essentially render vat leaching only marginally economic. Having successfully transitioned to heap leaching (which is lower cost), and with improvements in crushing, we believe the financial fundamentals of the project have improved.

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SELECTED INTERIM FINANCIAL INFORMATION AND REVIEW OF FINANCIAL RESULTS

QUARTER ENDING SEPTEMBER 30, 2010

Summary of Quarterly Results (Unaudited) for the quarters ended December 30, 2008 to September 30, 2010:

	2010			2009				2008
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
	\$	\$	\$	\$	\$	\$	\$	\$
Gross revenue	1,998,495	1,526,149	1,449,078	1,638,374	1,426,246	2,450,745	1,591,161	3,373,622
Interest & other income	262,799	216,590	159,452	118,591	132,963	272,968	108,254	207,104
Net profit/(loss)	(3,972,865)	(3,415,868)	(154,666)	(4,008,201)	(1,176,398)	(3,643,591)	26,005	(971,121)
Basic/diluted profit/(loss) per share	(0.02)	(0.02)	(0.00)	(0.02)	(0.01)	(0.02)	0.00	(0.01)

FINANCIAL CONDITION AS AT SEPTEMBER 30, 2010

- At September 30, 2010, the Company had working capital of \$12,543,397 (December 31, 2009: \$5,131,470).
- The Company's long-term obligations at September 30, 2010 included \$160,520 of non-current bank debt (September 30, 2009: \$Nil).

CAPITAL RESOURCES AND LIQUIDITY

- Capital resources of the Company consist primarily of cash, and marketable securities of approximately \$4,640,387 at September 30, 2010. The Company received approximately \$1.4 million from NMC on August 25, 2010.
- The Company's cash requirements include funding its ongoing mining and exploration operations, as well as its administration and corporate activities. The Company also needs to be able service its bank debt over the next 18 months. Capital markets may need to be accessed again to fund the Company's operations. There is however no certainty that the Company will be able to obtain funding from capital markets in the future.
- The Company does not anticipate the payment of dividends in the foreseeable future.

SHARE CAPITAL

The Company's authorized share capital consists of an unlimited number of common shares without par value. Shares issued January 1, 2009 to September 30, 2010 and to the date of this report are as follows:

	Number of Shares	Share Capital \$
Balance, January 1, 2009	156,242,480	43,277,467
Private placements	31,208,334	3,481,275
Balance, December 31, 2009	187,450,814	46,758,742
Private placements	14,252,083	1,600,000
Loan bonus shares	5,454,545	600,000
Balance, June 30, 2010	207,157,442	48,958,742
Loan repayment plus interest	26,855,994	3,027,664
Balance, September 30, 2010	234,013,436	51,986,406

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RELATED PARTY TRANSACTIONS

Transactions with related parties are in the normal course of operations and were valued at exchange amount being the value established and agreed to between the parties. Amounts due to or from related parties are unsecured, non-interest bearing and due on demand.

- **Coppermoly Ltd** (“Coppermoly”) was incorporated in 2007 and acquired the Simuku and Mt Nakru properties from the Company in exchange for shares. Robert McNeil and Ces Iewago are Directors of both entities. Maurice Gannon is a Director and Officer of Coppermoly and is also an Officer of NGG. The Company also purchased shares in the Initial Public Offering of Coppermoly and took up its entitlement to share purchase options during 2008. The Company at September 30, 2010 owned 15.8% (December 31, 2009: 21.5%) of the share capital of Coppermoly after selling down its share holding during 2009 and 2010 and Coppermoly raising additional capital. As at September 30, 2010 the Company owed Coppermoly \$10,534 (September 30, 2009: (\$83,081)) for exploration expenditures paid for by Coppermoly on the Company’s behalf. This minor ‘debt’ results from routine intercompany loan account book-keeping (eg: occasionally, as required, personnel who are paid by one entity provide services to the other entity – such as GIS mapping for example).
- **NMC Mining Corporation** (“NMC”), a private company, entered into two agreements with the Company during the period January 1, 2010 and June 30, 2010. Details of these agreements are given on page 12 of the MD&A for the quarter ended June 30, 2010.

Colin McKenzie is a Director of both entities. As at September 30, 2010 NMC owed to the Company \$144,116 (December 31, 2009: \$Nil) for exploration expenditures paid for by the Company on NMC’s behalf.

On August 4, 2010 NGG issued to NMC 26,610,723 common shares and 26,610,723 warrants as repayment of a \$3 million loan (Note 18). NGG also issued an additional 245,271 common shares and 245,271 warrants in respect of interest owed on the loan. The warrants are for 24 months with a strike price of \$0.225.

On August 25, 2010 NMC paid to NGG \$1,394,030.30 being cash payment as part of the first joint venture agreement plus reimbursement of exploration expenditures made by NGG on NMC’s behalf. An amount of \$10,000 was deducted from the amounts owing to NGG for legal fees owed to NMC by NGG.

All balances owing to the Company in relation to related party transactions at September 30, 2010 were included in amounts receivable, long term receivables or accounts payable and accrued liabilities on the balance sheet.

OFF-BALANCE SHEET ARRANGEMENT

The Company has no off-balance sheet arrangements or transactions and none are contemplated.

FINANCIAL AND OTHER INSTRUMENTS

The Company’s financial instruments consist of cash and equivalents, amounts receivable, marketable securities, investments, long term receivables, accounts payable and accrued liabilities, bank debt, convertible debentures and embedded derivatives. The cash and equivalents and bank debt balances in these accounts are in Canadian dollars, Papua New Guinea kina and Australian dollars and are recorded at their carrying value which approximates fair value due to the short-term nature of these items. The amounts receivable, long term receivable accounts payable and accrued liabilities and convertible debentures are stated at amortized cost. The investment is measured at cost while marketable securities and embedded derivatives are recorded at fair value.

LEGAL PROCEEDINGS

At the end of September 2009, the Company’s Sinivit mining equipment contractor, HBS Machinery (“HBS”), unilaterally terminated its Agreement without due notice removing equipment from the Sinivit mining site. The Company views this as a breach of the Company’s Contract Agreement with HBS, specifically HBS’s removal of certain equipment from the Sinivit site, which equipment, under the terms of the Contract Agreement, is now beneficially owned by NGG and, failure on the part of HBS to give the requisite 30 days notice to NGG before removing any such piece of equipment from the Sinivit site. NGG is pursuing claims against HBS in the Papua New Guinea Court for damages totalling 5,161,389 Kina or approximately \$2,000,000.

HBS have made a counter claim against the Company for alleged unpaid hire fees for 2,928,430 Kina or approximately \$1,100,000. NGG disputes the amount of the counter claim.

As at September 30, 2010 there has been no change in the status of the dispute against HBS Machinery (“HBS”). This is a claim and counter-claim dispute which has been referred to arbitration under the PNG legal system. NGG’s counter-claim exceeds HBS’

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claim. The ultimate resolution of the dispute, should such a resolution ever be achieved, and the possible timing thereof, cannot be forecast.

BUSINESS RISK ASSESSMENT

In addition to operational issues, there are several risks that could affect our business prospects. The feasibility of our mine operations and mineral exploration is significantly affected by changes in the market price of gold and, to a lesser degree, silver. Gold prices fluctuate widely and are affected by numerous factors beyond our control. The level of interest rates, the rate of inflation, world supply of gold and stability of exchange rates can all cause significant fluctuations in gold prices. Such external economic factors are in turn influenced by changes in international investment patterns and monetary systems and political developments.

The exploration and development of our mineral exploration properties will require substantial additional financing. Failure to obtain sufficient financing will result in the delay or indefinite postponement of exploration, development or production on any or all of our properties or even a loss of property interests. Our ability to arrange such financing in the future will depend, in part, upon the prevailing capital market conditions as well as our business performance. There can be no assurance that we will be successful in our efforts to arrange additional financing on satisfactory terms. If additional financing is raised by the issuance of shares, control of the Company may change and shareholders may suffer dilution.

Our business risks also include operating hazards, environmental and other government regulations, competition in the marketplace, and the market for our securities. Our properties are located in PNG and are subject to the laws and regulations of that country. We carry on our exploration activity outside of Canada. Accordingly, we are subject to the risks associated with the fluctuation of the rate of exchange of the Canadian dollar and foreign currencies, in particular the Australian dollar and the PNG kina. Such fluctuations may materially affect our financial position and results.

In accordance with industry practice, the Company is not fully insured against all of these risks, nor are all such risks insurable. Although we maintain liability insurance in an amount that we consider consistent with industry practice, the nature of these risks is such that liabilities could exceed policy limits, which could lead to significant costs that could have a materially adverse effect upon our financial condition.

OTHER INFORMATION

Placements/Loans

The Convertible Note arranged through Bolder Investment Partners was repaid on June 9, 2010. This repayment was part of the NMC agreement whereby NMC has acquired a 50% interest in the Normanby and Sehulea tenements. NMC provided the \$3 million to repay the Note by way of a loan to NGG. NGG repaid this loan to NMC during the quarter ended September 30, 2010 by the issuance of 26,855,994 shares and 26,855,994 warrants (exercisable at \$0.225 by August 4, 2012).

MATERIAL CONTRACTS

The Company conducts its own mining and treatment at the Sinivit Mine.

The Company has employment contracts with senior staff of the Corporation and its subsidiary New Guinea Gold Ltd.

The Company conducts exploration in Papua New Guinea for Vangold Resources Ltd under an Administrative Services Agreement and expects to carry out similar services for NMC Mining Corporation in the future.

RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENTS

i) Financial Instruments – Disclosures – Revised section 3862

The amendments to CICA HB 3862 expand the disclosures required in respect of fair value measurements and liquidity risk. The Company has not provided comparative information for these expanded disclosures in the current period in accordance with the transitional relief offered in these amendments. The result of the expanded disclosures required the Company to identify the degree

to which the fair value is observable. The Company's analysis is included in Note 4 of the Interim Consolidated Financial Statements nine months ended September 30, 2010.

ii) Mining Exploration Costs

In March 2009, the Emerging Issues Committee (EIC) issued EIC-174 "Mining Exploration Costs", which provides guidance to

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mining enterprises related to the measurement of exploration costs and conditions that a mining enterprise should consider when determining the need to perform an impairment review of such costs. The accounting treatments provided in EIC-174 have been applied in the preparation of these financial statements and did not have an impact on the valuation of mineral exploration assets.

iii) Credit Risk and the Fair Value of Financial Assets and Financial Liabilities

In January 2009, EIC-173 “Credit Risk and the Fair Value of Financial Assets and Financial Liabilities” was issued, which clarifies that an entity’s own credit risk and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and liabilities, including derivative instruments. EIC-173 is to be applied retrospectively without restatement of prior periods in interim and annual financial statements for periods ending on or after the date of issuance. The accounting treatments in EIC-173 did not impact the Company’s financial results for the period ended September 30, 2010.

ACCOUNTING PRONOUNCEMENTS NOT YET ADOPTED

The following pronouncements recently issued by the Canadian Institute of Chartered Accountants (“CICA”) will likely impact the Company’s future accounting policies:

i) International Financial Reporting Standards (“IFRS”)

In February 2008 the Canadian Accounting Standards Board announced 2011 as the changeover date for publicly-listed companies to use IFRS, replacing Canada’s own generally accepted accounting principles. The specific implementation is set for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2010 will require restatement for comparative purposes of amounts reported by the Company for the year ended December 31, 2010. While the Company has begun assessing the adoption of IFRS for 2011, the Company is currently developing an implementation strategy to establish timelines and identify significant differences between Canadian GAAP and IFRS, but the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

ii) Business combinations

In January 2009 the CICA issued section 1582, *Business Combinations*, replacing section 1581, *Business Combinations*. This standard was amended to require additional use of fair value measurements, recognition of additional assets and liabilities and increased disclosure. Companies adopting section 1582 will also be required to adopt CICA Handbook sections 1601, *Consolidated Financial Statements*, and 1602, *Non-Controlling Interests*. These standards will require a change in the measurement of non-controlling interest and will require the change to be presented as part of shareholders’ equity on the balance sheet. In addition, the income statement of the controlling parent will include 100% of the subsidiary’s results and present the allocation between controlling and non-controlling interest. These standards will be effective January 1, 2011 however early adoption is permitted. The changes resulting from adopting section 1582 will be applied prospectively and the changes for adopting sections 1601 and 1602 will be applied retrospectively.

At the date of this report the Company did not have any investments in subsidiaries with non-controlling interests and so has assessed that there will be no impact from these new accounting standards on its current consolidated financial statements.

DIRECTORS AND OFFICERS

As at September 30, 2010, directors and officers were as follows:

<u>Directors</u>	<u>Officers</u>	
Robert McNeil	Robert McNeil	CEO
Ab Berar	Maurice Gannon	President
Ces Iewago	Wayne Johnston	COO
Colin McKenzie	Lisa Hartin	CFO
Bryan Nethery	Betty Anne Loy	Corporate Secretary
Michael Reynolds		

Robert McNeil retired as CEO on October 31, 2010 but remains a Director.

Maurice Gannon was appointed Acting CEO on November, 1, 2010.