

**PC GOLD INC.**  
**(the “Company”)**

**FORM 51-102F1**  
**MANAGEMENT’S DISCUSSION & ANALYSIS**

**Date**

This MD&A is dated February 11, 2009 and should be read in conjunction with the financial statements for the 6 months ended December 31, 2008.

**Overview**

The Company was incorporated under the laws of Ontario on October 17, 2007 to consolidate leasehold ownership interests in, explore and develop, the Pickle Crow Gold Mine Property (“the Property”) in northwestern Ontario. The Pickle Crow Property is the Company’s sole property.

*Acquisition*

On May 13, 2008, further to a Property Acquisition Agreement with Premier Gold Mines Limited and Donald M. Ross In Trust (together, “the Vendors”), dated December 21, 2007, the Company acquired a 100% interest in a mining lease expiring July 31, 2067 which covers the Pickle Crow Property, consisting at the time of acquisition of 98 patented mineral claims totalling 1,533 hectares located in Connell and McCullagh Townships, Patricia Mining Division, near the town of Pickle Lake, Ontario, hosting the past producing Pickle Crow gold mine, together with all surface infrastructure including a mill, stockpiles, equipment and tailings.

<b>Purchase price</b>	<b>\$</b>
Cash	3,500,000
9,500,000 common shares of the Company at \$1.00 per common share	9,500,000
2,375,000 warrants entitling the holder to purchase one common share of the Company at a price of \$1.40 per common share until May 13, 2010	1,074,591
Reimbursement of costs incurred by the vendors for the care and maintenance of the Pickle Crow Property from November 2, 2007 to May 13, 2008	43,364
Acquisition costs	284,905
	<hr/> 14,402,860

**Net assets acquired**

Reclamation deposit	108,841
Mineral resource property	14,294,019
	<hr/> 14,402,860

On June 23, 2008, the Company announced that it had staked an additional 2,579 hectares of ground in the heart of the Pickle Lake mining camp, increasing the size of its land package by more than two and a half times from 1,533 hectares to a total of 4,112 hectares. The objectives of the staking were both strategic and practical: to protect core property areas, to secure prospective ground on which several gold prospects are located, to provide lateral room, if needed, for stepping back for deep drilling purposes, and to provide additional site options for new surface infrastructure that may be required in future. The Company now commands a dominant position in the historical core areas of the camp. This includes holding 100% of what was historically the camp’s most productive asset.

*The Pickle Crow Property*

The Pickle Crow Property hosts the past-producing Pickle Crow Gold Mine. The Pickle Crow Mine was a well known asset when in production and remains well known in the industry today. It was among the highest grade, longest-lived underground gold mines in North America, operating continuously from April

1935 through September 1966 and producing in total 45 tonnes (1,446,214 Troy oz.) of gold and 5.25 tonnes (168,757 Troy oz.) of silver from 2,785,488 tonnes (3,070,475 tons) of ore milled. Average recovered grade over the life of the mine was 16.14 g/t Au (0.47 oz/T Au) and 1.88 g/t Ag (0.06 oz/T Ag).

Faced with a declining real gold price (US \$35/oz.) and increasing costs from deepening operations, the mine recorded its first operational loss in 1964, and closed in 1966 with mineralization in place, all productive veins open to depth, and largely untouched zones of iron formation hosted gold within the workings. The Pickle Crow Property lay dormant for many years, but saw extensive work by various operators through the course of the 1980's, 1990's and first part of this decade. This historical work, which included several non-NI 43-101 compliant estimates of the volume of gold mineralization hosted by the Property, outlined substantial zones of auriferous material within the area of, or in close proximity to, the historical workings. These historical estimates can be separated into two groups, namely:

1. Estimates of quartz-carbonate vein material only, prepared by the engineering department of the Pickle Crow Mine prior to mine closure in 1966 (historically, production from the Pickle Crow Mine was almost entirely from high grade quartz-carbonate veins); and
2. Estimates of both quartz-carbonate vein and iron formation hosted gold mineralization conducted by various groups between mine closure and the late 1980's. Iron formation hosted gold was not historically mined at the Pickle Crow Mine, possibly because the mill was not set up to process it, and possibly because its average apparent grade of approx. 5.5 grams/tonne Au (0.16 oz/T) was below the mid 1960's cut-off grade of 8.57 g/t Au (0.25 oz/T).

These historical estimates, which can be viewed in Section 5.4 of the Pickle Crow Property NI 43-101 Technical Report (available from [www.sedar.com](http://www.sedar.com)), prepared by independent consultants MPH Consulting Limited of Toronto ("MPH"), range from a general inventory in place on mine closure (PCGM, September 1966) of 140,000 tonnes averaging 11.31 g/t Au (46,190 oz. Au) to a global calculation (Noramco, April 1988) totalling 5,731,050 tonnes at 7.26 g/t Au (1,213,919 oz. Au). These estimates are historical in nature and pre-date and are non-compliant with NI 43-101. The Company is not treating these historical estimates as current mineral resources or reserves and has not undertaken any independent investigation of the estimates nor independently analyzed the results of the previous exploration work in order to verify the historical resource figures. These historical estimates should therefore not be relied upon. The Company does however believe that these historical estimates provide a conceptual indication of the potential of the gold mineralized zones on the Pickle Crow Property and are relevant to ongoing exploration, and that it is reasonable to suggest they may be brought into compliance with the NI 43-101 standard, in whole or in part, through implementation of the exploration program now underway, which will include necessary verification drilling and additional studies.

At the Pickle Crow Property, the high grade veins from which the historical production was drawn are known from the historical drilling record to remain open to depth. Of these known veins within the now flooded Pickle Crow Mine workings proper, a greater number are present within the mine workings than were initially apparent on surface, indicating a robust mineralized system which may be intensifying with depth. Moreover, several substantial zones of gold in iron formation, not historically mined, remain in place both within the area of the historical workings, and to depth. The unexplored block of virgin ground to depths of 2,000 metres or more below the historical workings is therefore considered to be as prospective from an exploration standpoint as the shallower areas mined in the past. There are, in addition, several areas on the Property which host near surface mineralization or remain prospective. Consequently, there is believed to be considerable potential to expand the Property's known zones of gold mineralization.

A major exploration and development program on the Pickle Crow Property was called for by MPH in the NI 43-101 Technical Report. This program commenced late in 2007 with a preparatory program of data compilation, digitization and 3D modeling which is serving as a guide for exploration drilling and will be

used to facilitate a planned NI 43-101 compliant resource calculation. Between June and October, 2008, the Company completed extensive upgrades to roads and bridges to ensure reliable, safe access to the Property, renovated the former Pickle Lake Hotel to serve as accommodation for drill crews and exploration personnel, constructed winterized core cutting and logging facilities, installed outdoor core racks, renovated the gatehouse at the Pickle Crow minesite to serve as an exploration field office, and completed the construction of an on-site mine dry facility. In August, 2008 the Company also had the Property mapped with an airborne LiDAR (Light Detection And Ranging) system to provide precise topographic control and photo imagery to aid exploration. The Pickle Crow Property is now a turn-key site capable of sustaining year-round exploration activities in all weather conditions.

The drilling component of the exploration program, Phase 1 of which commenced in August 2008 and concluded in mid November 2008, is designed to test a number of priority targets identified in shallow (<300 metres vertically from surface), intermediate (300-1,000 metres) and deep (+1,000 metres) areas of the Pickle Crow Property. To oversee this effort, the Company has contracted Fladgate Exploration Consulting Corporation of Thunder Bay, Ontario. The Company has also contracted Major Drilling Group International to carry out the required program of diamond drilling.

The principal objectives of the overall exploration program are to define and expand known gold zones within or in close proximity to the mine's workings and to extend those zones, and make new discoveries, in the virgin ground beneath the old mine, where the system lies open.

The Company is presently engaged with the Ontario Ministry of Northern Development and Mines in a process to complete a certified amendment to the Pickle Crow Production Closure Plan dated June and July 2002 respectively. This process, which is expected to include a review of the environmental condition of the Property by an independent environmental consulting firm and an assessment of the potential costs of remediating historical open pits, tailings areas, and mill and other infrastructure sites, will determine what new funds, if any, in addition to those already held by the Ministry on the Company's behalf, may be required to cover rehabilitation of the mine site following a permanent closure of the Pickle Crow Property.

#### *Drilling*

In August 2008 the Company launched a Phase 1 surface based diamond drilling program on the Pickle Crow Property, commencing with a single drill targeting near surface areas. A second drill capable of down-hole depths to 2,500 metres was added to the program in September.

In preparation for the Phase 1 drill program, PC Gold implemented a rigorous quality assurance / quality control (QA/QC) program to ensure best practices in sampling and analysis of drill core. The QA/QC program was established under the direct oversight of Mr. Neil Pettigrew, the Company's Vice President, Exploration, and Qualified Person as defined by National Instrument 43-101. The details of this QA/QC program can be viewed on the Company's website at [www.pcgold.ca](http://www.pcgold.ca). The Company also contracted ALS Chemex of Thunder Bay, Ontario and Vancouver, British Columbia, to carry out the necessary analyses.

The objectives of the Phase 1 drilling program were to provide an initial assessment of some eleven different vein and iron formation hosted gold targets spread across predominantly near-surface areas of the Shaft 1, Shaft 3 and Albany Shaft areas of the Property, but also targeting the important No. 5 Gold Zone at depth in the vicinity of Shaft 1. The intent was to confirm and if possible expand upon, the historical drill results so that the historical data could be used with confidence, in combination with the Company's own Phase 1 drilling data, in the 3D mine modeling process now underway.

The active drilling portion of the Phase 1 drill program successfully concluded on about November 15, 2008, after the completion of 29 NQ diameter diamond drill holes totaling 8,519 metres. Historical data was used for Phase 1 drill targeting purposes. Encouragingly, visible gold was seen in several holes, both in near

surface areas and deep drilling, and excellent continuity of structures was also observed, particularly in the Albany Shaft area where the No. 16 vein structure was cut in drilling along approximately 330 metres of strike length in a southwest-northeast direction and up to 400 metres down dip from surface, well below the historical workings. Strongly sulphidized banded iron formation was also seen to be present in several Albany area holes.

On October 29, 2008 the Company released assays for an initial eleven holes drilled in the Shaft 1 and Shaft 3 areas of the Pickle Crow mine, the results of which were considered consistent with the historical drilling results in those same areas. Veins intersected were determined to be similar in character and grade to those mined successfully at Pickle Crow between 1935 and 1966. Intersections comprised the expected mix of high grade material over short intervals (typical of the bulk of historical production at the Pickle Crow mine), moderate grades over intermediate intervals, and some long intercepts of material grading in excess of one gram per tonne.

Highlights of the first set of Phase 1 drilling assays included:

- Hole PC-08-010: 71.43 metres of 1.63 g/t Au including 13.89 metres of 3.60 g/t Au including 6.18 metres of 6.21 g/t Au including 0.50 metres of 16.25 g/t Au
- Hole PC-08-001A: 63.45 metres of 1.29 g/t Au including 1.50 metres of 7.97 g/t Au including 0.50 metres of 10.10 g/t Au
- Hole PC-08-007: 4.00 metres of 9.05 g/t Au including 1.00 metres of 30.10 g/t Au

Further drilling of these target areas will be required before true widths can be conclusively established, such as in hole PC-08-010; however, true widths are generally estimated at between 50-70% of core length.

As previously noted, visible gold was observed in several of the holes drilled during the Phase 1 program. The presence of visible gold reflects the nuggety nature of the mineralization at Pickle Crow, a common occurrence in Archean shear hosted lode-gold deposits of the Pickle Crow type. This nuggety nature was also reflected in the assays. For example, in hole PC-08-010 a 0.50 metre sample of quartz vein which ran 16.25 g/t Au had a field duplicate (consisting of ¼ split core) which produced 108.5 g/t Au.

The Company also announced on October 29, 2008 that the Major 50 drill active on the Property since early September had completed a deep mother hole (PC-08-014A), the deepest hole ever drilled on the Property, to a total depth of 1,445 metres, and successfully intercepted the important No. 5 Gold Zone in the Shaft 1 area, with visible gold in core. At quarter's end, assays for PC-08-014A and 3 subsequent daughter (wedge) holes completed to November 15, 2008 had not yet been received from ALS Chemex. Assay results for the remaining 14 shallow holes drilling in the Albany Shaft, Shaft 1 and Shaft 3 areas of the Property were also outstanding at the end of the quarter.

The technical success of PC-08-014A and its wedge holes was encouraging as it demonstrates the Company can successfully drill these deep targets from surface. From a geological perspective deep hole PC-08-014A was also a notable success as it intersected the first ultramafic rocks ever identified at Pickle Crow, underscoring the similarities in age and character between the Pickle Crow assemblage and the Balmer assemblage at Red Lake, which hosts Goldcorp's rich Red Lake Mine. Pickle Crow and Red Lake are both located in the prolific Uchi geological subprovince. The presence of ultramafics in hole PC-08-014A is considered to have positive implications for exploration at Pickle Crow.

The No. 5 Gold Zone targeted by PC-08-014A and daughter holes is an important target as it hosts a significant portion of the gold bearing veins and iron formation hosted gold mineralization believed to remain within, or in close proximity, to the historical workings. 3D modeling of historical underground drill results has already established the apparent continuity in the vertical dimension of this zone from surface to the

deepest 1,158 metre (3,800 foot) level of the old workings. However, the primary area of interest occurs between approximately the 670 metre (2,200 foot) level and the bottom 1,158 metre (3,800 foot) level of the mine, where the historical record indicates grades, widths and continuity increase. The lateral limits of the No. 5 Gold Zone are presently unknown, and modeling indicates the zone is open to depth below the 1,158 metre level.

Upon completion in mid November of Albany area hole PC-08-027 and Shaft 1 area deep wedge hole PC-08-014W03, Phase 1 drilling was shut down to allow for catch-up, data interpretation and further refinement of the 3D model. At quarter's end, property infrastructure remained in turn-key exploration-ready status, with drills on site.

### **Risks and Uncertainties**

The Company is in the exploration stage and has not yet determined whether its mineral resource properties contain reserves that are economically recoverable. The continued operations of the Company and the recoverability of amounts shown for mineral resource properties is dependent upon the ability of the Company to obtain financing to complete the exploration and development of its mineral resource properties, the existence of economically recoverable reserves and future profitable production, or alternatively, upon the Company's ability to recover its costs through a disposition of its mineral resource properties.

The Company is subject to numerous risk factors that may affect its business prospects in the future. These risks include, but are not limited to, the Company's access to additional capital to fund future activities, its reliance on the Pickle Crow Property as its sole asset, the loss of mineral properties or the inability to obtain mining licences, the inherently risky nature of the Company's activities and its lack of experience in bringing an exploration property into production, foreign exchange fluctuations, price fluctuations for gold and silver, title risks, political and regulatory risks related to prospecting, development, mining, production, exports, taxes, labour standards, occupational health and safety, waste disposal, toxic substances, land use, water use, environmental protection, land claims of indigenous people and other matters, statutory and regulatory compliance, the adequacy and availability of insurance coverage, competition for equipment and skilled personnel, liquidity risk, and the Company's dependence upon employees and consultants.

**Results of Operations*****6 months ended December 31***

	<b>2008</b>	<b>2007</b>
	\$	\$
		(note 1)
<b>General and administrative expenses</b>		
Professional fees	25,042	3,330
Salaries and benefits	160,343	-
Consulting fees	24,000	-
Directors' fees	48,083	-
Stock-based compensation	176,495	-
Premises	10,200	-
Office, general and administration	23,227	715
Public company costs	21,745	-
Investor relations	156,659	-
Travel	11,556	6,368
Amortization	10,680	-
	<hr/> 668,030	<hr/> 10,413
<b>Loss before the following item</b>	(668,030)	(10,413)
Interest income	45,363	-
<b>Loss for the period</b>	<hr/> (622,667)	<hr/> (10,413)

1. The Company commenced operations on October 17, 2007 and the figures presented are for the period October 17, 2007 to December 31, 2007.

The Company was incorporated on October 17, 2007 and the results of operations for the period October 17, 2007 to December 31, 2007 reflect expenditures incurred in respect of the organization of the Company and the generation and negotiation of the acquisition of the Pickle Crow property, which was completed on May 14, 2008.

**3 months ended December 31**

	<b>2008</b>	<b>2007</b>
	\$	\$
		(note 1)
<b>General and administrative expenses</b>		
Professional fees	17,542	3,330
Salaries and benefits	76,797	-
Consulting fees	12,000	-
Directors' fees	30,333	-
Stock-based compensation	88,247	-
Premises	5,100	-
Office, general and administration	11,906	715
Public company costs	8,409	-
Investor relations	60,305	-
Travel	9,180	6,368
Amortization	5,340	-
	<u>325,159</u>	<u>10,413</u>
<b>Loss before the following item</b>	(325,159)	(10,413)
Interest income	14,262	-
<b>Loss for the period</b>	<u>(310,897)</u>	<u>(10,413)</u>

1. The Company commenced operations on October 17, 2007 and the figures presented are for the period October 17, 2007 to December 31, 2007.

The Company was incorporated on October 17, 2007 and the results of operations for the period October 17, 2007 to December 31, 2007 reflect expenditures incurred in respect of the organization of the Company and the generation and negotiation of the acquisition of the Pickle Crow property, which was completed on May 14, 2008.

**Summary of Quarterly Results**

The summary of quarterly results has been prepared in accordance with Canadian generally accepted accounting principles.

	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>	<b>Q1</b>	<b>Q2</b>
	<b>2008</b>	<b>2008</b>	<b>2008</b>	<b>2009</b>	<b>2009</b>
	\$	\$	\$	\$	\$
	(note 1)				
<b>Interest revenue</b>	-	4,386	18,089	31,101	14,262
Loss					
- Total	10,413	63,132	1,481,385	311,770	310,897
- Per share	0.01	0.02	0.09	0.01	0.01

1. The Company commenced operations on October 17, 2007 and the figures presented are for the period October 17, 2007 to December 31, 2007.

The Company was incorporated on October 17, 2007 and the results of operations for the second and third quarter of 2008 reflect expenditures incurred in respect of the organization of the Company and the generation and negotiation of the acquisition of the Pickle Crow property, which was completed on May 14, 2008.

The loss of \$1,481,385 for the fourth quarter of 2008 includes stock-based compensation of \$1,246,372 for stock options granted during the period.

**Overall Performance**

Net loss for the 6 months ended December 31, 2008 was \$622,667, which included \$187,175 related to non-cash charges for stock compensation and amortization.

Exploration expenses capitalized to the Company's mineral resource property totalled \$4,417,597.

**Liquidity and Capital Resources**

The Company is not in commercial production on its mineral resource property, and accordingly, the Company has no revenues. The Company finances its operations by raising capital in the equity markets.

As at December 31, 2008, working capital of \$2,065,617 included cash of \$1,789,951. The Company intends to use the funds to explore its Pickle Crow Property, and has invested these funds in an interest-bearing current account at a Canadian chartered bank until they are required. The investment of these funds resulted in revenue of \$45,363 for the 6 months ended December 31, 2008. The Company has no exposure to asset-backed commercial paper.

Future cash requirements will depend primarily on the extent of future expenditures on the Company's exploration program. In keeping with the recommendations of the NI-43-101 Technical Report on the Pickle Crow Property, which called for a major, multi-phase exploration and development program, the Company began a surface-based drilling program in August 2008 using a single drill, and subsequently added a second drill in early September 2008. In light of the unprecedented deterioration in market conditions over the July-December period, including the freeze in credit and capital markets, the Company has taken steps to conserve its capital resources. The most important of these steps includes a reduction in expenditures, including drilling expenditures, and careful attention to costs throughout its operations, the net effect of which will be to ensure the Company has sufficient funds to maintain itself through at least the close of 2009.

**Transactions with Related Parties**

During the 6 months ended December 31, 2008, consulting fees of \$30,000 were expensed for two companies controlled by officers of the Company and salaries & benefits included \$110,000 paid or payable to a director and officer of the Company. Mineral resource property included \$1,896,742 of exploration expenditures paid or payable to Fladgate Exploration Consulting ("Fladgate"). An officer of the Company is an officer of Fladgate. These transactions were in the normal course of business and are recorded at an exchange value established and agreed upon by the related parties.

Accounts payable and accrued liabilities includes \$22,110 due to Fladgate.

These transactions were in the normal course of business and are recorded at an exchange value established and agreed upon by the related parties.

**Proposed Transactions**

There are currently no proposed transactions.

## **Critical Accounting Estimates**

### *Mineral resource property*

Costs relating to the acquisition, exploration and development of a mineral resource property are deferred until the property is brought into commercial production, at which time they are amortized over the estimated useful life of the property on a unit-of-production basis. The cost of a mineral resource property includes the cash consideration and the fair value of shares issued on the date the property was acquired. The proceeds from options granted on the property are credited to the cost of the property. When a property is determined to be non-commercial, non-productive or its value impaired, those costs in excess of estimated recoveries are charged to operations.

The recoverability of amounts shown for a mineral resource property is dependent upon the ability of the Company to obtain financing to complete the exploration and development of its mineral resource property, the existence of economically recoverable reserves and future profitable production, or alternatively, upon the Company's ability to recover its costs through a disposition of its mineral resource property.

The amount shown for mineral resource property does not necessarily represent present or future value. Changes in future conditions could require a material change in the amount recorded for mineral resource property.

### *Stock-based compensation*

Stock-based compensation is determined using the Black-Scholes option pricing model, which requires the input of subjective assumptions, including the expected price volatility of the Company's common shares and the expected life of the options. Changes in these input assumptions can materially affect the estimate of fair value.

## **Changes in Accounting Policies Including Initial Adoption**

On July 1, 2008, the Company adopted amendments to CICA Handbook Section 1400, "General Standards of Financial Statement Presentation" which includes requirements to assess and disclose an entity's ability to continue as a going concern; disclosure of material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern; disclosure of when financial statements are not prepared on a going concern basis, together with the basis on which the financial statements are prepared and the reason why the entity is not regarded as a going concern.

Beyond additional disclosure, the adoption of this new accounting standard did not have an effect on the Company's financial statements.

### *Future accounting changes*

On July 1, 2009, the Company will adopt CICA Handbook Section 3031, "Inventories", which will replace Section 3030. The new standard requires that inventories be measured at the lower of cost and the net realizable value, provides guidelines on determining cost, prohibits the use of the last-in, first-out method (LIFO) and requires the reversal of a previous write-down when the value of inventories increases.

On July 1, 2009, the Company will adopt CICA Handbook Section 3064, "Goodwill and Intangible Assets" which will replace Section 3062. The new standard establishes revised standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets. The new standard also provides guidance for the treatment of pre-production and start-up costs and requires that these costs be expensed as incurred. Concurrent with the introduction of this standard, the CICA withdrew EIC27, Revenues and Expenses during the pre-operating period.

The Company is currently assessing the impact of these new accounting standards on its financial statements.

*International Financial Reporting Standards (“IFRS”):*

In 2006, the Canadian Accounting Standards Board (“AcSB”) published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian generally accepted accounting principles (“GAAP”) with IFRS over an expected five year transitional period.

In February 2008, the CICA Accounting Standards Board confirmed that the changeover to IFRS from Canadian GAAP will be required for publicly accountable enterprises, effective for the interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition from current Canadian GAAP to IFRS is a significant undertaking that may materially affect the Company's reported financial position and results of operations. The Company continues to monitor and assess the impact of the convergence of Canadian GAAP and IFRS on its financial statements. The Company has not completed development of its IFRS changeover plan, which will include project structure governance, resourcing and training, analysis of key GAAP differences and a phase plan to assess accounting policies under IFRS as well as potential IFRS 1 ("First Time Adoption of IFRS") exemptions. The Company hopes to complete its project scoping, which will include a timetable for assessing the impact on data systems, internal controls over financial reporting and business activities, such as financing and compensation arrangements during 2009.

**Financial Instruments and Other Instruments**

The carrying value of cash, receivables and accounts payable and accrued liabilities approximates fair value due to the short-term nature of these financial instruments.

The Company's financial instruments are exposed to certain financial risks, including currency risk, credit risk, liquidity risk, interest rate risk, and commodity price risk.

*Currency risk*

As the majority of the Company's expenditures are in Canadian dollars, the Company limits its exposure to currency risk by maintaining its cash and cash equivalents in Canadian dollars.

*Credit risk*

Credit risk is the risk of a loss if a counterparty to a financial instrument fails to meet its contractual obligations. The Company limits its exposure to credit risk by holding its cash in deposits with high credit quality Canadian financial institutions and holding no asset-backed commercial paper.

*Liquidity risk*

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

*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 Company is not exposed to interest rate risk due to the short-term nature of its financial instruments.

*Commodity price risk*

The Company is exposed to commodity price risk with respect to gold and silver prices. A significant decline in gold and silver prices may affect the Company's ability to obtain capital for the exploration and development of its mineral resource property.

## **Controls and Procedures**

The Chief Executive Officer and Chief Financial Officer have designed disclosure controls and procedures to provide reasonable assurance that material information relating to the Company is made known to them by others within the Company, particularly during the period in which the interim filings are being prepared. The Chief Executive Officer and Chief Financial Officer have also designed internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and preparation of the financial statements in accordance with Canadian generally accepted accounting principles.

The Chief Executive Officer and Chief Financial Officer have evaluated the effectiveness of the Company's disclosure controls and procedures and assessed the design of the Company's internal controls over financial reporting. As the Company has a limited number of personnel, management has concluded that a weakness exists in the design of internal controls over financial reporting caused by a lack of adequate segregation of duties. This weakness has the potential to result in material misstatements in the Company's financial statements and should also be considered a weakness in its disclosure controls and procedures. Management has concluded that taking into account the present stage of the Company's development and the best interests of its shareholders, the Company does not have sufficient size and scale to warrant the hiring of additional personnel to correct this weakness at this time. To help mitigate the impact of this weakness and to ensure quality financial reporting, there are supervisory controls exercised by management and audit committee oversight, and interim financial statements are reviewed by the Company's auditors.

There has been no change in the Company's internal control over financial reporting that occurred during the Company's most recent interim period that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

## **Disclosure of Outstanding Share Data (as at February 11, 2009)**

### ***Shares***

Authorized:

Unlimited number of common shares.

Outstanding:

25,700,000 common shares.

### ***Warrants***

Outstanding:

805,000 warrants entitling the holder to purchase one common share at a price of \$1.00 per common share until May 13, 2010.

2,375,000 warrants entitling the holder to purchase one common share at a price of \$1.40 per common share until May 13, 2010.

**Stock options**

Authorized:  
2,570,000 stock options.

Outstanding:

<b>Exercise price</b>	<b>Options outstanding</b>	<b>Options exercisable</b>	<b>Expiry date</b>
\$1.00	2,115,000	1,288,333	May 13, 2013
\$1.08	400,000	300,000	May 28, 2013
	2,515,000	1,588,333	

At February 11, 2009, there are 55,000 options available to be granted under the stock option plan.

**Forward-Looking Statements**

All statements made in this MD&A, other than statements of historical fact, are forward-looking statements. The words “anticipate”, “believe”, “estimate”, “expect”, “intend”, “may”, “plan”, “will”, “would”, “should”, “guidance”, “potential”, “continue”, “project”, “forecast”, “confident”, “prospects”, and similar expressions typically are used to identify forward-looking statements. Forward-looking statements are based on the then-current expectations, beliefs, assumptions, estimates and forecasts about the Company’s business and the industry and markets in which it operates. These statements are not guarantees of future performance and involve risks, uncertainties and assumptions which are difficult to predict. Therefore, actual outcomes and results may differ materially from what is expressed or implied by these forward-looking statements due to a number of factors, including but not limited to the Company’s access to additional capital to fund future activities, the loss of mineral properties or the inability to obtain mining licences, the inherently risky nature of the Company’s activities and its lack of experience in bringing an exploration property into production, foreign exchange fluctuations, the political stability and economic uncertainty of those areas in which the Company carries on operations and the lack of infrastructure in those areas, title risks, the risks and uncertainties associated with joint ventures and the Company’s reliance on third parties, statutory and regulatory compliance, the adequacy and availability of insurance coverage, the Company’s dependence upon employees and consultants and fluctuations in mineral prices. These risks, as well as others, could cause actual results and events to vary significantly. The Company expressly disclaims any intent or obligation to update these forward-looking statements, unless the Company specifically states otherwise.

**Additional Information**

Additional information relating to the Company is available on SEDAR at [www.sedar.com](http://www.sedar.com).