MAJESTIC GOLD CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(All amounts are expressed in US dollars unless otherwise indicated)

Three months ended December 31, 2011

INTRODUCTION

This Management Discussion and Analysis ("MDA") of Majestic Gold Corp. ("Majestic" or "the Company") is dated March 30, 2012 and should be read in conjunction with the Company's interim financial statements for the three months ended December 31, 2011 and the audited consolidated financial statements for the year ended September 30, 2011 and related notes. This discussion focuses on key statistics from the audited consolidated financial statements for the year ended September 30, 2011 and pertains to known risks and uncertainties relating to the gold exploration and development and mining industry. This discussion should not be considered all-inclusive, as it excludes changes that may occur in general economic, political and environmental conditions.

Additional information related to Majestic is available on SEDAR at www.sedar.com.

The Company is a TSX Venture Exchange listed company involved in mineral exploration and mining operations. At March 30, 2012 the Company had 617,265,216 common shares issued and outstanding. The Company is engaged in locating, acquiring, exploring and, if warranted, mining and developing natural resource properties with a particular emphasis on properties which may contain economic reserves of precious metals. At September 30, 2011, all of the Company's current property and mining operations are in China.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This MDA contains or incorporates by reference "forward-looking statements" within the meaning of applicable Canadian securities legislation. Except for statements of historical fact relating to the Company, information contained herein constitutes forward-looking statements, including any information as to the Company's strategy, plans or future financial or operating performance. Forward-looking statements are characterized by words such as "plan", "expect", "budget", "target", "project", "intend", "believe", "anticipate", "estimate" and other similar words, or statements that certain events or conditions "may" or "will" occur. Forward-looking statements are based on the opinions, assumptions and estimates of management considered reasonable at the date the statements are made, and are inherently subject to a variety of risks and uncertainties and other known and unknown factors that could cause actual events or results to differ materially from those projected in the forward-looking statements. These factors include the impact of general business and economic conditions, global liquidity and credit availability on the timing of cash flows and the values of assets and liabilities based on projected future conditions, fluctuating gold prices, currency exchange rates, possible variations in ore grade or recovery rates, changes in accounting policies, changes in the Company's corporate resources, changes in project parameters as plans continue to be refined, changes in project development, construction, production and commissioning time frames, risk related to joint venture operations, the possibility of project cost overruns or unanticipated costs and expenses, higher prices for fuel, steel, power, labour and other consumables contributing to higher costs and general risks of the mining industry, failure of plant, equipment or processes to operate as anticipated, unexpected changes in mine life, unanticipated results of future studies, seasonality and unanticipated weather changes, costs and timing of the development of new deposits, success of exploration activities, permitting time lines, government regulation of mining operations, environmental risks, unanticipated reclamation expenses, title disputes or claims, limitations on insurance coverage and timing and possible outcome of pending litigation and labour disputes, as well as those risk factors discussed or referred to in the Company's annual Management's Discussion and Analysis for the year ended September 30, 2011 filed with the applicable securities regulatory authorities and available at SEDAR www.sedar.com. Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. The Company undertakes no obligation to update forward-looking statements if circumstances or management's estimates, assumptions or opinions should change, except as required by applicable law. The reader is cautioned not to place undue reliance on forward-looking statements. The forward-looking information contained herein is presented for the purpose of assisting investors in understanding the Company's expected financial and operational performance and results as at and for the periods ended on the dates presented in the Company's plans and objectives, and may not be appropriate for other purposes.

OVERALL PERFORMANCE

Song Jiagou Gold Mine Development

During the year ended September 30, 2011, the Company has undertaken the new mill construction for the company's flagship Song Jiagou project. At September 30, 2011, the mill was in the commissioning stage and has begun running ore through the mill in order to assess the efficiency of the mill. The Company expects to run at an initial throughput rate of 3,000 tonnes per day and progressively move upwards towards full capacity of 6,000 tonnes per day.

Ore that has been stockpiled at the new mill in order to streamline the commissioning process is currently being processed as part of the commissioning stage. In addition, the tailings dam is fully completed and all tailings lines and water return systems are in place and now in use.

Preliminary Assessment Study for the Song Jiagou Gold Project

On January 20, 2011, Wardrop, A Tetra Tech Company, ("Wardrop") completed and delivered a positive Preliminary Assessment ("PA" or "Preliminary Assessment") for the Song Jiagou Gold Project located in Shandong Province, People's Republic of China.

Highlights are as follows:

- Net Present Value of US$525 million using a 10% discount rate
- Internal Rate of Return of 78.6%
- Payback in 1.4 years
- Total gold production of 2.324 million ounces (average 105,645 oz/yr) for life-of-mine
- Life-of-Mine strip ratio 1.87 : 1 (waste to ore)
- Mine-Life of 22 years.

Joining OTCQX

On August 23, 2011, the Company began trading on the OTC market's prestigious tier, OTCQX International. Investors can find current financial disclosure and real-time level 2 quotes for the company on the OTC's website.

Financing

On November 3, 2010, the Company repaid the outstanding loan principal balance and accrued interest and fees to RAB in the amount of $2,280,489 (CAD$2,301,432).

On August 10, 2011, the Company completed a non-brokered private placement consisting of 14,000,000 common shares at CAD$0.20 per share for gross proceeds of $2,695,280 (CAD$2,800,000). The Company paid $269,528 (CAD$280,000) in cash as finders' fees for this private placement.

Share purchase warrants totaling 151,979,413 were exercised for proceeds of $14,629,538 (CAD$15,197,941). The Company incurred $765,105 (CAD$794,832) of share issue costs relating to warrants exercised.

On July 26, 2011 the Company arranged a $9,626,000 (CAD$10,000,000) convertible loan to advance its Muping Property. A total of $8,663,400 (CAD$9,000,000) from the proceeds from the loan will be used by the company in connection with its Song Jiagou project and the balance of $962,600 (CAD$1,000,000) for general working capital purposes.

The loan will have a one-year term and loan principal will be convertible at the option of the lender in whole or in part into common shares of the company until 12 months from the date of the loan advance at a price of CAD$0.205 cents per share. The loan will bear interest at the rate of 7.5% per year, payable on maturity, and accrued and unpaid interest will be convertible at the option of the lender in whole or in part into shares of the company until 12 months from the date of the loan advance at market price at the time of conversion. The Company paid cash finders' fees equal to 2.5% of the gross proceeds from the loan financing.

The lender is at arm's length from the company and will not become an insider as a result of any conversion of principal and interest. All shares issued on any conversion of loan principal or interest will be subject to a four-month hold period from the date of advance of loan proceeds. The loan is subject to acceptance by the TSX Venture Exchange.

The borrower has also agreed to a 90-day period for reciprocal due diligence reviews and discussions for the possible further involvement of the lender in the Song Jiagou project. In the event that no further agreement is reached between the lender and the company during the 90-day period, then the loan and a minimum of seven months interest will automatically convert to shares in the company at a price of CAD$0.205 per share and the interest at market price respectively.

On November 3, 2011, the $9,626,000 (CAD$10,000,000) convertible loan was converted into common shares of the Company at a price of CAD$0.205 per share. In addition, loan interest in the amount of $430,194 (CAD$437,500) was also converted into common shares of the Company at a price of CAD$0.205 per share.

MINERAL PROPERTY INTERESTS

The Company's management believes that opportunities exist in China to participate in joint ventures with local companies to continue exploration of properties that were once funded by the central government.

The Company's mineral properties and deferred exploration expenditures are summarized as follows:

China	- $ -
Muping	19,973,681
Shandong	1
Jingang	1
	19,973,683

Sawayaerdun Property

Pursuant to a joint venture agreement entered into during the year ended September 30, 2004 with a party in China and the completion of the required minimum cumulative exploration expenditures, the Company acquired a 90% interest in the Sawayaerdun Project in the Xinjiang Province, China.

On April 19, 2009, the Company entered into an agreement (the "Agreement") to sell their interest to the Chinese Co-Venturer (the "Purchaser") for CNY 45,500,000 ($6,662,469), the "Purchase Price". The Company's share of the proceeds was CNY 40,950,000 ($5,996,222). The TSX Venture Exchange accepted the Agreement on May 14, 2009. During the year ended September 30, 2009, the Company recognized a loss of $3,967,939 on the sale of this property.

On September 8, 2009, upon the approval of the transaction by the China Xinjiang Bureau of Geology and Mineral Resources (the "Bureau"), the Company received the first installment of the Purchase Price, CNY 25,000,000 ($3,811,583). On July 30, 2010, after the Bureau received all documents required to facilitate the transfer of the exploration and mining permits, the Company received the second installment of the Purchase Price, CNY 15,000,000 ($2,286,950). The Agreement provides for the remainder of the Purchase Price, CNY 5,500,000 ($857,965) to be received within 10 business days after the exploration and mining permits are transferred and registration of the joint venture company with the Industry and Commerce and Tax Bureau is cancelled, which the Company expects to take place in the next financial year. At September 30, 2011, due to uncertainty of collection, a provision for the collectability of $857,965 from the sale of the mineral property was recorded. Any future recovery from this sale will be recorded as income at the date of receipt.

Muping Properties

In May 2004, the Company, through its 94% owned subsidiary Majestic Yantai Gold Ltd. ("Majestic Yantai"), acquired an interest in thirteen exploration licenses located in the Chinese province of Shandong (the "Muping Mineral Property"). The Company acquired these licenses as part of a Co-operation Contract with Shandong Yantai Muping Gold Mine, China. This agreement provided an option to acquire a 60% interest in Yantai Zhongia Mining Inc. ("JVCo"), a Chinese Co-operation Company that was established to hold the rights to the Muping Mineral Property. In order to secure its rights and interest in the Co-operative company, Majestic Yantai was required to contribute a minimum of CNY 35,000,000 in exploration costs by March 2009 (completed). During the years ended September 30, 2008 and 2007, nine of the thirteen exploration licenses were abandoned and not renewed, leaving four exploration licenses that now comprise the Muping, China project.

During the year ended September 30, 2010 the Company entered into the following Agreements relating to the Muping Mineral Property:

1. On February 11, 2010 the Company entered into an Acquisition Agreement ("Agreement") with Yantai Dahedong Processing Co. Ltd ("Dahedong") to acquire the remaining 40% ("Muping JV Interest") of JVCo. As part of the proposed transaction, JVCo will acquire the Mining Permit required to commence mining operations at Muping and will commence mining operations. Details of the mining operations to be undertaken by Dahedong on behalf of JVCo are outlined below.
2. On September 1, 2010 the Company entered into a Declaration of Trust and Profit Sharing Agreement ("Profit Sharing Agreement") with Dahedong, which, among other matters, outlined the basis by which the mining operations and share of profits are to be conducted and distributed. The Profit Sharing Agreement was a re-affirmation of essential arrangements as outlined in the original Agreement of February 11, 2010.
3. On September 29, 2010 the Company entered into Addendum No. 1 to the Agreement, details of which are outlined below.

The Muping JV Interest was initially transferred from its holders to Dahedong. The agreement then provides for this interest to be transferred to Majestic Yantai. Upon completion of the Muping JV Interest by Majestic Yantai, the Company's interest in JVCo and the Muping Mineral Property will increase from 54% to 94%.

As consideration for the Muping JV Interest, the Company issued 160,000,000 common shares of the Company with an estimated fair value of $7,700,800 (CAD$8,000,000). In addition, the Company paid a finder's fee by the issuance of 8,000,000 common shares of the Company with an estimated fair value of $385,040 (CAD$400,000).

Majestic entered into the Agreement and the Profit Sharing Agreement to facilitate commencement of mining operations at the Muping Mineral Property. The Agreement provides that Dahedong will carry on mining operations on the property. In addition, Dahedong will process ore mined from the property at facilities owned by it.

The Agreement also provides for construction of a new mill and related facilities (collectively the "New Mill") with an output of at least 5,000 tonnes per day. The cost of acquiring the land for the New Mill will be borne entirely by Dahedong if its capacity does not exceed 5,000 tonnes per day. If Majestic designates a larger capacity mill, the costs of the land will be borne as to 75% by JVCo and 25% by Dahedong. In either event, construction costs will be borne as to 75% by JVCo and 25% by Dahedong.

Under the Agreement, Dahedong will carry out mining operations. Dahedong will be responsible for mining, transporting and processing ore and tailings and other waste material from the Property for a period of 30 years (the "Mining Term").

Significant terms of the Agreement are as follows:

1. As compensation for the use of Dahedong's mining assets and equipment during the Mining Term, Dahedong will be entitled to 25% of the net profits ("Net Profits"), as defined in the Agreement, of JVCo derived from mining operations during the Mining Term;

2. 100% of all revenue received by JVCo will accrue to the sole benefit of JVCo;

3. Until the transfer of the Muping JV Interest to Dahedong has received all required Chinese governmental approvals and has been completed, 60% of Net Profits will be distributed to Majestic Yantai and JVCo will retain the remaining 40% of Net Profits. As of December 31, 2010, all required Chinese government approvals have been completed.

4. After the transfer of the Muping JV Interest to Dahedong has been completed and before the transfer of the Muping JV Interest to Majestic Yantai is completed, 60% of Net Profits will be distributed to Majestic Yantai, 25% of Net Profits will be distributed to Dahedong to compensate Dahedong for the use of the Mining Assets and the remaining 15% of Net Profits retained by JVCo pending completion of the acquisition of the Muping JV Interest by Majestic Yantai. As of December 31, 2010, the transfer of the Muping JV Interest to Majestic Yantai has been completed.

5. After the transfer of the Muping JV Interest to Majestic Yantai has been completed, and acceptance from the TSX-V has been received, 75% of Net Profits will be distributed to Majestic Yantai and the remaining 25% of Net Profits will be distributed to Dahedong. As of December 31, 2010, acceptance from the TSX-V has been received.

6. To cover Dahedong's operational costs, Dahedong will receive ¥75 per tonne ("Mining Fee") for all mining, transporting and processing services required to produce concentrate suitable for delivery to a refinery or smelter. The Mining Fee will be paid only from revenue from mining operations so that no cost, expense or liability will accrue to or be payable by JVCo with respect to mining operations, and the Mining fee will be paid to Dahedong from revenue before any revenue is distributed to any participant in JVCo. On August 25, 2010, the Mining Fee was revised resulting in Mining Fees ranging between ¥55 and ¥75 per tonne for open pit operations and ¥92.5 and ¥130 for underground operations. The Mining Fees are based on ranges of ore head grade.

7. Dahedong will be primarily responsible for dealings with Chinese governmental authorities and interest groups in carrying out mining operations.

On September 29, 2010, an Addendum No.1 ("Addendum") to the Agreement was signed with effect from February 11, 2010 outlining specific addenda to the original Agreement as follows:

I. Pursuant to the Profit Sharing Agreement made as of September 1, 2010, it was agreed the Company would advance further funds to JVCo by way of capital contributions to fund the expansion of operations including construction of the New Mill thereby increasing the Company's interest in JVCo from 60% to 75% before any transfer of the Muping JV interest by Dahedong;
II. Parts of the original Agreement were deleted and replaced with the following:
   a. Dahedong will construct one New Mill and related facilities with an output of approximately 6,000 tonnes per day at a budgeted cost of $48,555,000 (CAD$50,000,000);
   b. Dahedong shall complete the procedures for the acquisition and lease of land to be occupied by the New Mill, obtain necessary approvals, complete filing procedures, and coordinate the supply of utilities such as water and electric power for the New Mill;
   c. Dahedong shall be responsible for 25% of the costs incurred in the construction of the New Mill including permitting, leasing and licensing costs, and JVCo shall be responsible for 75% of construction costs;
   d. Ownership of the New Mill shall be vested in JVCo;
   e. Dahedong will be responsible to pay all construction costs in the first instance;
   f. JVCo will reimburse Dahedong for 100% of JVCo's share of construction costs out of JVCo's share of Net Profits before any Net Profits are paid or distributed by JVCo to the Company;

g. JVCo's share of construction costs will be paid only from JVCo's share of Net Profits so that no cost, expense or other liability will accrue to or be payable by JVCo otherwise than out of Net Profits;
h. JVCo will pay to Dahedong a financing fee equal to 10% of JVCo's share of construction costs out of JVCo's share of Net Profits after JVCo's share of construction costs have been paid in full and before any Net Profits are paid or distributed by JVCo to the Company;
i. Title to the New Mill shall not be transferred to JVCo until JVCo has reimbursed Dahedong for JVCo's share of construction costs out of JVCo's share of Net Profits;
j. JVCO shall have the right, but not the obligation, to pay or reimburse Dahedong for all or any portion of JVCo's share of construction costs from other sources of funding which may be available to JVCo from time to time. Such payments would offset the agreed minimum payments from revenues.

Completion of the proposed acquisition was approved by the TSX Venture Exchange and by regulatory authorities in China in September 2010.

Resource

On January 20, 2011 the Company announced that Wardrop, A Tetra Tech Company ("Wardrop") completed a Preliminary Assessment ("PA") for the Song Jiagou Gold Project.

Highlights of the PA are as follows:

- Net present value of US$525 million using a 10% discount rate
- Internal rate of return of 78.6%
- Payback in 1.4 years
- Total gold production of 2.3 million ounces for life-of-mine
- Life-of-mine-strip ratio 1.87 : 1 (waste to ore)
- Mine-life of 22 years

In 2006, Wardrop prepared a National Instrument 43-101 (NI 43-101) compliant resource estimate of the Songjiagou deposit. On the basis of additional data collected during 2006, Wardrop prepared an updated estimate in late 2007.

In April 2010, Wardrop completed an update of the 2007 resource estimate to take into account assay results from surface core drilling and trenching that were carried out during 2007, as well as depletion from surface mining since the time of the last estimate. Depletion attributable to underground mining during the same interval was negligible.

The April 2010 updated resource estimate was made using an un-rotated block model, which is to say the blocks in the model were oriented orthogonally east-west and north south. In October 2010, Majestic requested that the estimate be redone using a block model rotated parallel to the trend of the deposit as well as a lower cutoff (0.3 g/t versus 0.4 g/t gold).

The lower threshold grade (0.3 versus 0.4 g/t) is attributable to a lower cost for contract mining and milling that Majestic negotiated during the period between the two estimates.

The rotated orientation is consistent with previous estimates and also aligns the block model with cross-sections that are cut perpendicular to the strike of the deposit. The change in block model orientation as well as the decrease in cutoff grade resulted in an overall enhancement of both estimated tonnes and grade. This report incorporates those changes. There has been no change in the underlying data between the April 2010 estimate and the current estimate.

Preliminary Production Schedule

The life-of-mine strip ratio is 1.87 to 1 (waste to ore). Total ounces contained in the resource are 3,074,787; of this 2,324,000 ounces are potentially recoverable as bullion during the mine operations at an average annual production of approximately 106,000 ounces per year.

Capital Costs

As outlined in the PA, total capital costs are estimated at $136.3 million including:

- initial capital of $64.4 million
- initial working capital of $7.1 million
- and sustaining capital of $64.8 million

The majority of sustaining capital is required in years 4 and 5 and consists mainly of capital required to expand tailings storage facilities.

Operating Costs

Life-of-mine (“LOM”) operating costs are estimated at US$11.67 per ton milled, including mining, process and transportation costs based on the current contract terms.

Operating Cash Flows

Operating cash flows based on pit optimization parameters employed by Wardrop indicate that in years 1-8 the mine will produce a total of approximately 1,152,000 ounces of gold (144,000 ounces annually) and generate US$841 million (US$105 million annually) in operating cash flow compared with LOM production of 2.32 million ounces of gold in concentrate (106,000 ounces annually) and operating cash flow of US$1.516 billion (US$68.9 million annually).

Economic Returns

Wardrop evaluated the economic viability of the Song Jiagou project using pre-tax discounted cash flow analysis based on the engineering work and cost estimates discussed in the Preliminary Assessment. Over the life of the mine, Song Jiagou is estimated to produce on average 106,000 ounces gold in concentrate per year. Total gold produced for LOM will be 2.324 million ounces; with a gold price of $973 per ounce and total operating cash flow of US$1,516 million, the total cash cost is US$745 million or US$321 per ounce of gold. The pre-tax Net Present Value is US$525 million and the IRR is 78.6%.

Based on the estimates in the Preliminary Economic Assessment, the Company plans to move ahead with continued development of the project, including more detailed engineering studies and applications for mining permits.

Wardrop consultants, all of whom are independent of the Company, prepared the Preliminary Economic Assessment and are Qualified Persons as defined by section 1.4 of National Instrument 43-101. The QPs have reviewed and approved the information contained in the Preliminary Assessment.

The geological information has been reviewed and approved by Mike Hibbitts, P. Geo., who is a qualified person under the definitions established by National Instrument 43-101.

Shandong, China

The Shandong project consists of exploration licenses acquired by way of a Co-operation Contract with Yantai Jinze Mining and Technology Ltd. Under this agreement, the Company acquired a 90% interest in Yantai Jinze Gold Inc., a Chinese Cooperation Company that was established to hold the exploration rights to certain properties located in the vicinity of Yantai City in the Province of Shandong. In accordance with an amended agreement dated January 20, 2008, the Company was required to contribute $279,810 (CAD$300,000) in order to secure its interest (completed).

The Company has three additional active licenses in the Yuhuangding, Baima and Xianiantou areas within the Shandong project.

During the year ended September 30, 2010, the Company determined that this property was impaired and therefore recognized a write-down of $920,230 (CAD$957,675).

Jingang, China

In July 2006, the Company entered into a Co-operation Contract with China Shandong No. 3 Mineral and Geological Exploration Institute. The Company has the right to acquire a 70% interest in Yantai Ludi Jingang Gold Mining Inc., a Chinese Co-operation Company was established to hold the exploration rights to the Jingang Gold Project in the Shandong Province of China. In order to secure its interest in the co-operation company, the Company is required to contribute a minimum of $528,957 (CAD$567,125) in exploration costs and make a cash payment of CNY 1,750,000 to China Shandong No. 3 Mineral and Geological Exploration Institute. The timetable under the contract for these exploration costs is as follows:

- $159,336 (CAD$170,833) in exploration costs are to be contributed within 90 days of the issuance of the business license to the co-operation company;
- $369,621 (CAD$396,292) in exploration costs are to be contributed within 1.5 years of the issuance of the business licenses of the co-operation company in accordance with Chinese laws; and
- to make a payment of CNY 1,750,000 within one month from when the transfer approval of all mining and exploration licenses is received.

At September 30, 2009, the issuance of the business license and the receipt transfer of all mining and exploration licenses had not occurred. Therefore, to date, the contributions described above are not yet due and have not been made.

During the year ended September 30, 2010, the Company determined that this property was impaired and therefore recognized a write-down of $282,992 (CAD$294,508).

COMPARISON OF QUARTERLY RESULTS

Net loss for the three months ended December 31, 2011 was $249,678 (2010 - $1,432,880).

Expenses for the three months ended December 31, 2011 were $5,345,895 (2010 - $2,768,457). The increase is primarily due to operating costs of $3,955,414 versus only $1,286,300 in 2010, primarily due to the increase in mining operations and commissioning of the new mill.

Liquidity

General and administrative expenses decreased to $1,334,725 for the three months ended on December 31, 2011 compared to $1,475,086 for the same period in 2010 due to the changes in the following categories:

	2011 -$-	2010 -$-
Consulting	241,658	737,543
Office and general	440,642	250,764
Professional fees	40,121	73,754
Salaries	248,314	88,506
Travel	363,990	324,519
Total	1,334,725	1,475,086

Consulting was lower due to decreased activity related to the completion of production facilities at the mine site in China, raising additional funds and exploring opportunities for having the Company listed on the Hong Kong Stock Exchange.

Office and general and salaries were higher due to increased administrative activity and an increase in employees at JVCo in China during the current period compared to the previous period.

In general, administrative expenses recorded in the statement of operations reflect the normal corporate business cycle. The Company strives to provide efficient and cost-effective administrative support to management's ongoing efforts to seek new properties, monitor production costs, and increase shareholder value. Any significant increases/decreases in such costs are commensurate with such efforts.

SUMMARY OF QUARTERLY RESULTS

	Dec 31, 2011 - $ -	Sep 30, 2011 - $ -	Jun 30, 2011 - $ -	Mar 31, 2011 - $ -
Net revenues	$6,675,058	$5,561,667	$2,597,066	$1,246,453
Net income (loss)	($249,678)	($6,668,080)	($1,060,267)	($1,378,509)
Per share	($0.00)	($0.01)	$0.00	$0.00
	Dec 31, 2010 - $ -	Sep 30, 2010 - $ -	Jun 30, 2010 - $ -	Mar 31, 2010 - $ -
Net revenues	$1,875,894	$1,508,733	$2,315,580	$1,691,458
Net income (loss)	($1,432,880)	($1,195,679)	($2,567,957)	($490,830)
Per share	($0.00)	($0.01)	($0.01)	$0.00

Significant variations in the loss from one period to another is mainly due to the start-up of mining operations, the issuance of incentive stock options, which results in an increase in stock-based compensation, and the write down of previously capitalized mineral property expenditures and accounts receivable.

LIQUIDITY

At December 31, 2011, the Company had cash of $7,612,633 (2010 - $4,947,537) and a working capital of $3,469,961 (2010 - $4,194,819), which management considers to be adequate for its future planned exploration, development, operational activities, and to settle outstanding debts. The Company has completed its mining and production facilities and is now dependent on achieving profitable income from operations. Should this not be achieved, the Company will continue to be dependent on raising sufficient funds to meet operational requirements and ultimately upon achieving profitable operations.

On August 10, 2011, the Company completed a non-brokered private placement consisting of 14,000,000 common shares at CAD$0.20 per share for gross proceeds of $2,695,280 (CAD$2.8 million). The Company paid $269,528 (CAD$280,000) in cash as finders' fees for this private placement.

Share purchase warrants totaling 151,979,413 were exercised for proceeds of $14,629,538 (CAD$15,197,941). The Company incurred $765,105 (CAD$794,832) of share issue costs relating to warrants exercised.

On August 26, 2011, the Company completed a $9,626,000 (CAD$10 million) convertible loan to advance its Song Jiagou project in China. A total of $8,663,400 (CAD$9 million) from the proceeds from the loan will be used by the company in connection with its Song Jiagou project and the balance of $962,600 (CAD$1 million) for general working capital purposes.

The loan will have a one-year term and loan principal will be convertible at the option of the lender in whole or in part into common shares of the company until 12 months from the date of the loan advance at a price of CAD$0.205 cents per share. The loan will bear interest at the rate of 7.5% per year, payable on maturity, and accrued and unpaid interest will be convertible at the option of the lender in whole or in part into shares of the company until 12 months from the date of the loan advance at market price at the time of conversion. The Company paid cash finders' fees equal to 2.5% of the gross proceeds from the loan financing.

The lender is at arm's length from the company and will not become an insider as a result of any conversion of principal and interest. All shares issued on any conversion of loan principal or interest will be subject to a four-month hold period from the date of advance of loan proceeds. The loan is subject to acceptance by the TSX Venture Exchange.

The borrower has also agreed to a 90-day period for reciprocal due diligence reviews and discussions for the possible further involvement of the lender in the Song Jiagou project. In the event that no further agreement is reached between the lender and the company during the 90-day period, then the loan and a minimum of seven months interest will automatically convert to shares in the company at a price of CAD$0.205 per share and the interest at market price respectively.

On November 3, 2011, the $9,626,000 (CAD$10 million) convertible loan was converted into common shares of the Company at a price of CAD$0.205 per share. In addition, loan interest in the amount of $430,194 (CAD$437,500) was also converted into common shares of the Company at a price of CAD$0.205 per share.

CAPITAL RESOURCES

In order for the Company to earn its interest in mineral properties under option, the Company must meet certain exploration spending thresholds as previously disclosed in this MDA.

In management's view, given the nature of the Company's operations, which consists of exploration, mining and evaluation of mining properties, the most relevant financial information relates primarily to current liquidity, solvency and planned property expenditures. The Company's financial success will be dependent upon the extent to which it can discover mineralization and the economic viability of developing its properties. Such development may take years to complete and the amount of resulting income, if any, is difficult to determine. The sales value of any minerals discovered by the Company is largely dependent upon factors beyond the Company's control, including the market value of the metals to be produced. However, based on a Preliminary Assessment provided by Wardrop on January 11, 2011, as outlined above, management believes that cash flows from its mining operations will be sufficient to provide the Company with adequate funds to continue its exploration and mining activities in the short and long term.

OFF-BALANCE SHEET ARRANGEMENTS

At December 31, 2011, the Company had no off-balance sheet arrangement such as guarantee contracts, contingent interest in assets transferred to an entity, derivative instruments obligations or any obligations that trigger financing, liquidity, market or credit risk to the Company.

TRANSACTIONS WITH RELATED PARTIES

Due to Related Parties

The following amounts are due to related parties:

	Dec. 31, 2011 -$-	Sep. 30, 2011 -$-	Oct. 1, 2010 -$-
Directors of the Company	539	7,266	164,090
Companies controlled by an officer and director of the Company	58,541	165,316	211,256
	59,080	172,582	375,346

Amounts due to related parties are unsecured, non-interest bearing and are repayable on demand.

Transactions with Related Parties

The Company was charged the following amounts by companies controlled by a significant shareholder and directors or companies controlled by directors of the Company for the three months ended December 31, 2011 and 2010:

	Dec. 31, 2011 -$-	Dec. 31, 2010 -$-
Consulting and management fees	197,569	74,697
Rent and administrative services	54,736	33,031
	252,305	107,728

These transactions occurred in the normal course of operations and are measured at their exchange amounts, which is the amount of consideration established and agreed to by the parties.

CRITICAL ACCOUNTING ESTIMATES

The Company's accounting policies are described in Note 2 of its unaudited condensed consolidated interim financial statements as at December 31, 2011. Those statements are the Company's first financial statements that have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). They have been prepared in accordance with IAS 34 'Interim Financial Reporting' ("IAS 34") and IFRS 1 'First-time adoption of IFRS'. The disclosures concerning the transition from Canadian GAAP to IFRS are provided in Note 23.

The Company's first annual consolidated financial statements under IFRS will be presented for the year ended September 30, 2012. The accounting policies adopted in the unaudited condensed consolidated interim financial statements are consistent with the accounting policies the Company expects to adopt in its IFRS consolidated financial statements for the year ended September 30, 2012, and are based on IFRS as issued by the IASB that the Company expects to be applicable at that time.

The preparation of the unaudited consolidated interim financial statements conforms to IAS 34 and IFRS 1 and requires estimates and assumptions that affect the amounts to be reported. These estimates and assumptions concerning the future will, by definition, seldom equal actual results. Estimates and judgments have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

The Company is required to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported periods. Significant estimates and assumptions are used in determining the application of the going concern concept; the deferral of costs incurred for mineral properties and deferred exploration, assumptions used to determine the fair value of stock-based compensation and the determination of future income taxes. The Company evaluates its estimates on an ongoing basis and bases them on various assumptions that are believed to be reasonable under the circumstances. The Company's estimates form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

The Company believes the policies for going concern, mineral properties, stock-based compensation, and future income taxes are critical accounting policies which involve significant judgments and estimates used in the preparation of the Company's financial statements.

Ore reserve and resource estimates
Ore reserves are estimates of the amount of ore that can be economically and legally extracted from the Company's mining properties. The Company estimates its ore reserves and a mineral resource based on information compiled by appropriately qualified persons relating to the geological data on the size, depth and shape of the ore body, and requires complex geological judgments to interpret the data. The estimation of recoverable reserves is based upon factors such as estimates of foreign exchange rates, commodity prices, future capital requirements, and production costs along with geological assumptions and judgments made in estimating the size and grade of the ore body. Changes in the reserve or resource estimates may impact the carrying value of exploration and evaluation assets, mine properties, property, plant and equipment, goodwill, restoration provisions, recognition of deferred tax assets, and depreciation and amortization charges.

Exploration and evaluation expenditures
The application of the Company's accounting policy for exploration and evaluation expenditures requires judgment in determining whether it is likely that future economic benefits are likely either from future exploitation or sale or where activities have not reached a stage which permits a reasonable assessment of the existence of reserves. The deferral policy requires management to make certain estimates and assumptions about future events or circumstances, in particular whether an economically viable extraction operation can be established. Estimates and assumptions made may change if new information becomes available. If, after expenditure is capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in the statement of comprehensive income in the period when the new information becomes available.

The Company considers that its mineral properties have the characteristics of property, plant and equipment, and, accordingly defers acquisition and exploration costs. The recoverability of mineral property acquisition and deferred exploration expenditures is dependent upon the discovery of economically recoverable reserves and on the future profitable production, or proceeds from disposition, of the Company's properties. The Company is in the process of exploring its mineral properties and has not yet determined whether the properties contain mineral reserves that are economically recoverable. Development of any property may take years to complete and the amount of resulting income, if any, is difficult to determine with any certainty. The sales value of any mineralization discovered by the Company is largely dependent upon factors beyond the Company's control, such as the market value of the minerals recovered.

Changes in circumstances in the future, many of which are outside of management's control, will impact on the Company's estimates of future recoverability of net amounts to be realized from their assets. Such factors include, but are not limited to, the availability of financing, the identification of economically recoverable reserves, co-venturer decisions and developments, market prices of minerals, the Company's plans and intentions with respect to its assets and other industry and competitor developments.

Inventory
The ultimate recovery of gold from ore stockpile will not be known until the leaching process is completed. The allocation of costs to ore stockpile and the determination of NRV involve the use of estimates. There is a high degree of judgment in estimating future costs, future production levels, proven and probable reserves estimates, gold prices, and the ultimate estimated recovery. There can be no assurance that actual results will not differ significantly from estimates used in the determination of the carrying value of inventory.

Provision for reclamation and remediation obligations (asset retirement obligations)
The Company assesses its provision for asset retirement obligations on an annual basis or when new material information becomes available. Mining and exploration activities are subject to various laws and regulations governing the protection of the environment. In general, these laws and regulations are continually changing and the Company has made, and intends to make in the future, expenditures to comply with such laws and regulations. Accounting for reclamation and remediation obligations requires management to make estimates of the future costs the Company will incur to complete the reclamation and remediation work required to comply with existing laws and regulations at each mining operation. Actual costs incurred may differ from those amounts estimated. Also, future changes to environmental laws and regulations could increase the extent f reclamation and remediation work required to be performed by the Company. Increases in future costs could materially impact the amounts charged to operations for reclamation and remediation. The provision for asset retirement obligations represents management's best estimate of the present value of the future reclamation and remediation obligation. The actual future expenditures may differ from the amounts currently provided.

Deferred income taxes and valuation allowances
The Company is periodically required to estimate the tax basis of assets and liabilities. Where applicable tax laws and regulations are either unclear or subject to varying interpretations, it is possible that changes in these estimates could occur that materially affect the amounts of deferred income tax assets and liabilities recorded in the financial statements. Changes in deferred tax assets and liabilities generally have a direct impact on earnings in the period that the changes occur. Each period, the Company evaluates the likelihood of whether some portion or all of each deferred tax asset will not be realized. This evaluation is based on historic and future expected levels of taxable income, the pattern and timing of reversals of taxable temporary timing differences that give rise to deferred tax liabilities, and tax planning initiatives.

Going concern
The unaudited condensed consolidated interim financial statements have been prepared on a going concern basis, which presumes the Company will continue to realize its assets and discharge its liabilities and commitments in the normal course of business for the foreseeable future. The company has working capital of $3,469,961 at December 31, 2011 ($4,194,819 - 2010) which management considers to be adequate for its future planned exploration, development, operational activities, and to settle outstanding debts. The Company has completed its mining and production facilities and is now working towards achieving positive cash flows from operations. Should this not be achieved, the Company will continue to be dependent on raising sufficient funds to meet operational requirements and ultimately upon achieving profitable operations. The interim consolidated financial statements do not include any adjustments to the recoverability and classification of recorded assets, or the amounts and classifications of liabilities that would be necessary if the going concern assumption were not appropriate. Such adjustments could be material. Failure to discover economically recoverable reserves will require the Company to write-off costs capitalized to date and will result in further reported losses.

The Company believes that it has the ability to obtain the necessary financing to meet commitments and liabilities as they become payable.

The Company uses the Black-Scholes option pricing method to determine the fair value of stock-based compensation recognized. Estimates and assumptions are required under the model, including those related to the Company's stock volatility, expected life of options granted, and the risk free interest rate. The Company believes that its estimates used in arriving at stock-based compensation are reasonable under the circumstances.

The determination of the tax basis of deferred exploration costs in foreign jurisdictions and the determination of the appropriate valuation allowance against tax assets are areas requiring management estimates.

CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION OF IFRS

The Company's accounting policies are described in Note 2 of its unaudited condensed consolidated interim financial statements as at December 31, 2011. Those statements are the Company's first financial statements that have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). They have been prepared in accordance with IAS 34 'Interim Financial Reporting' ("IAS 34") and IFRS 1 'First-time adoption of IFRS'. The disclosures concerning the transition from Canadian GAAP to IFRS are provided in Note 23.

The Company's first annual consolidated financial statements under IFRS will be presented for the year ended September 30, 2012. The accounting policies adopted in the unaudited condensed consolidated interim financial statements are consistent with the accounting policies the Company expects to adopt in its IFRS consolidated financial statements for the year ended September 30, 2012, and are based on IFRS as issued by the IASB that the Company expects to be applicable at that time.

The policies applied are based on IFRS issued and outstanding as of the date the Board of Directors approved this MD&A. Any subsequent changes to IFRS that are given effect in the Company's annual consolidated financial statements for the year ended September 30, 2011 may result in restatement of these financial statements, including the transition adjustment recognized on change-over to IFRS.

The Company previously prepared its consolidated financial statements in accordance with Canadian Generally Accepted Accounting Principles as set out in the Handbook of the Canadian Institute of Chartered Accountants ("CICA Handbook"). In 2010, the CICA Handbook was revised to incorporate IFRS requiring publicly accountable enterprises to apply such standards effective for years beginning on or after January 1, 2011. Accordingly, the Company has commenced reporting on the basis of IFRS for the current interim financial period ended December 31, 2011, for which the term Canadian GAAP refers to Canadian Generally Accepted Accounting Principles ("Canadian GAAP") before the adoption of IFRS.

Basis of Consolidation

The unaudited condensed consolidated interim financial statements incorporate the financial statements of the Company and the entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. All significant intercompany transactions and balances have been eliminated upon consolidation.

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Company elects whether it measures the non-controlling interest in the acquiree either at fair value or at proportionate share of the acquiree's identifiable net assets.

Foreign Currencies

The Company changed its functional currency from Canadian dollars ("CAD") to US dollar effective October 1, 2010, which is also the date of transition into IFRS. For IFRS reporting, a change in functional currency should be accounted for prospectively from the date of change and management should translate balance sheet items into new currency using the exchange rate at the date of change (IAS 21, Foreign currencies). In accordance with IFRS, because the change was brought about by changed circumstances, it does not present a change in accounting policy and, therefore, a retrospective adjustment under IAS 8, Accounting policies, changes in accounting estimates and correction of errors, is not relevant. As all items are translated using the exchange rate at the date of change, the resulting translated amounts for non-monetary items are treated as their historical cost. There are no additional exchange differences that arise on the date of the change under IFRS.

The Company's condensed consolidated interim financial statements are presented in US dollars. Items included in the financial statements of each of the Company's subsidiaries are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). Foreign currency transactions for the Company's subsidiaries are translated into the functional currency using the exchange rate at the dates of the transactions or the average rates prevailing the transaction periods. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statement of operations and comprehensive income.

The Company's foreign operations are translated from their local currencies into US dollars on consolidation. Revenue, expenses, gains and losses are translated using an average exchange rate for the period. Monetary assets and liabilities on the balance sheet are translated at the closing rate in effect at the end of these periods. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated at the historical rates. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The exchange differences on translation of the net assets of these operations are recognized in profit or loss as foreign exchange gains or losses.

For a full description, refer to the Company's unaudited condensed consolidated interim financial statements for the period ended December 31, 2011.

Property, Plant and Equipment

Property, plant and equipment are recorded at cost less accumulated amortization and accumulated impairment losses. The initial cost of an asset is comprised of its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, and the initial estimation of asset retirement obligation. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset. Amortization begins when the asset is substantially put into service.

Where an item of plant and equipment comprises major components with different useful lives, the components are accounted for as separate items of plant and equipment. Expenditures incurred to replace a component of an item of property, plant and equipment that is accounted for separately, including major inspection and overhaul expenditures are capitalized. Where part of the asset was not separately considered as a component, the replacement value is used to estimate the carrying amount of the replaced assets which is immediately written off. All other day-to-day maintenance costs are expensed as incurred.

Mineral properties in production are amortized on a unit-of-production basis over the economically recoverable reserves of the estimated life of mine. Gold processing plant is amortized on a unit-of-production basis over the total tonnages of mill feed over the estimated life of mine. Amortization of various components of the gold processing plant, heavy machinery and equipment, office furniture and equipment and other capital assets is calculated on a straight-line basis over the assets' estimated useful lives at annual rates from 5% to 33%. Amortization of leasehold improvements is calculated on a straight-line basis over the term of the lease.

Amortization expenses from production property and plant are inventoried. Amortization from equipment used in exploration and development of mineral property interests are capitalized under mineral properties in development. Amortization from administration capital assets are charged against operations. Equipment used in exploration and development of mineral property interests is amortized, but the amortization charge is deferred with other mineral property interests, exploration and development expenditures. Amortization of equipment not specifically related to the Company's exploration and development activities is included in the consolidated statements of operations and deficit.

An item of property, plant and equipment is derecognized upon disposal, when held for sale or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss.

The Company conducts an annual assessment of the residual balances, useful lives and amortization methods being used for property, plant and equipment items and changes arising from the assessment are applied by the Company prospectively

Mineral Properties and Deferred Exploration Costs

Mineral properties and deferred exploration costs represent capitalized expenditures related to the acquisition, exploration and development of mineral properties and related equipment. Mineral property interest acquisition costs include the cash consideration, the fair value of common shares issued for mineral property interests and the fair value of warrants issued determined using the Black-Scholes option pricing model.

The company acquires mineral property interests and conducts exploration activities directly or through corporate joint ventures. The underlying purpose of the corporate entities is to hold title in China and facilitate funding for expenditures. The Company accounts for its interests in these entities as direct investments in mineral properties and deferred exploration cost based on expenditures incurred. Although the Company has taken steps to verify title to mineral properties in which it has an interest, in accordance with industry norms for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property may be subject to complex title laws, unregistered prior agreements or inadvertent non-compliance with regulatory requirements.

Mineral properties and deferred exploration costs include the costs of acquiring exploration and mining concessions, licenses, options and contracts, costs associated with exploration and evaluation activity, and the fair value (at acquisition date) of exploration and evaluation assets acquired in a business combination. Exploration and evaluation expenditures are capitalized. Costs incurred before the Company has obtained the legal rights to explore an area are recognized in profit or loss. However, once the legal right to explore has been acquired, the Company capitalizes all costs related to investments in mineral property interests on a property-by-property basis. Such costs are amortized over the estimated life of the property following commencement of commercial production, or written off if the property is sold, allowed to lapse, abandoned or when impairment in value is determined to have occurred.

Proceeds received from the sale or farm-out of any interest in a property will be credited against the carrying value of the property, with any excess over carrying value included in operations for the period. If a property is abandoned, the acquisition and deferred exploration costs will be written off to operations.

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets within property, plant and equipment. Recoverability of the carrying amount of any exploration and evaluation asset is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

All capitalized costs are reviewed, on a property-by-property basis, to consider whether there are any conditions that may indicate impairment. Mineral property interests are reviewed for impairment at the end of each reporting period or when otherwise appropriate or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. When the carrying value of a property exceeds its net recoverable amount (as estimated by quantifiable evidence of an economic geological resource or reserve or by reference to option or joint venture expenditure commitments) or when, in the Company's assessment, it will be unable to sell the property for an amount greater than the deferred costs, the property is written down for the impairment in value.

Impairment considerations are also based upon current exploration results and upon management's assessment of project funding availability and the future probability of profitable operations from the property or sale of the property. Recorded costs of mineral properties and deferred exploration costs are not intended to reflect present or future values. The recorded costs are subject to measurement uncertainty and changes in future conditions could require a material change in the carrying amount.

Impairment of Long-Lived Assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. The Company monitors the recoverability of long-lived assets, including property, plant and equipment, based on factors such as current market value, future asset utilization, business climate and future discounted cash flows expected to result from the use of the related assets. The impairment loss is recorded in the period when it is determined that the carrying amount of the asset may not be recoverable. The amount of impairment loss is measured as the excess of the carrying value of the asset over its fair value less costs to sell, or the discounted present value of the future cash flows associated with the use of the asset.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or cash-generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset neither exceeds its recoverable amount, nor the carrying amount that would have been determined, net of amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase and is recognized through other comprehensive income.

Asset Retirement Obligations

Asset retirement obligations ("ARO") are recognized for expected obligations related to the retirement of long-lived tangible assets that arise from the acquisition, construction, development or normal operation of such assets. A liability for an asset retirement obligation is recognized in the period in which it is incurred or when a reasonable estimate of the fair value of the liability can be made. The corresponding asset retirement cost would be recognized by increasing the carrying amount of the related long-lived asset. The asset retirement cost is subsequently allocated in a rational and systematic method over the underlying asset's useful life. The initial fair value of the liability is accreted, by charges to operations, to its estimated future value. Changes in inflation rates, long term interest rates and the life of the mine can affect the estimate of ARO's.

Such estimates can be significantly impacted by long term commodity prices. Actual cost incurred in ARO's could therefore materially vary from estimates.

The Company's estimates are reviewed annually for changes in regulatory requirements, effects of inflation and changes in estimates. The discounted liability is increased for the passage of time and adjusted for changes to the current discount rate, and the amount or timing of the underlying cash flows needed to settle the obligation.

Additional disturbances or changes in rehabilitation costs will be recognized as additions or charges to the corresponding assets and rehabilitation liability when they occur. The cost of ongoing current programs to prevent and control pollution is charged against profit and loss as incurred.

IFRS TRANSITION EXCEPTIONS AND EXEMPTIONS

The Company has applied the following transition exceptions and exemptions to full retrospective application of IFRS:

Business combinations

The Company has elected to utilize the option in IFRS 1 to not apply IFRS 3R "Business Combinations" ("IFRS 3R") retrospectively to business combinations prior to October 1, 2010 and to apply IFRS 3R prospectively to business combinations on or after the October 1, 2010 transition date. The impact of this policy decision is that all prior business combinations will continue to be accounted for as originally recorded under Canadian GAAP. There were no business combinations during fiscal 2010.

Borrowing costs

The Company has elected the option in IFRS 1 to not apply IAS 23 "Borrowing Costs" retrospectively to borrowing costs prior to January 1, 2010. The impact of this policy decision is that all previously expensed interest and related borrowing costs to October 1, 2010 will continue to be accounted for as originally recorded under Canadian GAAP.

Share based payments

The Company has elected the transition exemption available to not retrospectively apply the IFRS 2 "Share-based Payments" calculation method to any share options vested before October 1, 2010.

Exploration and evaluation

The Company will maintain its current policy and will continue to capitalize all costs related to project costs. In accordance with IFRS 6, this permits the inclusion of general administrative costs as long as these are related to the project; this is consistent with current treatment under Canadian GAAP. In accordance with IFRS, the Company has elected to use the cost method and not the revaluation method due to the difficulty in determining accurate fair value information and the effort required to continually monitor fair values.

RISKS AND UNCERTAINTIES

The financing, exploration, development and mining of any of the Company's properties is subject to a number of factors, including the price of gold, laws and regulations, political conditions, currency fluctuations, hiring qualified people and obtaining necessary services in jurisdictions where the Company operates.

The following is a discussion of those distinctive or special characteristics of the Company's operations and industry that may have a material impact on, or constitute risk factors in respect of the Company's operations and future financial performance.

Additional risks not currently known by the Company, or that the Company currently deems immaterial, may also impair the Company's operations.

Exploration and mining risks

Exploration for minerals and development of mining operations involve many risks, many of which are outside the Company’s control. In addition to the normal and usual risks of exploration and mining, the Company often works in remote locations that lack the benefit of infrastructure or easy access.

The economics of developing gold and other mineral properties are affected by many factors including the cost of operations, variations of the grade of ore mined, fluctuations in the price of gold or other minerals produced, costs of processing equipment and such other factors as government regulations, including regulations relating to royalties, allowable production, importing and exporting of minerals and environmental protection. In addition, the grade of mineralization ultimately mined may differ from that indicated by drilling results and such differences could be material. Depending on the price of gold or other minerals produced, which have fluctuated widely in the past, the Company may determine it is impractical to commence or continue commercial production.

Reserves and resource estimates

The mineral and resources estimates disclosed in the Company's public filings are only estimates and no assurances can be given that any particular level of recovery of minerals will be realized or that an identified resource will ever qualify as a commercially mineable deposit which can be legally and economically exploited. The Company relies on laboratory-based recovery models to project estimated ultimate recoveries by ore type at optimal crush sizes. Actual gold recoveries may exceed or fall short of projected laboratory test results. As stated previously, the grade of mineralization ultimately mined may differ from the one indicated by the drilling results and the difference may be material. Production can be affected by such factors as permitting regulations and requirements, weather, environmental factors, unforeseen technical difficulties, unusual or unexpected geological formations, inaccurate or incorrect geologic, metallurgical or engineering work, and work interruptions among other things. Short-term factors, such as the need for an orderly development of deposits or the processing of new or different grades, may have an adverse effect on mining operations or the results of those operations. There can be no assurance that minerals recovered in small scale laboratory tests will be duplicated in large scale tests under onsite conditions or in production scale operations. Material changes in proven and probable reserves or resource grades, waste-to-ore ratios or recovery rates may affect the economic viability of projects. The estimated proven and probable reserves and resources disclosed in the Company's public filings should not be interpreted as assurances of mine life or of the profitability of future operations.

The Company has engaged expert independent technical consultants to advise it on, among other things, mineral reserves and resources and project engineering. The Company believes these experts are competent and that they have carried out their work in accordance with internationally recognized standards. If, however, the work conducted by these experts is ultimately found to be incorrect or inadequate in any material respect, the Company may experience delays and increased costs.

Foreign countries, laws and regulations

The Company operates primarily in China and is exposed to the laws governing the mining industry in China. The Chinese government is currently supportive of the mining industry but there is uncertainty in future changes to government policies and regulations including taxation, repatriation of profits, restrictions on production, export controls, environmental compliance and expropriation. These factors could adversely affect the Company’s exploration efforts and production plans.

Commodity prices

The profitability of the Company's operations, if established, will be dependent upon the market price of mineral commodities. Mineral prices fluctuate widely and are affected by numerous factors beyond the control of the Company. The level of interest rates, the rate of inflation, world supply of mineral commodities, consumption patterns, sales of gold by central banks, forward sales by producers, production, industrial and jewellery demand, speculative activities and stability of exchange rates can all cause significant fluctuations in prices. Such external economic factors are in turn influenced by changes in international investment patterns, monetary systems and political development. The prices of mineral commodities have fluctuated widely in recent years. Current and future price declines could cause commercial production of the Company's properties to become impracticable.

The Company's revenues and earnings also could be affected by the prices of other commodities such as fuel and other consumable items, although to a lesser extent than by the price of gold. The prices of these commodities are affected by numerous factors beyond the Company's control.

A reduction in the price of gold may prevent the Company's properties from being economically mined or result in the write-off of assets whose value is impaired as a result of low gold prices. The price of gold may also have a significant influence on the market price of the Company's common shares.

Environmental compliance and other regulatory requirements

Any significant mining operation will have some environmental impact, including land and habitat impact, arising from the use of land for mining and related activities, and certain impact on water resources near the project sites, resulting from water use, rock disposal and drainage run-off. The current exploration and mining activities of the Company require permits from various governmental authorities and such operations are, and will be, governed by laws and regulations governing exploration, mining, labour standards, occupational health, waste disposal, toxic substances, land use, environmental protection, safety, mine permitting and other matters. Companies engaged in exploration and mining activities generally experience increased costs and delays as a result of the need to comply with applicable laws, regulations and permits. There can be no assurance that all permits the Company may require for exploration, development and mining will be obtainable on reasonable terms or on a timely basis, or that such laws and regulations would not have an adverse effect on any project the Company may undertake.

The Company's operations are subject to local laws and regulations regarding environmental matters, which generally provide for restrictions and prohibitions on spills, releases or emissions of various substances produced in association with certain mining industry operations, such as seepage from tailings disposal areas, which would result in environmental pollution. A breach of such legislation may result in imposition of fines and penalties. In addition, certain types of mining operations require the submission and approval of environmental impact assessments. Environmental legislation is evolving towards stricter standards, and enforcement, fines and penalties for non-compliance are becoming more stringent. An environmental assessment of a proposed project carries a heightened degree of responsibility for companies and their directors, officers and employees.

Environmental laws and regulations change frequently, and the implementation of new, or the modification of existing laws or regulations could harm the Company. The Company cannot predict how agencies or courts in foreign countries will interpret existing laws and regulations or the effect these adoptions and interpretations may have on the Company's business or financial condition.

Failure to comply with applicable laws, regulations, and permitting requirements may result in enforcement actions there-under, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in exploration and mining operations may be required to compensate those suffering loss or damage by reason of the exploration and mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations and, in particular, environmental laws.

No assurances can be given that such environmental and compliance issues will not have a material adverse effect on the Company's operations in the future. While the Company believes it does not currently have any material environmental obligations, the cost of complying with existing regulations or changes in governmental regulations have the potential to reduce the profitability of operations, may give rise in the future to significant liabilities on the Company's part to the government and third parties, and may require the Company to incur substantial costs of remediation.

Insurance and uninsured risks

The business of the Company is subject to a number of risks and hazards generally, including adverse environmental conditions, industrial accidents, labour disputes, unusual or unexpected geological conditions, ground or slope failures, cave-ins, changes in the regulatory environment and natural phenomena such as inclement weather conditions, floods and earthquakes. Such occurrences could result in damage to mineral properties or production facilities, personal injury or death, environmental damage to properties of the Company or others, delays in mining, monetary losses and possible legal liability.

Although the Company maintains insurance to protect against certain risks in such amounts it considers reasonable, its insurance will not cover all the potential risks associated with its operations and insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. It is not always possible to obtain insurance against all such risks and the Company may decide not to insure against certain risks because of high premiums or other reasons. Moreover, insurance against risks such as environmental pollution or other hazards as a result of exploration and production is not generally available to the Company or to other companies in the mining industry on acceptable terms. Losses from these events may cause the Company to incur significant costs that could have a material adverse effect upon its financial performance and results of operations.

Dependence on key personnel

The success of the Company will be largely dependent upon the performance of its key officers, employees and consultants. Local mineral deposits and mining operations depend on a number of factors, not the least of which is the technical skill of the exploration and mining personnel involved. The success of the Company is largely dependent on the performance of its key personnel including its Chief Executive Officer and Vice President of Exploration and Development. Failure to retain key personnel or to attract or retain additional key individuals with necessary skills could have a materially adverse impact upon the Company's success. The Company has not purchased any "key man" insurance with respect to any of its directors, officers or key employees and has no current plans to do so.

Property interests

The ability of the Company to carry out successful mineral exploration, development activities and mining operations is dependent, in part, on the Company's ability to acquire and maintain title to its mineral interests. No guarantee can be given that the Company will be in a position to comply with the obligations that this requirement entails, or to require third parties to comply with their obligations with respect to such properties. Furthermore, while it is common practice that permits and licenses may be renewed, extended or transferred into other forms of licenses appropriate for ongoing operations, no guarantee can be given that a renewal, extension or a transfer will be granted to the Company or, if they are granted, that the Company will be in a position to comply with all conditions that are imposed.

Furthermore, at any point in time certain of the Company's mineral interests may be the subject of contractual promises to assign, pursuant to which a third party has agreed to assign to the Company, or to an entity in which the Company holds its interest in the applicable property, certain licenses and/or concession contracts upon the issuance of such licenses or concession contracts by the mining registry to the promising party. The failure of a promising party to comply with its contractual obligation could have a materially adverse impact on the Company's interests in the license or concession.

The acquisition of the right to exploit, develop and/or mine its mineral properties is a detailed and time-consuming process. Although the company is satisfied it has taken reasonable measures to acquire unencumbered rights to explore on and exploit its mineral reserves on its mineral interests, there can be no assurances the interest in the Company's properties is free from defects or that the material contracts between the Company and the entities owned or controlled by foreign government will not be unilaterally altered or revoked. There can be no assurances the Company's rights will not be challenged or impugned by third parties, that the Company's interests in properties may be subject to prior unregistered agreements, or that transfers and title may be affected by undetected defects.

Joint ventures

Certain of the properties in which the Company has an interest may be operated through joint ventures with other mining companies and would be subject to the risks normally associated with the conduct of joint ventures. The existence or occurrence of one or more of the following circumstances and events could have a materially adverse impact on the viability of the Company's interests held through joint ventures, which could have a materially adverse impact on the Company's results of operations and financial conditions:

- inability to exert influence over certain strategic decisions made in respect of joint venture properties;
- disagreement with partners on how to develop and operate mines efficiently;
- inability of partners to meet their obligations to the joint venture or third parties;
- litigation between partners regarding joint venture matters.

Global financial markets

Recent global financial conditions have been characterized by increased volatility and several financial institutions have either gone into bankruptcy or have been rescued by governmental authorities. Access to public financing has been negatively impacted by both rapid decline in value of sub-prime mortgages and the liquidity crisis affecting the asset-backed commercial paper market. These factors may impact the ability of the Company to obtain equity or debt financing in the future on terms favorable to the Company. Additionally, these factors, as well as other related factors, may cause decreases in asset values that are deemed to be other than temporary, which may result in impairment losses. If such increased levels of volatility and market turmoil continue, the Company's operations could be adversely impacted and the trading price of the Company's common shares may be adversely affected.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, other receivables, investments, accounts payable, loans payable and due to related parties. Cash and cash equivalents are measured at face value, representing fair value, and classified as held-for-trading. Accounts receivable and other receivables, which are measured at amortized cost, are classified as loans and receivables. Investments, which are measured at fair value, are classified as available-for-sale. Accounts payable, loans payable and due to related parties are measured at amortized cost and classified as other financial liabilities. The fair value of these financial instruments approximates their carrying values, unless otherwise noted.

The Company recognizes financial assets and liabilities on the balance sheet when the Company becomes party to the contractual provisions of the instrument. All financial instruments, including derivatives, are measured at the balance sheet date at fair value except for loans and receivables, held-to-maturity investments, and other financial liabilities which are measured at amortized cost. The Company has determined that it does not have derivatives or embedded derivatives.

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments which are measured at fair value by valuation technique:

Level 1 – fair values are based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2 – fair values are based on inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); or
Level 3 – applies to assets and liabilities for inputs that are not based on observable market data. Generally such inputs are derived from management.

Financial instruments classified as level 1 include cash, cash equivalents and investments.

The fair value of financial instruments that are traded in an active market at each reporting date is determined by reference to quoted market prices, without any deduction for transaction costs. For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; a discounted cash flow analysis or other valuation models.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

A financial asset is derecognized when the rights to receive cash flows from the asset have expired or the Company has transferred its rights to receive cash flows from the asset.

In October 2010, the IASB issued amendments to IFRS 7 – Financial Instruments: Disclosures that enhance the disclosure requirements in relation to transferred financial assets, especially if there is a disproportionate amount of transfer transactions that take place around the end of a reporting period. The amendments are effective for annual periods beginning on or after July 1, 2011 with earlier application permitted. The Company has noted no significant or material impact on its consolidated financial statements.

	December 31, 2011 -$-	September 30, 2011 -$-
Cash	7,612,633	13,536,170
Accounts and other receivable	325,324	275,531
Investments	100,590	144,912
Accounts payable and accrued liabilities	5,207,024	4,085,832
Loans payable	3,129,219	1,458,162
Due to related parties	59,080	172,583

DIRECTORS

Certain directors of the Company are also directors, officers and/or shareholders of other companies that are similarly engaged in the business of acquiring, developing and exploring mineral properties. Such associations may give rise to conflicts of interest from time to time. The directors of the Company are required to act in good faith with a view to the best interests of the Company and to disclose any interest, which they may have, in any project opportunity of the Company. If a conflict of interest arises at a meeting of the board of directors, any directors in a conflict will disclose their interests and abstain from voting in such matters. In determining whether or not the Company will participate in any project or opportunity, the directors will primarily consider the degree of risk to which the Company may be exposed and its financial position at the time.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL INFORMATION

The Company's financial statements and the other financial information included in this management report are the responsibility of the Company's management, and have been examined and approved by the Board of Directors. The financial statements were prepared by management in accordance with generally accepted Canadian accounting principles and include certain amounts based on management's best estimates using careful judgment. The selection of accounting principles and methods is management's responsibility.

Management recognizes its responsibility for conducting the Company's affairs in a manner to comply with the requirements of applicable laws and established financial standards and principles, and for maintaining proper standards of conduct in its activities.

The Board of Directors supervises the financial statements and other financial information through its audit committee, which is comprised of a majority of non-management directors.

This committee's role is to examine the financial statements and recommend that the Board of Directors approve them, to examine the internal control and information protection systems and all other matters relating to the Company's accounting and finances. In order to do so, the audit committee meets annually with the external auditors, with or without the Company's management, to review their respective audit plans and discuss the results of their examination. This committee is responsible for recommending the appointment of the external auditors or the renewal of their engagement.