MAJESTIC GOLD CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

YEAR ENDED SEPTEMBER 30, 2011

INTRODUCTION

This Management Discussion and Analysis ("MDA") of Majestic Gold Corp. ("Majestic" or "the Company") is dated January 30, 2012 and should be read in conjunction with the Company's 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 January 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, 2010 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 Assessment Study for the Songjiagou Gold Project

On January 20, 2011, Wardrop, A Tetra Tech Company, (“Wardrop”) has completed and delivered a positive Preliminary Assessment (“PA” or “Preliminary Assessment”) for the Songjiagou 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 $2,301,432.

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

Share purchase warrants totaling 151,979,413 were exercised for proceeds of $15,197,941. The Company incurred $794,832 of share issue costs relating to warrants exercised.

On July 26, 2011 the Company arranged a $10-million convertible loan to advance its Muping Property. A total of $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 $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 $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 $0.205 per share and the interest at market price respectively.

On November 3, 2011, $10,000,000 convertible loan was converted into common shares of the Company at a price of $0.205 per share. In addition, loan interest in the amount of $437,500 was also converted into common shares of the Company at a price of $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	20,622,397
Shandong	1
Jingang	1
	20,622,399

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 (CAD 7,143,530) (the "Purchase Price"). The Company's share of the proceeds was CNY 40,950,000 (CAD 6,429,177). The TSX Venture Exchange accepted the Agreement on May 14, 2009. During the year ended September 30, 2009, the Company recognized a loss of $4,683,592 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 (CAD 3,925,016). 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 (CAD 2,355,010). The Agreement provides for the remainder of the Purchase Price, CNY 5,500,000 (CAD 846,453) 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 $846,453 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 $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 $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 $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 Songjiagou 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 tonne 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 life-of mine 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 Songjiagou 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, Songjiagou 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 $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 $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 $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:

- $170,833 in exploration costs are to be contributed within 90 days of the issuance of the business license to the co-operation company;
- $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 $294,508.

SELECTED ANNUAL FINANCIAL INFORMATION

The following table presents selected financial information for the three fiscal years ended September 30, 2011, 2010 and 2009.

	2011 -$-	2010 -$-	2009 -$-
Revenue	11,230,049	5,692,712	-
Net loss	(10,518,579)	(5,281,720)	(6,483,555)
Basic and diluted loss per share	(0.02)	(0.02)	(0.04)
Total assets	49,774,253	25,820,918	16,488,441
Liabilities	(9,034,435)	(6,926,615)	(4,534,619)

RESULTS OF OPERATIONS

Gold revenue from the Songjiagou Mine in the year ended September 30, 2011 was $11.2 million (2010 - $5.7 million) on the sale of 7,398 (2010 – 4,399) ounces at an average realized price of $1,518 (2010 – 1,221) per ounce. Prior to the acquisition of Songjiagou Mine, the Company had no source of operating revenue. For year ended September 30, 2011, the Songjiagou Mine had an operating income of $1.2 million (2010 - $1.0 million).

Management does not consider the provision of statistical information on current operations at the Songjiagou Mine as relevant because current revenues and costs are the result of mining from the cleanup of stopes underground and materials remaining in the open pit left by the former mine owner**.** The Company is in the process of preparing its mining plan for underground and surface operations. Once these operations commence, management will provide appropriate statistical information in accordance with industry standards.

Comparison of operating results

Net loss for the year ended September 30, 2011 was $10,518,579 (2010 - $5,281,720).

Expenses for the year ended September 30, 2011 were $19,845,078 compared to $8,684,026 in 2010. The increase is primarily due to the following:

Operation costs of $9,213,065 for the year ended September 30, 2011 (2010 - $4,618,686) due to the increase in mining operations and commissioning on the new mill.

Stock based compensation increased to $5,496,000 in the year ended September 30, 2011 compared to $2,342,240 in prior year due the higher number of stock options issued in current year.

General and administrative expenses increased to $5,001,003 in 2011 compared to $1,693,766 in 2010 due to the increase in activities in the following categories:

	2011 -$-	2010 -$-
Consulting	2,497,278	907,698
Office and general	831,636	211,270
Professional fees	279,538	166,915
Salaries	287,927	175,903
Travel	1,104,624	231,980
Total	5,001,003	1,693,766

Consulting and travel expenses were higher due to increased 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 expenses were higher due to increased administrative activity and an increase in employees at JVCo in China in the current year compared to the previous year.

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

	Sep 30, 2011 - $ -	Jun 30, 2011 - $ -	Mar 31, 2011 - $ -	Dec 31, 2010 - $ -
Net revenues	$5,576,165	$2,536,693	$1,217,359	$1,899,832
Net income (loss)	($6,685,463)	($1,035,619)	($1,346,332)	($1,451,165)
Per share	($0.01)	$0.00	$0.00	$0.00
	Sep 30, 2010 - $ -	Jun 30, 2010 - $ -	Mar 31, 2010 - $ -	Dec 31, 2009 - $ -
Net revenues	$1,558,770	$2,403,550	$1,730,392	Nil
Net income (loss)	($1,235,333)	($2,665,515)	($502,128)	($878,744)
Per share	($0.01)	($0.01)	$0.00	$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 September 30, 2011, the Company had cash of $14,062,116 (2010 - $1,791,845) and a working capital of $11,576,314 (deficiency of $694,671- 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 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 $0.20 per share for gross proceeds of $2,800,000. The Company paid $280,000 in cash as finders' fees for this private placement.

Share purchase warrants totaling 151,979,413 were exercised for proceeds of $15,197,941. The Company incurred $794,832 of share issue costs relating to warrants exercised.

On August 26, 2011, the Company completed a $10,000,000 convertible loan to advance its Song Jiagou project in China. A total of $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 $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 $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 $0.205 per share and the interest at market price respectively.

On November 3, 2011, $10,000,000 convertible loan was converted into common shares of the Company at a price of $0.205 per share. In addition, loan interest in the amount of $437,500 was also converted into common shares of the Company at a price of $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 September 30, 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:

	2011 -$-	2010 -$-
Directors of the Company and a company controlled by a director	7,548	168,973
Company controlled by an officer of the Company	171,740	217,543
	179,288	386,516

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 years ended September 30, 2011 and 2010:

	2011 -$-	2010 -$-
Consulting and management fees	1,152,707	591,732
Rent and administrative services	92,437	127,700
	1,245,144	719,432

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 Notes 2 of its audited consolidated financial statements as at September 30, 2011. The preparation of financial statement in conformity with Canadian generally accepted accounting principles requires the Company 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.

The Company considers that its mineral properties have the characteristics of property, plant and equipment, and, accordingly defers acquisition and exploration costs under Canadian generally accepted accounting principles. 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.

The consolidated financial statements have been prepared on a going concern basis in accordance with Canadian generally accepted accounting principles, which assumes that the Company will continue in operation for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of business. 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

The accounting policies followed by the Company are set out in note 2 to the audited consolidated financial statements for the year ended September 30, 2011, and have been consistently followed in the preparation of these consolidated financial statements.

Business Combinations

In January 2009, the CICA issued CICA Handbook Section 1582, "Business Combinations", which replaces former guidance on business combinations. Section 1582 establishes principles and requirements of the acquisition method and related disclosures. In addition, the CICA issued Section 1601, "Consolidated Financial Statements", and Section 1602, "Non-controlling Interests", which replace the existing guidance. Section 1601 establishes standards for the preparation of consolidated financial statements and Section 1602 provides guidance on accounting for non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. These standards apply prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011, with earlier application permitted. The Company will adopt these pronouncements at October 1, 2011; the Company does not expect any of these sections to impact 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 GAAP with IFRS over an expected five-year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canadian GAAP. The changeover date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The Company's transition date of October 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company of our interim and annual amounts for the fiscal year ended September 30, 2011.

The following summary provides an update on the IFRS Conversion Project, First Time Adoption and Key Accounting Policies.

1) IFRS Conversion Project

The Company continues to assess the impact of the IFRS transition on its consolidated financial position.

The Company's IFRS conversion is carried out in three phases: high-level impact assessment, detailed evaluation, and implementation and review. During fiscal 2011, the Company completed its initial high-level impact assessment to identify key areas that may be affected by the conversion. A detailed evaluation of specific differences between IFRS and Canadian GAAP and how that impacts the Company's implementation is continuing. In addition, the Company is finalizing its assessment on the impact to its business activities, internal controls over financial reporting, disclosure controls and procedures, financial information systems, and financial reporting expertise.

Business Activities:

As the Company's final IFRS accounting policies are developed, the Company will consider their impact on all material agreements prior to adoption (including capital requirements and compensation arrangements).

Internal Controls over Financial Reporting:

The effectiveness of internal controls over financial reporting is being assessed for all changes to the Company's policies and procedures. The final impact of the Company's internal control over financial reporting cannot be fully assessed until the final accounting policies under IFRS are determined. Notwithstanding, given the Company's stage of development, the Company does not consider that the adoption of IFRS will have a significant impact on the Company's internal control over financial reporting.

Disclosure Controls and Procedures:

The Company does not believe it will require significant revisions to its control environment for changes in its disclosure controls and procedures as a result of the transition to IFRS.

Financial Information Systems:

The initial review of the Company's information and data systems suggest that they are sufficient and no significant changes will be required to either capture information required or to be reported under IFRS.

Financial Reporting Expertise:

The Company has performed an initial assessment of the financial expertise required to adopt IFRS and considers that it has sufficient in-house resources to review IFRS requirements and to assess any required adjustments to the opening balance sheet under IFRS. However, the situation will be monitored on an on-going basis, and management will consider hiring additional IFRS expertise on a consulting basis as needed.

The Company intends to provide additional IFRS training to staff during the year. The Company also intends to consult on a frequent basis with its auditors to ensure its assessments on the adoption of IFRS are accurate.

Finally, since the IFRS accounting standards, and interpretation thereof, constantly evolves , there may be additional new or revised IFRS accounting standards prior to the Company's issuance of its first IFRS financial statements and these revisions may impact the opening balance sheet, the 2010 operating results and the note disclosures presented herein.

2) First Time Adoption

IFRS 1 allows a first-time IFRS adopter to apply certain transitional provisions to exempt itself from the full retrospective application of specific IFRS policies. As part of this transition process, the Company evaluated the available IFRS 1 exemptions and so far, has elected to adopt the following transitional accounting policies:

Share Based Payments:

The Company has elected to use the transition exemption available to not retrospectively apply the IFRS 2 calculation method to any share options granted after November 7, 2002 and / or vested before January 1, 2010.

3) Key Accounting Policies

The Company is completing its review and comparison of the following current Canadian GAAP accounting policies to the IFRS accounting standards:

Exploration and Evaluation costs:

The International Accounting Standards Board ("IASB") has not made a definitive determination as to whether exploration and evaluation costs should be capitalized or expensed. IFRS 6 allows companies to choose a policy that capitalizes these costs. The policy must be disclosed in the notes to the financial statements. The Company expects to continue capitalizing its exploration and evaluation costs in a manner consistent with its current accounting policy.

Long-lived asset impairment:

Under Canadian GAAP, mineral property impairment testing is performed using a two-step test. The first step is to determine if there is an impairment loss by using an undiscounted cash flow analysis. If that analysis identifies an impairment loss, the loss is measured as the amount by which carrying value exceeds fair value. The fair value is often based on discounted cash flows. Under IFRS, assets are tested for impairment using a one-step process based on discounted cash flows. IFRS also allows the reversal of impairment charges from previous years if the fair value exceeds the carrying value of long-lived assets.

Property, plant and equipment:

The Company's property, plant and equipment are recorded at cost.

- IFRS 1 allows companies to elect fair value as the deemed cost of an individual asset at the date of transition.
- IFRS requires a componentization approach, separately identifying and measuring significant individual components of assets which have different useful lives. Significant components will be depreciated based on their individual useful lives.

The Company is in the process of identifying the significant components and associated useful lives and calculating the depreciation, depletion and amortization.

Foreign currency translation:

The Company's functional currency is Canadian dollars and under Canadian GAAP, the Company's foreign subsidiaries are accounted for as integrated operations with their financial statements, stated in foreign currencies, translated using the temporal method.

IFRS uses a functional currency concept (currency of the primary economic environment in which the entity operates) to determine the method of measuring foreign currency translation.

At this time, the Company is still assessing the potential impact, if any, this policy may have on the Company's financial position.

Financial Instruments:

Financial and derivative instruments, including embedded derivatives, are recorded at fair values, with changes in those fair values recognized in net earnings or loss.
- IFRS has a different derivative definition as compared to existing Canadian GAAP. This difference may have a significant impact on the number of recognized embedded derivatives.

At this time, the Company is still assessing the potential impact, if any, this policy may have on the Company's financial position.

Future Income Taxes (IFRS: Deferred Income Taxes):

The method of accounting for income taxes under IFRS is similar to Canadian GAAP, but one of the exemptions under IFRS may have a significant impact on the Company's financial reporting. Under current IFRS guidelines, the recognition of future income tax ("FIT") assets or liabilities that arise from the initial recognition of assets or liabilities that do not impact profit or loss and other than in a business combination is prohibited. The Company's FIT liability balance is almost exclusively due to the difference between the carrying value and the tax value for the properties that the Company acquired as a result of an acquisition of assets, not a business combination. As a result, the exemption under IFRS would apply and would eliminate the majority of the Company's FIT liability balance recognized under Canadian GAAP. It would also decrease the carrying value of mineral properties by a similar amount because when the FIT liability was recognized, the carrying values of the related mineral properties were grossed up by the same amount. The IASB has recently issued an exposure draft suggesting changes to its income tax standard. The exposure draft has received a significant number of comments and it is uncertain what changes, if any, will be made before the Company's adoption date.

Contingent liabilities:

Under IFRS, a provision is to be recognized when (a) there is a present obligation as an result of a past transaction or event; (b) it is probable that an outflow of resources will be required to settle the obligation; and (c) a reliable estimate can be made of the obligation. The threshold for recognition of a provision under Canadian GAAP is higher than under IFRS. Therefore, it is possible that some contingent liabilities which would not have been recognized under Canadian GAAP may meet the criteria for recognition as a provision under IFRS.

On May 12, 2011, the International Accounting Standards Board released a set of 5 new standards including IFRS 10, Consolidated Financial Statements; IFRS 11, Joint Arrangements; IFRS 12, Disclosure of Involvement in Other Entities; along with amendments to the current and renamed IAS 27, Separate Financial Statements & IAS 28, Investments in Associates and Joint Ventures. This package of standards is effective for annual periods beginning on or after January 1, 2013, with earlier adoption of the entire package permitted.

During the period leading up to the changeover to IFRS, the Company will continue to monitor changes in both IFRS standards and the Company's transactions and assess any differences in accounting policies between GAAP and IFRS for the Company.

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 "keyman" 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 favourable 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 classifies its cash and cash equivalents as held-for-trading; and accounts payable as other financial liabilities.

CICA Handbook Section 3862 “Financial Instruments-Disclosure” requires an entity to classify fair value measurements in accordance with an established hierarchy that prioritizes the inputs in valuation techniques used to measure fair value. The levels and inputs which may be used to measure fair value are as follows:

1. Level 1 - fair values are based on quoted prices (unadjusted) in active markets for identical assets and liabilities;

2. Level 2 - fair values are based on inputs other than quoted prices included in level 1 that are observable for the assets or liability, either directly (as prices) or indirectly (derived from prices);

3. Level 3 - applies to assets and liabilities for inputs that are not based on observable market data. Generally such inputs are derived from management

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.

	September 30, 2011 -$-	September 30, 2010 -$-
Cash	14,062,116	1,791,845
Accounts and other receivable	305,971	1,099,089
Investments	150,543	220,293
Accounts payable and accrued liabilities	4,073,310	1,605,268
Loans payable	1,514,874	2,215,615
Due to related parties	179,288	386,516

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.