

**INTERNATIONAL WAYSIDE GOLD MINES LTD.**  
**Form 51-102F1**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the six months ended August 31, 2009**

---

The following discussion and analysis of the results of operations and financial position of International Wayside Gold Mines Ltd. (the "Company", or the "Corporation", or "Wayside") for the six months ended August 31, 2009 should be read in conjunction with the August 31, 2009 Financial Statements and the related Notes. The effective date of this report is November 2, 2009.

### **Forward Looking Statements**

Except for historical information, this Management's Discussion and Analysis ("MD&A") may contain forward-looking statements. These statements involve known and unknown risks, uncertainties, and other factors that may cause the Company's actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievement expressed or implied by these forward looking statements.

### **Business Overview**

The Company's principal business activity is the exploration and development of mineral properties located in the Cariboo Mining District in east-central British Columbia. The Company now controls 106,484 ha of mineral tenure, including three historic groups of contiguous Crown-Granted mineral claims, namely the Cariboo Group, Island Mountain Group and Mosquito Creek Group, as well as a large block of mainly contiguous mineral tenures roughly centered on the Town of Wells, which is located approximately 85 km east of Quesnel, British Columbia.

The Cariboo Gold Belt has had a rich and extensive history starting with the discovery of placer gold in the 1860's. Recorded production from the Company's property and surrounding area is approximately 2.6 million ounces of placer gold and 1.2 million ounces of lode gold averaging 0.40 oz/t gold from mainly mesothermal quartz vein mineralization and 0.60 oz/t from sulphide replacement style mineralization during the period 1933 to 1967.

### **Current Operations**

The Pre-feasibility study has been completed by EBA Engineering Consultants Ltd. and was filed in October 2009. The Company will continue pursuing a mining permit. Lorax is continuing with background environmental and water assessment to assist the permit. Road maintenance has continued and snow removal has been kept up to facilitate the roads drying out for early spring work. Roads have also been graded with a grader which helps reduce wear and tear on vehicles and mine equipment. Annual assessment reports, 43-101 reports, ongoing tenure research & maintenance are also in progress.

During the six months ended August 31, 2009, three holes were drilled totaling 2,629 feet on Cow Mountain and six holes totaling 1,787 feet on Bonanza Ledge.

Subsequent to the six months ended August 31, 2009 eleven holes were drilled totaling 3,793 feet on Bonanza Ledge. A total of twenty holes totaling 8,209 feet have been drilled to date during fiscal 2010.

## Purchase of Mineral Property

- (a) During the period ended May 31, 2009, the Company entered into an agreement with Golden Cariboo Resources Ltd. ("GCC"), a related party by common directors, to purchase the GCC's interest in the Cariboo Gold Project located near Barkerville, BC. The terms of the agreement are as follows:
- (i) Cash payment of \$600,000 on the closing date of the purchase of GCC's interest in the Cariboo Properties (settled on April 9, 2009);
  - (ii) Issuance of \$600,000 worth of the Company's common shares on the Closing Date at a price per share equal to the closing price of such shares on the TSX Venture Exchange on the day preceding the date of issuance of such shares (issued April 9, 2009);
  - (iii) Issuance of \$600,000 worth of the Company's common shares on the first anniversary of the Closing Date at a price per share equal to the closing price of such shares on the TSX Venture Exchange on the day preceding the date of issuance of such shares; and
  - (iv) Issuance of \$500,000 worth of the Company's common shares on the second anniversary of the Closing Date at a price per share equal to the closing price of such shares on the TSX Venture Exchange on the day preceding the date of issuance of such shares.
- (b) During the year ended February 28, 2007, the Company entered into a property transfer agreement dated January 16, 2006 with Lions Gate Energy Inc. to acquire 100% of their mineral property interests located in Wells, British Columbia for the following consideration:
- (i) \$250,000 (issued) worth of common shares at market value of the Company;
  - (ii) a total of \$1,000,000, payable in \$200,000 installments over a five year period, on May 31 of each year, commencing May 31, 2006. Installments were paid on May 31, 2006 and 2007. The May 31, 2008 payment was paid on February 27, 2009. As at May 31, 2009 the Company has a commitment of \$400,000 under this agreement. The May 31, 2009 installment has not been paid; and
  - (iii) the issuance of four annual installments of \$225,000 worth of the Company's common shares on May 31 of each year, commencing May 31, 2007 (issued) at a deemed price of the then quoted market price. During the fiscal year February 28, 2009, the Company issued 450,000 (February 29, 2008 – 91,837) common shares to LG at a market price of \$0.60 (February 29, 2008 - \$2.50) per share to fulfill its obligation for the 2009 fiscal year. 346,154 shares at a market price of \$0.65 were issue on June 3, 2009 for the May 31, 2009 installment.

## Results of Operations

The Company reports a net loss of \$3,295,561 for the six months ended August 31, 2009 ("fiscal 2010") or \$0.12 per share as compared to a net loss of \$940,443 or \$0.10 per share for the six months ended August 31, 2008 ("fiscal 2009"). The net loss during interim 2010 increased mainly due to stock based compensation charge of \$1,223,257 during interim 2010 (compared to \$Nil during interim 2009) and charges for exploration costs of 1,034,314(compared to \$477,136 during interim 2009).

During interim 2010, administrative and corporate costs (excluding exploration expenses/recovery, accretion, stock-based compensation increased by \$1,811,311 as compared to interim 2009.

Professional fees (audit & legal) increased by \$119,927; Wages, benefits and consulting fees increased by \$159,972, transfer agent and filing fees increased by \$34,860; shareholder communications and advertising increased by \$102,154, office and administration expenses increased by \$59,114 and travel costs by \$161,156 in interim 2010 compared to interim 2009

There were no write-downs of assets during the period.

## **Resource Properties that have not yet Generated Operating Revenue.**

The Company has been focused on the Barkerville Camp since 1994.

The initial focus was to delineate a mineable resource within the historic workings of the Cariboo Gold Quartz Mine. A total of 238 drill holes were completed from 1995-1998. The Company has been working towards the further definition of the mineral deposit within and surrounding the historic workings of the Cariboo Gold Quartz Mine. A program of up to approximately 300 additional diamond drill holes has been developed to achieve this objective. Once the resource definition is complete, the working conceptual mine plan will be more fully developed, and will form the basis for a preliminary assessment of mine economics. Resource definition, mine planning and economic evaluations, together with additional social and environmental impact, will in aggregate require additional expenditures of several million dollars.

Beginning in 1998 the Company focused on delineating a high grade resource within the BC Vein, roughly 3 km southeast of the Cariboo Gold Quartz Mine. The Company intersected a new style of mineralization in the footwall of the BC Vein in March 2000, now known as the Bonanza Ledge deposit. The Company is focused on bringing the Bonanza Ledge open pit mine (proposed) into production in 2010. Additional expenditures of one hundred thousand dollars or more will be required to complete the permitting process prior to production of the proposed open pit mine.

Both of these proposed developments are supported by recent appreciation in the value of gold and the efforts of the current Provincial Government to facilitate and support mining in the Cariboo Region.

In addition, the Company is committed to further exploration in the Barkerville Camp. Mineralization has been identified in several areas along the Historic Mine Trend (the source of placer gold and correlated with quartz vein outcrops that occur on a general northwest-southeast trend over a linear distance of more than 60 km through the Camp), and on strike with the (offset and parallel) Bonanza Ledge Trend. Additional expenditures are anticipated as funds allow to further characterize and delineate various mineralized zones.

### **Bonanza Ledge Deposit**

The Company has defined a mineable resource, developed a mine and reclamation plan, and completed a Preliminary Assessment Report of the economic feasibility of the proposed open pit at Bonanza Ledge. These form the basis for an application pursuant to the BC Mines Act to produce up to 70,000 tonnes of ore per year that was submitted in April 2006. An addendum addressing initial comments was submitted in September 2006. The Company is working to address further comments that have been received from government review agencies. A revised and updated submission will be made once supplemental engineering and environmental work has been completed. In April 2008 the Company commissioned a pre-feasibility study. On completion of the pre-feasibility studies, the Company will continue pursuing a mining permit. The Company intends to begin production at Bonanza Ledge as soon as the necessary permits and approvals are obtained.

## Selected Annual Information

The following are highlights of financial data on the Company for the most recently completed three financial years:

Fiscal year ended February 28/29			
	2009	2008	2007
		(Restated)	(Restated)
	\$	\$	\$
Revenue	-	-	-
Net loss	2,930,518	5,163,002	5,308,412
Loss per share	\$0.29	\$0.78	\$1.20
Total assets	11,417,434	9,927,341	9,306,910
Total liabilities	2,882,629	3,145,668	6,986,960
Working capital (deficiency)	(1,944,271)	(2,812,729)	(6,853,817)

See Results from Operations for discussion of results

## Summary of Quarterly Results

Expressed in Canadian \$

					Restated			
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Period ended	August 31	May 31	February 28	November 30	August 31	May 31	Feb 29	Nov 30
	2009	2009	2009	2008	2008	2008	2008	2007
Total Revenue	-	-	-	-	-	-	-	-
Loss before income taxes	3,295,561	1,718,783	1,495,158	555,307	494,993	401,099	1,986,955	808,648
Basic loss per Share	0.12	0.07	0.15	0.05	0.05	0.04	0.18	0.10
Diluted Per Share	0.12	0.07	0.15	0.05	0.05	0.04	0.18	0.10
Net loss	3,295,561	1,718,783	1,495,158	555,307	494,993	401,099	1,986,955	808,648
Basic loss per Share	0.12	0.07	0.15	0.05	0.05	0.04	0.18	0.10
Diluted loss per Share	0.12	0.07	0.15	0.05	0.05	0.04	0.18	0.10

**NOTE:** Loss per share presented in table have been adjusted for the 10 : 1 share consolidation that occurred in the fiscal year ended February 28, 2009.

All share references, numbers of options, numbers of warrants and per share amounts included in these financial statements have been retroactively restated to reflect the consolidation and are presented on a post consolidation basis.

### **Restatement of Prior Year Figures**

The Company has restated its 2008 accounts payable and accrued liability in respect of previously under-accrued late filing penalties and accrued interest associated with flow-through share renunciation compliance requirements. The accounts payable and accrued liabilities as at February 29, 2008 has been increased by \$916,000 with a corresponding increase in Part XII.6 tax and related interest and penalties of \$68,000 included in bank charges, interest and commissions and \$848,000 charged to opening February 29, 2008 deficit. Included in this amount is \$447,000 relating to the estimated settlement and \$401,000 relating to Part XII.6 tax and related interest and penalties for periods prior to March 1, 2007.

The Company has also restated its 2008 Mineral Properties in respect of previously recognized government grants known as British Columbia Mining Tax Credit (BCMETS) received in error in 2002 and 2003. Mineral Properties as at February 29, 2008 has been increased by \$215,000 with a corresponding increase to accounts payable and accrued liabilities of \$215,000.

## Liquidity and Capital Resources

On August 31, 2009, the Company had cash on hand of \$2,337,900 and had a working capital of \$82,059. The Company's major commitment over the next year is the Cariboo Gold Project. The Company will rely upon future equity financings to fund operations until production is reached. These financings will come from related parties or brokered private placements.

In addition, the Company is committed to a Property Transfer Agreement to acquire 100% of Lions Gate Energy Inc.'s mineral properties for the following considerations:

- \$250,000 worth of common shares of the Company (issued);
- a total of \$1,000,000, payable in \$200,000 installments over a five year period, on May 31 of each year, commencing May 31, 2006 (paid); May 31, 2007 (paid), May 31, 2008 (paid) and
- the issuance of four annual installments of \$225,000 worth of the Company's common shares on May 31 of each year, commencing May 31, 2007 (issued). The installments of shares due on May 31, 2008 and on May 31, 2009 have been issued.

During the six months ended August 31, 2009:

- (i) On April 9, 2009 the Company issued 1,333,333 shares to Golden Cariboo Resources Ltd (GCC) in relation to an agreement to purchase an interest in the Cariboo Properties located near Barkerville, BC. The shares were issued at \$0.45 being the market price on the day prior to the issuance of shares..
- (ii) On March 18, 2009, the Company issued 2,958,650 units at a price of \$0.30 per unit for gross proceeds of \$887,595. Each unit consists of one common share and one-half of one common share purchase warrant. Each whole warrant is exercisable into one common share for a period of six months at a price of \$0.50 per share. All securities issued are subject to a holding period expiring July 19, 2009.
- (iii) On March 20, 2009 the Company issued 166,667 shares at a price of \$0.30 per unit for gross proceeds of \$50,000 received in the year ended February 28, 2009.
- (iv) On May 27, 2009 50,000 share purchase warrants were exercised into 50,000 common shares for proceeds of \$25,000. The fair value of the share purchase warrants exercised was \$12,525 and transferred from contributed surplus (Note 10).
- (v) On June 3, 2009, the Company issued 346,154 shares at a price of \$0.65 per share to Lions Gate Energy in order to fulfill its obligation pursuant to a property purchase agreement between the two companies.
- (vi) On June 23, 2009 16,500 share purchase warrants were exercised into 16,500 common shares for proceeds of \$8,250.
- (vii) On July 2, 2009 the Company issued 450,000 shares at a price of \$0.60 per unit for gross proceeds of \$270,000.
- (viii) On August 27, 2009 5,771,407 share purchase warrants were exercised into 5,771,407 common shares for proceeds of \$2,885,704.

**Related party balances and transactions:**

(a) Balance receivable:

The amounts receivable from related parties, which are non-interest bearing, unsecured and due on demand, are comprised of the following:

	August 31, 2009	February 28, 2009
Due from other companies with certain common directors (note 7(a))	\$33,250	\$600,000

For the six months ended August 31, 2009, included in prepaid expenses is \$3,455 (2009 - \$51,823) for legal services to be provided by a company with common directors.

The interim 2010 balance receivable from other companies with certain common directors relates primarily to an allocation of administrative costs incurred by the Company to other public companies with certain common directors and officers.

(b) Balances payable:

The amounts payable to related parties, which, except otherwise disclosed, are non-interest bearing, unsecured and due on demand, are comprised of the following:

	August 31, 2009	February 28, 2009
Due to a company controlled by a director	\$ 3,161	\$ 333,209
Due to other companies with certain common directors	-	-
Due to directors and officers, and spouse of a director	267,000	134,499
	\$ 270,161	\$ 467,708

(c) Related party transactions:

A summary of the amounts charged to the Company by directors, former directors, and by companies controlled by directors, not disclosed elsewhere, is as follows:

	6 months ended August 31, 2009	6 months ended August 31, 2008
Property exploration costs:		
Equipment rentals	\$ 79,168	\$ 66,168
Administration fees on reimbursed expenditures	31,469	13,526
Administration costs:		
Interest expense (Note 7(e))	-	3,795
Legal	70,643	-
Management fees	60,000	60,000
Consulting fees	30,000	-
Wages, Consulting fees & benefits	42,513	-
	\$ 313,793	\$ 143,489

Substantially all of the other exploration and development expenditures incurred by the Company are charged from a company controlled by a director. (See note 6(b)(ii)). These charges consist of labour charges, equipment rentals and administration fees of 12% (to a maximum of \$8,000 per month) on such reimbursement of expenditures. Management believes the labour charge, equipment rental charges and project administration fees are at fair values, compared to what the Company would be required to pay to third parties. The Company is charged \$10,000 (2008 - \$10,000) per month for general management services by the President of the Company.

These transactions are recorded at exchange value, being the value established and agreed upon by the related parties.

### **Off-Balance Sheet Arrangements**

The Company has not entered into any off-balance sheet transactions.

### **Proposed Transactions**

On February 3, 2009, the Company entered into a non-binding agreement in principle with 0373849 B.C. Ltd. (formerly Cross Lake Minerals Ltd.) ("Cross Lake") whereby the Company will acquire from Cross Lake all of the issued and outstanding common shares of 0847423 B.C. Ltd. ("Subco"), a wholly-owned subsidiary of Cross Lake. In consideration of such transfer, Wayside will issue to Cross Lake that number of shares of the Company which represent 45% of all the outstanding voting shares of the Company and 99.99% of all the outstanding equity shares of Wayside (collectively, the "Sale Transaction").

Pursuant to a restructuring of Cross Lake's business and assets under the Companies' Creditors Arrangement Act, the British Columbia Business Corporations Act (the "BCBCA") and the Bankruptcy and Insolvency Act, which received all required approvals in May 2009, Subco acquired from Cross Lake certain assets and properties and certain obligations and liabilities and all environmental obligations and liabilities relating to the QR Mine and Mill in exchange for the issuance of shares of Subco, the assumption of such obligations and liabilities and a 2% net profits royalty in respect of all minerals extracted from the QR Mine.

Cross Lake's interest in the following assets and properties were transferred to Subco pursuant to the restructuring:

- (a) the QR Mine and Mill;
- (b) the \$930,000 and \$315,000 term deposits (plus any further amounts that may be deposited to the time of closing) with Vancouver City Savings Credit Union ("VanCity") and Royal Bank of Canada ("RBC") securing letters of credit issued by VanCity and RBC, respectively, in favour of the Province of British Columbia (the "Province") in relation to reclamation obligations of Cross Lake to the Province; and
- (c) the \$1,770,500 term deposit with VanCity securing a letter of credit issued by VanCity in favour of B.C. Hydro as security for Cross Lake's obligations to B.C. Hydro pursuant to an electric services agreement; free and clear of all liens and encumbrances, other than security interests in favour of the Province, VanCity and RBC securing the obligations referred to in clauses (b) and (c) above and certain royalty and back-in rights held by Goldcorp Inc., Foxcorp Holdings Ltd., Internet Identity Presence Company Inc. and Kinross Gold Corp.

Concurrently with the completion of the Sale Transaction, The Company intends to:

- (a) transfer all of its properties, including the Cariboo Gold Project, assets, liabilities and obligations to a wholly-owned subsidiary, Barkerville Gold Mines Ltd. ("Barkerville") in exchange for shares of Barkerville (the "Barkerville Shares");

- (b) distribute the Barkerville Shares to the shareholders of the Company (for greater clarity, excluding Cross Lake) on the basis of one Barkerville Share for each share of the Company held by such shareholders;
- (c) reorganize its share capital so that the shares of the Company held by the shareholders other than Cross Lake are retractable at a price and time to be agreed by the parties; and
- (d) change its name to a new name designated by Cross Lake and delist from the TSX-V

(collectively, the "Spin-Off Transaction").

It is anticipated that Barkerville will subsequently make an application to list its shares on the TSX-V.

The Sale Transaction and Spin-Off Transaction (together, the "Transactions") will be structured as a plan of arrangement under the BCBCA involving the Company, Barkerville, Cross Lake and Subco.

Completion of the Transactions will be subject to a number of conditions, including approval of the Transactions by the TSX-V, the shareholders of the Company and the British Columbia Supreme Court and, if necessary, by the shareholders of Cross Lake, pursuant to the BCBCA and the approval of the listing of the Barkerville Shares on the TSX-V.

### **Critical Accounting Estimates**

The significant accounting policies used by the Company are disclosed in Note 2 to the Financial Statements for the year ended February 28, 2009. Certain accounting policies require that management make appropriate decisions with respect to the formulation of estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Management reviews its estimates on a regular basis. The emergence of new information and changed circumstance may result in actual results or changes to estimated amounts that differ materially from current estimates. The following discussion identifies the critical accounting policies and practices of the Company and helps assess the likelihood of materially different results being reported.

### **Mineral properties**

Mineral property acquisition costs include cash consideration paid and fair value of common shares issued on acquisition of the asset, based on the trading price of the shares at the date of the agreement. Amounts shown for mineral properties represent costs incurred to date, less write-downs. An impairment test is performed on this asset to determine whether the carrying value exceeds the fair value. Any excess in carrying value over fair value is an impairment. Fair value estimates are subject to measurement uncertainty. A change in these estimates would impact the mineral properties and a corresponding charge to statement of operations.

### **Asset retirement obligations**

The Company records a liability for the fair value of legal obligations associated with the retirement of mineral property assets. The liability is equal to the discounted fair value of the obligation in the period in which the asset is recorded with an equal offset to the carrying amount of the asset. The liability then accretes to its fair value with the passage of time and the accretion is recognized as an expense in the financial statements. The total amount of the asset retirement obligation is an estimate based on the Company's net ownership interest in all wells and facilities, the estimated costs to abandon and reclaim the wells and facilities and the estimated timing of the costs to be incurred in future periods. The total amount of the estimated cash flows required to settle the asset retirement obligation, the timing of those cash flows and the discount rate used to calculate the present value of those cash flows are all estimates subject to measurement uncertainty. Any change in these estimates would impact the asset retirement liability and the accretion expense.

### **Stock-based compensation**

The Company applies the fair value method for valuing stock option grants and warrants. This method requires the Company to make estimates of expected stock volatility, the expected hold period prior to exercising options, expected forfeitures of options and expected dividends to be declared by the Company. The calculation of the fair value of stock based compensation is not adjusted for the value actually received by the optionees and warrant holders. The stock-based compensation expense will not represent the actual fair value received by the optionees warrant holders as the fair value is estimated at the time of grant and is not adjusted. Due to the time period and the number of estimates involved, it is likely that the actual value of the options and warrants will differ materially from what has been recorded in the financial statements.

### **Changes in Accounting Policies**

#### ***Financial instruments***

Effective March 1, 2008, the Company adopted CICA Handbook Section 3862, "Financial Instruments Disclosures", and Section 3863, "Financial Instruments Presentation". These sections replace the existing Section 3861, "Financial Instruments Disclosure and Presentation". Section 3862 provides users with information to evaluate the significance of the financial instruments for the entity's financial position and performance, nature and extent of risks arising from financial instruments, and how the entity manages those risks. Section 3863 deals with the classification of financial instruments, related interest, dividends, losses and gains, and the circumstances in which financial assets and financial liabilities are offset.

The new disclosure standard outlines the disclosure requirements for financial instruments and non-financial derivatives. The guidance prescribes an increased importance on risk disclosures associated with recognized and unrecognized financial instruments and how such risks are managed. Specifically, it requires disclosure of the significance of financial instruments for a company's financial position. In addition, the guidance outlines revised requirements for the disclosure of qualitative and quantitative information regarding exposure to risks arising from financial instruments.

There was no impact on the financial statements arising from the adoption of this standard other than as identified above.

#### **General Standards of Financial Statement Presentation**

In June 2007, the Canadian Institute of Chartered Accountants ("CICA") amended Handbook Section 1400, "General Standards of Financial Statement Presentation", which requires management to make an assessment of a company's ability to continue as a going-concern. When financial statements are not prepared on a going-concern basis that fact shall be disclosed together with the basis on which the financial statements are prepared and the reason why the company is not considered a going-concern. The adoption of this standard did not have a material effect on the Company's financial statements.

#### **Capital Disclosures**

Effective March 1, 2008 the Company adopted the CICA Handbook Section 1535, "Capital Disclosures". This section of the CICA Handbook establishes new standards for disclosing an entity's objectives, policies, and processes for managing capital. These disclosures include a description of what the company manages as capital, the nature of externally imposed capital requirements, how the requirements are incorporated into the company's management of capital, whether the requirements have been complied with, or consequences of non-compliance and an explanation of how the company is meeting its objectives for managing capital. In addition, quantitative data about capital and whether the company has complied with all capital requirements are also required. Other than the additional disclosure (see note 3), the adoption of this section did not have a material effect on the Company's financial statements.

## **Risks Factors**

There are many risk factors facing companies involved in the mineral exploration industry. Risk Management is an ongoing exercise upon which the Company spends a substantial amount of time. While it is not possible to eliminate all the risks inherent to the industry, the Company strives to manage these risks, to the greatest extent possible. The following risks are most applicable to the Company.

### **Industry and Mineral Exploration Risk**

Mineral exploration is highly speculative in nature, involves many risks and frequently is non-productive. There is no assurance that the Company's exploration efforts will be successful. At present, the Company's projects do not contain any proven or probable reserves. Success in establishing reserves is a result of a number of factors, including the quality of the project itself. Substantial expenditures are required to establish reserves or resources through drilling, to develop metallurgical processes, to develop the mining and processing facilities and infrastructure at any site chosen for mining. Because of these uncertainties, no assurance can be given that planned exploration programs will result in the establishment of mineral resources or reserves.

The Company may be subject to risks which could not reasonably be predicted in advance. Events such as labour disputes, environmental issues, natural disasters or estimation errors are prime examples of industry related risks. The Company attempts to balance this risk through insurance programs where required and ongoing risk assessments conducted by its technical team.

### **Commodity Prices**

The Company is in the business of metals exploration and as such, its prospects are largely dependent on movements in the price of various metals. Prices fluctuate on a daily basis and are affected by a number of factors beyond the control of the Company. The mineral exploration industry in general is a competitive market and there is no assurance that, even if commercial quantities of proven and probable reserves are discovered, a profitable market may exist. Due to the current grassroots nature of its operations, the Company does not enter onto price hedging programs.

### **Environmental**

Exploration projects or operations are subject to the environmental laws and applicable regulations of the jurisdiction in which the Company operates. Environmental standards continue to evolve and the trend is to a longer, more complete and rigid process. The Company reviews environmental matters on an ongoing basis. If and when appropriate, the Company will make appropriate provisions in its financial statements for any potential environmental liability.

### Disclosure for Venture Issuers without Significant Revenue

The following table lists the items required to be discussed under Part 5.3 of National Instrument 51-102 for the three most recently completed financial years:

Expressed in Canadian \$

	Fiscal Year Ended February 29/28		
	2009 \$	2008 (Restated) \$	2007 (Restated) \$
Capitalized acquisition costs <sup>(1)</sup>	625,500	225,000	4,461,632
General & administration costs <sup>(2)</sup>	1,505,811	1,505,811	2,582,760
Expensed exploration and development costs	1,415,124	866,317	1,654,171

(1) Does not include capitalized asset retirement obligation.

(2) Does not include exploration costs, stock-based compensation, accretion of convertible note discount, amortization deferred financing fee, or loan bonus and finder fees.

The details of capitalized acquisition costs, expensed exploration and development costs and general and administrative costs are disclosed in the audited financial statements.

### Disclosure Controls and Procedures

The Company's Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") and other key management personnel have conducted an evaluation of the effectiveness of the Company's disclosure controls and procedures. The Company evaluated the design of its internal controls over financial reporting as defined in Multilateral Instrument 52-109 for the year ended February 28, 2009 and based on this evaluation have determined these controls to be effective except as noted in the following paragraph.

This evaluation of the design of internal controls over financial reporting for the Company resulted in the identification of internal controls deficiencies which are not atypical for a company this size including lack of segregation of duties due to limited number of employees dealing with accounting and financial matters and insufficient in-house expertise to deal with complex accounting, reporting and taxation issues.

## Outstanding Share Capital

The table below discloses the share capital for the year ended February 28, 2009, 2008 and 2007 and as of August 31, 2009.

	August 31, 2009	Fiscal year ended February 28/29		
		2009	2008	2007
Authorized Capital	Unlimited	Unlimited	Unlimited	Unlimited
Issued and Outstanding	35,555,056	23,262,345	8,371,611	4,359,180
Options outstanding	3,434,671	649,438	702,522	232,446
Average price	\$0.48	\$2.57	\$2.64	\$3.70
Warrants outstanding	4,180,256	8,939,392	2,454,760	1,769,396

\*Number of shares presented in table have been adjusted for the 10 : 1 share consolidation that occurred in the fiscal year ended February 28, 2009.

All share references, numbers of options, numbers of warrants and per share amounts included in these financial statements have been retroactively restated to reflect the consolidation and are presented on a post consolidation basis.

## New Accounting Standards

### Financial instruments

Effective March 1, 2008, the Company adopted CICA Handbook Section 3862, "Financial Instruments Disclosures", and Section 3863, "Financial Instruments Presentation". These sections replace the existing Section 3861, "Financial Instruments Disclosure and Presentation". Section 3862 provides users with information to evaluate the significance of the financial instruments for the entity's financial position and performance, nature and extent of risks arising from financial instruments, and how the entity manages those risks. Section 3863 deals with the classification of financial instruments, related interest, dividends, losses and gains, and the circumstances in which financial assets and financial liabilities are offset.

The new disclosure standard outlines the disclosure requirements for financial instruments and non-financial derivatives. The guidance prescribes an increased importance on risk disclosures associated with recognized and unrecognized financial instruments and how such risks are managed. Specifically, it requires disclosure of the significance of financial instruments for a company's financial position. In addition, the guidance outlines revised requirements for the disclosure of qualitative and quantitative information regarding exposure to risks arising from financial instruments.

There was no impact on the financial statements arising from the adoption of this standard other than as identified above.

### General Standards of Financial Statement Presentation

In June 2007, the Canadian Institute of Chartered Accountants ("CICA") amended Handbook Section 1400, "General Standards of Financial Statement Presentation", which requires management to make an assessment of a company's ability to continue as a going-concern. When financial statements are not prepared on a going-concern basis that fact shall be disclosed together with the basis on which the financial statements are prepared and the reason why the company is not considered a going-concern. The adoption of this standard did not have a material effect on the Company's financial statements.

## **Capital Disclosures**

Effective March 1, 2008 the Company adopted the CICA Handbook Section 1535, "Capital Disclosures". This section of the CICA Handbook establishes new standards for disclosing an entity's objectives, policies, and processes for managing capital. These disclosures include a description of what the company manages as capital, the nature of externally imposed capital requirements, how the requirements are incorporated into the company's management of capital, whether the requirements have been complied with, or consequences of non-compliance and an explanation of how the company is meeting its objectives for managing capital. In addition, quantitative data about capital and whether the company has complied with all capital requirements are also required. Other than the additional disclosure (see note 3), the adoption of this section did not have a material effect on the Company's financial statements.

### **Future accounting changes:**

#### **Goodwill and Intangible Assets**

In February 2008, the CICA issued a new Section 3064, "Goodwill and Intangible Assets", replacing Section 3062, "Goodwill and Intangible Assets", as well as Section 3450, "Research and Development Costs".

The new Section 3064 states that upon their initial identification, intangible assets are to be recognized as assets only if they meet the definition of an intangible asset and the recognition criteria. Section 3064 also provides further information on the recognition of internally generated intangible assets, including research and development costs. As for subsequent measurement of intangible assets, goodwill, and disclosure, Section 3064 carries forward the requirements of the old Section 3062.

The new Section applies to annual and interim financial statements relating to fiscal years beginning on or after October 1, 2008. The Company is currently evaluating the effect of this new standard on the Company's financial statements.

#### **Business Combinations**

Section 1582, "Business Combinations", establishes the standards for the accounting of business combinations, and states that all assets and liabilities of an acquired business will be recorded at fair value. Obligations for contingent considerations and contingencies will also be recorded at acquisition date fair value. The standard also states that acquisition-related costs will be expensed as incurred and that restructuring charges will be expensed in the periods after the acquisition date. This standard is equivalent to the International Financial Reporting Standards ("IFRS") on business combinations. The Company will be required to adopt this standard prospectively for business combinations with acquisition dates on or after February 1, 2011, but may adopt the standard sooner. The Company is currently evaluating the impact of adopting this standard on its financial statements.

#### **General Accounting**

CICA Handbook Section 1000 has been amended to focus on the capitalization of costs that meet the definition of an asset and de-emphasizes the matching principle. The revised requirements are effective for annual and interim financial statements relating to fiscal years beginning on or after October 1, 2008. The Company is currently evaluating the impact of the adoption of this change on its financial statements.

## **Consolidations**

CICA Handbook Sections 1601, Consolidations, and 1602, Non-Controlling Interests, replace Section 1600, Consolidated Financial Statements. Section 1602 provides the Canadian equivalent to International Accounting Standard 27, Consolidated and Separate Financial Statements, for non controlling interests. The Company plans to adopt this standard on February 1, 2011. Concurrent with the adoption of section 1582, Business Combinations, the Company is currently evaluating the impact of adopting this standard on its financial statements.

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

In 2006, the Canadian Accounting Standards Board (“AcSB”) published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian 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 Canada’s own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended February 28, 2011. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

## **Additional Disclosure Requirements**

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