HY LAKE GOLD INC

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

JUNE 30, 2010

FILED AUGUST 30, 2010

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Management's discussion and analysis (MD&A) is current to August 30, 2010 and is management's assessment of the operations and the financial results together with future prospects of Hy Lake Gold Inc. ("Hy Lake", "Corporation", or the "Company"). This MD&A should be read in conjunction with our unaudited interim financial statements and related notes for the period ended June 30, 2010, and our audited consolidated financial statements and related notes for the years ended September 30, 2009 and 2008, prepared in accordance with Canadian generally accepted accounting principles. All figures are in Canadian dollars unless stated otherwise. This discussion contains forward-looking statements that are not historical in nature and involves risks and uncertainties. Forward-looking statements are not guarantees as to Hy Lake's future results as there are inherent difficulties in predicting future results. Accordingly, actual results could differ materially from those expressed or implied in the forward-looking statements. The Company has adopted National Instrument 51-102F1 as the guideline in presenting the MD&A. This MD&A should be read in conjunction with the most recent Annual Information Form ("AIF") on file with the provincial securities regulatory authority. Additional information relevant to the Company's activities, including the Company's Annual Report and audited financial statements can be found on SEDAR at www.sedar.com.

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1. Description of Business

Hy Lake Gold Inc. is a junior exploration company focused on the gold exploration and development business in the prolific Red Lake Mining District in North-western Ontario, Canada. Hy Lake Gold Inc. has assembled a significant property package, totalling approximately 3,000 hectares, in west Red Lake, Ontario. The properties cover a twelve kilometre distance along the west Red Lake Trend, containing three former producing gold mines on the Pipestone Bay-St. Paul Bay deformation zone, and the Company intends to explore these properties both along strike and at depth.

The profitability and operating cash flow of the Company is affected by various factors, including the market price of gold, operating costs, interest rates, regulatory and environmental compliance, general and administrative costs, the level of exploration and development expenditures and other discretionary costs. While Hy Lake seeks to manage the level of risk associated with its business, many of the factors affecting these risks are beyond the Company's control.

As at August 30, 2010, the directors and officers of the Company were as follows:

Robert Seitz	President and Director
Andres Tinajero	Chief Financial Officer
Nadim Wakeam	Secretary
Stephen Jakob	Director
Greg Laing	Director
Michael Dehn	Director
Rick Padulo	Director

2. Developments during and subsequent to the period ended June 30, 2010

Exploration Developments

During the quarter, the Company exercised its option to obtain a 100% interest in the Red Summit Mine Property from Claude Resources Inc. in Red Lake, Ontario. Claude retains a 3% NSR, of which 1% is buyable by the Company for $500,000. The Red Summit Mine Property is surrounded by the Company's Rowan Property optioned from Goldcorp's Red Lake Gold Mines.

Prior to exercising the option, Hy Lake Gold completed a diamond drilling programme on the Shaft Zone of the Red Summit Property. The programme consisted of 8 diamond drill holes totaling 2259m. The primary purpose of the programme was to test the depth and strike extension of Red Summit Shaft Zone mineralization. Eight holes were drilled in the vicinity of the Red Summit underground workings, both along strike and below the workings. Additional drilling is being planned to target the extension of the Red Summit Mine veins both along strike and at depth.

3. Exploration Activities

Rowan Property:

The Rowan Property, optioned from Goldcorp's Red Lake Gold Mines, has been the subject of an extensive sampling and re-sampling programme during the quarter.

The first two phases of the programme, managed by Hy Lake geologist Andrew Dalby and supervised by Hy Lake PGeo Ken Guy, were conducted at Goldcorp's Red Lake Complex core shack. A total of 43 holes, drilled by various companies between 1984 and 1993, were bracket sampled in order to obtain a two metre average horizontal width. Additionally, certain selected holes were sampled from top to bottom, selecting all sections not previously sampled. These selected holes all crossed the mineralized zone at Rowan.

The third phase of the programme, also directed by Mr. Dalby, was conducted at the Rowan Property and focused on the further re-examination and re-sampling of the diamond drill core from the 2006 drill programme conducted by King's Bay Gold Corp.

Gold analyses of samples collected by Hy Lake Gold are being made by SGS Canada Inc., Mineral Services in Red Lake, Ontario. Results of these sampling programs will be released when delivered to the Company and analyzed by its technical staff.

4. Overall Performance

For the nine month period ended June 30, 2010 the Company's cash and cash equivalent position increased by $689,939 (2009 – decrease of $552,377) to $907,845 (2009 - $16,504) from $217,906 (2008 - $568,881) at September 30, 2009.

The Company's operations involve exploration on its gold properties in Ontario, Canada. The Company has no income from operations. For the nine month period ending June 30, 2010, the Company had a net loss of $859,168 (2009 - $312,939).

The Company is engaged in the business of preliminary or early stage mineral exploration and mine development. The Company holds no interests in producing or commercial ore deposits. The Company has no production or other revenue. There is no operating history upon which investors may rely. Commercial development of any kind will only occur in the event that sufficient quantities of ore containing economic concentrations of gold or other mineral resources are discovered. If in the future a discovery is made, substantial financial resources will be required to establish ore reserves. Additional substantial financial resources will be required to develop mining and processing for any ore reserves that may be discovered. If the Company is unable to finance the establishment of ore reserves or the development of mining and processing facilities it will be required to sell all or a portion of its interest in such property to one or more parties capable of financing such development.

5. Results of Operations

Selected Annual Information	Nine Months Ended June 30, 2009 $	Year Ended September 30, 2009 $	Year Ended September 30, 2008 $
Loss before income taxes	**557,904**	**466,810**	**1,603,347**
Net Loss and comprehensive loss	**859,168**	**507,246**	**563,216**
Loss per weighted average share – basic and fully diluted	**0.03**	**0.02**	**0.02**
Total Assets	**6,665,466**	**5,736,999**	**6,167,899**
Total Liabilities	**634,142**	**183,757**	**351,111**
Total Equity	**6,031,324**	**5,553,242**	**5,816,788**

Three month period ended June 30, 2010

	Three months ended June 30, 2010	Three months ended June 30, 2009	% Change
Management and Consulting	$ 61,154	$ 55,225	11%
Office, general and administration	(2,956)	19,219	(115)%
Professional fees	16,285	276	5,800%
Shareholder Information	21,561	1,400	1440%
Travel and promotion	1,077	731	47%
Insurance	(4,146)	4,536	(191)%
Depreciation	5,293	7,033	(25)%
Stock-based compensation	102,000	-	100%
Advertising and promotion	26,937	3,040	786%
Part XII.6 tax	3,295	-	100%
Interest and other income	-	(264)	(100.)%
Future income tax recovery	(32,000)	-	(100.)%
Total	**$ 198,500**	**$ 91,196**	**118%**

During the three month period ending June 30, 2010, the Company incurred total expenses in the amount of $198,500 (2009 – $91,196). Notable expense items and material variance are noted in the table above.

Office and general decreased and advertising and promotion increased as a result of reallocation of expenses into more informative accounts for the users.

Shareholder information expenses relates to the costs of issuing press releases, transfer agents, investor presentations, electronic dissemination of information and the timing difference between quarters. The increase is attributable to higher sustaining fees in 2010.

Professional fees increased due to higher legal fees on general corporate matters as the Company looks to advance its current mineral properties and seeks out potential new investments and higher accounting fees as the Company looks to improve the quality of its financial information that it provides to its users.

Stock-based compensation expenses are booked based on the valuation of options using the Black-Scholes model. The expense varies based on the number of options issued and the underlying assumptions used in the model.

The Company incurred Part XII.6 tax with respect to flow-through renunciation during the three month period ended June 30, 2010. These costs are expected to decrease in the next quarter as the Company proceeds to spend approximately $424,000 on Canadian exploration costs as part of its 2009 flow-through funding agreements.

Future income tax recoveries are due to losses incurred in the current period offsetting the Company’s of future tax liability.

Nine month period ended June 30, 2010

	Nine months ended June 30, 2010	Nine months ended June 30, 2009	% Change
Management and Consulting	$ 211,725	$ 175,665	21%
Office, general and administration	47,007	70,783	(34)%
Professional fees	32,589	8,816	270%
Shareholder information	30,067	9,166	228%
Travel and promotion	4,302	4,039	7%
Insurance	12,427	14,007	(11)%
Depreciation	17,361	21,344	(19)%
Stock-based compensation	165,000	-	100%
Advertising and promotion	36,716	9,615	282%
Part XII.6 tax	5,710	-	100%
Interest and other income	(5,000)	(496)	908%
Future income tax expense	301,264	-	100%
Total	**$ 859,168**	**$ 312,939**	**175%**

During the nine month period ending June 30, 2010, the Company incurred total expenses in the amount of $859,168 (2009 – $312,939). Notable expense items and material variance are noted in the table above.

Office and general decreased and advertising and promotion increased as a result of reallocation of expenses into more informative accounts for the users.

Management and consulting fees increased as the Company continues to add valuable members to the management team as the Company moves towards bringing its Chester property into production.

Shareholder information expenses relates to the costs of issuing press releases, transfer agents, investor presentations, electronic dissemination of information and the timing difference between quarters. The increase is attributable to higher sustaining fees in 2010.

Professional fees increased due to higher legal fees on general corporate matters as the Company looks to advance its current mineral properties and seeks out potential new investments and higher accounting fees as the Company looks to improve the quality of its financial information that it provides to its users.

Stock-based compensation expenses are booked based on the valuation of options using the Black-Scholes model. The expense varies based on the number of options issued and the underlying assumptions used in the model.

The Company incurred Part XII.6 tax with respect to flow-through renunciation during the three month period ended June 30, 2010. These costs are expected to decrease in the next quarter as the Company proceeds to spend approximately $424,000 on Canadian exploration costs as part of its 2009 flow-through funding agreements.

Future income tax recoveries are due to losses incurred in the current period offsetting the Company’s of future tax liability.

6. Summary of Quarterly Results

Selected financial information for the eight quarters are as follows:

		June 30, 2010 Q3		March 31, 2010 Q2		December 31, 2009 Q1		September 30, 2009 Q4
(a) Revenue	$	-	$	-	$	-	$	-
(b) Net loss before tax	$	(230,500)	$	(80,412)	$	(246,992)	$	(153,991)
(c) Future income tax (expense) recovery	$	32,000	$	(333,264)	$	-	$	(40,436)
(d) Net loss	$	(198,500)	$	(413,676)	$	(246,992)	$	(194,427)
(e) Net loss per share (Basic & Fully Diluted)	$	(0.01)	$	(0.01)	$	(0.01)	$	(0.01)

		June 30, 2009 Q3		March 31, 2009 Q2		December 31, 2008 Q1		September 30, 2008 Q4
(a) Revenue	$	-	$	-	$	-	$	-
(b) Net loss before tax	$	(91,196)	$	(105,939)	$	(115,684)	$	(435,892)
(c) Future income tax (expense) recovery	$	-	$	-		-		971,541
(d) Net income (loss)	$	(91,196)	$	(105,939)	$	(115,684)	$	535,649
(e) Net income (loss) per share (Basic & Fully Diluted)	$	(0.00)	$	(0.00)	$	(0.01)	$	0.02

Working Capital

As at June 30, 2010, the Company had a net working capital of $891,031 compared to $198,506 as at September 30, 2009.

A summary of the Company's cash position and changes in cash and cash equivalents for the periods ended June 30, 2010 and 2009, are provided below:

	Period ended June 30,	
	2010	2009
Cash used in operating activities – gross	**$ (375,543)**	$ (291,595)
Changes in non-cash operating working capital	**(2,586)**	(171,307)
Cash used in operating activities - net	**(379,318)**	(462,902)
Cash used in investing activities	**(216,932)**	(89,475)
Cash provided by financing activities	**1,285,000**	-
(Decrease) increase in cash and cash equivalents	**689,939**	(552,377)
Cash and cash equivalents, beginning of period	**217,906**	568,881
Cash and cash equivalents, end of period	**$ 907,845**	$ 16,504

Period ended June 30, 2010 vs. June 30, 2009

Operating Activities
Cash flow used by operating activities before changes in non-cash working capital during the period ended June 30, 2010 was $378,129 compared to $462,902 during the same period 2009. The decrease is a result of the Company preserving its cash to spend on advancing its current mineral properties.

Investing Activities
During the period ended June 30, 2010, the Company spent $213,575 on mineral properties and deferred costs compared to $89,475 in the period ended June 30, 2009. The increase is a result of the Company advancing its current mineral properties as it looks to complete its flow-through commitments.

Financing Activities
Cash flow provided by financing activities during the period ended June 30, 2010 was $1,285,000 compared to $NIL in 2009. During December, 2009, the Company raised $1,300,000 through a non-brokered private placement and incurred $15,000 in share issuance costs in doing so. These funds have and will continue to be used to advance the Company's mineral properties.

Liquidity and Capital Resources
At June 30, 2010 the Company held $907,845 of cash and cash equivalents compared to cash and cash equivalents of $217,906 as at September 30th, 2009. The Company's June 30, 2010 short-term obligations consist of accounts payable of $42,142 (September 30, 2009 – $23,771). The Company had future income tax liabilities in the amount of $592,000 as at June 30, 2010 compared to $142,736 at September 30, 2009.

The Company's working capital at June 30, 2010 was $891,031 compared to $198,506 as at September 30th, 2009. The current amount of working capital is sufficient for the planned mining activities. The Company will be further accessing the equity market to fund expansion of the Company's agenda and while there is no guarantee that this will be available, management has no reason to expect that this capability will not be accessible.

Commitments and Contingencies
The Company has made the following commitments as of the date of this MD&A:

	2010	2011	2012	Total
Rowan Lake Property				
Work Commitments	$355,847	$180,822	$ -	$ 536,669
Golden Tree Property				
Work Commitments	$ 10,208	$ 50,000	$ -	$ 60,208
Rubicon				
Cash payments	$ -	$ 12,000	$ 20,000	$ 32,000
Common shares	$ -	-	30,000	30,000

Flow-Through Shares

The Company is partly financed by the issuance of flow-through shares. However, there is no guarantee that the funds spent by the Company will qualify as Canadian exploration expenses, even if the Company has committed to take all the necessary measure for this purpose. The Company has a current obligation to spend $424,000 (September 30, 2009 - $308,000) on Canadian exploration expenditure prior to December 31, 2010.

7. Disclosure of Outstanding Share Data

The following table sets forth information concerning the outstanding securities of the Company as at August 30, 2010:

	Authorized	**Outstanding**
Voting or equity securities issued and outstanding	Unlimited Common Shares	34,304,195 Common Shares
Securities convertible or exercisable into voting or equity shares		a) Options to acquire up to 3,395,000 common shares b) 11,785,000 Warrants exercisable to acquire common shares of the Company.

8. Related Party Transactions

(a) Officers, directors and companies controlled by officers and directors of the Company and individuals related to them charged management and consulting fees in the amount of $158,000 (2009 - $42,525) to the Company during the period.

(b) Legal fees of $17,589 (2009-$290) were charged by a law firm of which an officer of the Company is a partner during the quarter.

(c) Accounts payable at June 30, 2010 includes $3,425 (2009 - $290) owing to officers, directors and companies controlled by officers and directors and a law firm which an officer of the Company is a partner.

The transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. The Company believes that, due to the size and relative simplicity of the operations of the Company, it is more economical to use related parties for the business transactions contemplated.

9. Additional Disclosure for Companies without Significant Revenue

		June 30, 2010		September 30, 2009
Mineral Properties				
Capitalized mineral properties and deferred expenditures	**$**	**5,640,100**	$	5,408,525
Total assets	**$**	**6,665,466**	$	5,736,999

Mineral properties and deferred costs		**June 30, 2010 Capitalized**		September 30, 2009 Capitalized
Acquisition costs	**$**	**1,720,250**	$	1,673,250
Exploration costs		**3,919,850**		3,735,275
	$	**5,640,100**	$	5,408,525

Off-Balance Sheet Arrangements

As at June 30, 2010, the Company does not have off-balance sheet arrangements.

Financial Instruments and Other Instruments

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities. It is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments and that the fair values of these financial instruments approximate their carrying values.

Dividends

The Corporation has neither declared nor paid any dividends on its Common Shares. The Corporation intends to retain its earnings, if any, to finance growth and expand its operation and does not anticipate paying any dividends on its Common Shares in the foreseeable future.

Assessment of Recoverability of Mineral Property Costs

The Company's recorded value of its exploration properties is based on historical costs that expect to be recovered in the future. The Company's recoverability evaluation is based on market conditions for minerals, underlying mineral resources associated with the properties and future costs that may be required for ultimate realization through mining operations or by sale.

Assessment of Recoverability of Future Income Tax Assets

In preparing the financial statements, the Company is required to estimate its income tax obligations. This process involves estimating the actual tax exposure together with assessing temporary differences resulting from differing treatment of items for tax and accounting purposes. The Company assesses, based on all available evidence, the likelihood that the future income tax assets will be recovered from future taxable income and, to the extent that recovery cannot be considered "more likely than not," a valuation allowance is established. If the valuation allowance is changed in a period, an expense or benefit must be included within the tax provision on the consolidated income statement.

Estimate of Stock Based Compensation and Associated Assumptions

The Company recorded stock-based compensation based on an estimate of the fair value on the grant date of stock options issued. This accounting required estimates of interest rate, life of options, stock price volatility and the application of the Black-Scholes option pricing model. See note 7 (b) of the June 30, 2010, unaudited interim financial statements for a full disclosure.

Assessment of Recoverability of Receivables

The carrying amount of accounts receivables, and Goods and Services Tax are considered representative of their respective values. The Company assesses the likelihood that these receivables will be recovered and, to the extent that recovery is considered doubtful a provision for doubtful accounts is recorded.

10. Significant Accounting Policies

Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results may differ from those estimates. Areas where management uses subjective judgment include, but are not limited to, recoverability of mineral properties and related deferred costs, future income taxes, the valuation of common shares issued for the acquisition of mineral resource properties and debt settlements and the valuation of warrants and options. Management believes that these estimates are reasonable.

Mineral Properties and Related Deferred Costs

The Company records its interest in mineral properties at cost. Direct costs relating to the acquisition, exploration and development of mineral properties, less recoveries, are deferred until such time as the properties are either put into commercial production, sold, determined not to be economically viable or abandoned. If the property is placed into production, deferred costs will be amortized and depleted using the straight line method over the estimated economic life of the mine. The deferred costs would be written off if the property is sold or abandoned.

The amounts shown for mineral properties and related deferred costs represent costs incurred to date, less write-offs and recoveries, and do not necessarily reflect present or future values of the particular properties.

The Company reviews its mineral properties and related deferred costs on an annual basis to determine if events or changes in circumstances have transpired which indicate that its carrying value may not be recoverable. The recoverability of costs incurred on the mineral properties and deferred related costs is dependent upon numerous factors including exploration results, environmental risks, commodity risks, political risks, and the Company's ability to attain profitable production. It is possible that conditions in the near-term could change the Company's assessment of the carrying value.

Asset Retirement Obligations

The Company follows CICA 3110, "Asset Retirement Obligations" which requires that the estimated fair value of liabilities for asset retirement obligations be recognized in the period in which they are incurred. A corresponding increase to the carrying amount of the related asset is recorded and depreciated over the life of the asset. The estimates used in the valuations are based primarily on legal and regulatory requirements. It is possible that the Company's estimates of its ultimate reclamation and closure liabilities could change as a result of changes in regulations, the extent of environmental remediation required, and the means of reclamation or cost estimates. Changes in estimates are accounted for prospectively from the period the estimate is revised.

An obligation has not been recorded with respect to asset retirement obligations (i.e. environmental remediation) for the Company's exploration and development properties. This is based on the fact that the mining and processing activities that give rise to the legal obligation have not yet occurred and/or the environmental disturbance which has occurred is not yet significant.

As at June 30, 2010 and September 30, 2009, the Company has not incurred or committed any asset retirement obligations.

Income Taxes

The Company follows the asset and liability method of accounting for income taxes. Under this method, future income tax assets and liabilities are determined based on the differences between the carrying amount of assets and liabilities on the balance sheet and their corresponding tax values, using the substantively enacted tax rates expected to apply when these temporary differences are expected to reverse. Future income tax assets are recorded to recognize tax benefits only to the extent that, based on available evidence, it is more likely than not that they will be realized.

Flow-through Shares

Canadian tax legislation permits a company to issue flow-through shares whereby the deduction for tax purposes relating to qualified resource expenditures is claimed by the investors rather than the company. Recording these expenditures for accounting purposes gives rise to taxable temporary differences.

The Emerging Issues Committee of the Canadian Institute of Chartered Accountants issued EIC 146 under which the Company is required to recognize the future income tax liability upon filing renunciation documents with the tax authorities and to treat it as a cost of issuing the flow-through shares.

Deferred Transaction Costs

Costs related directly to the amalgamation are deferred until completion, and then accounted for as transaction costs once complete.

Revenue Recognition

Interest income is recognized when earned over the passage of time.

Financial Instruments

All financial assets and liabilities are initially recognized at fair value. In subsequent periods, financial assets and liabilities which are held for trading are recorded at fair value with gains and losses recognized in net income; financial assets which are loans and receivables or held to maturity are recorded at amortized cost using the effective interest rate method and gains and losses recognized in net income; financial assets which are available for sale are recorded at fair value with gains and losses recognized (net of applicable taxes) in other comprehensive income; financial liabilities that are not held for trading are recorded at amortized cost using the effective interest rate method and gains and losses recognized in net income.

Hy Lake follows the amendment to CICA Handbook Section 3862, financial instruments, which requires disclosure about inputs to fair value measurements within fair value measurement hierarchy as follows:

i) Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
ii) Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
ii) Level 3: inputs for the asset or liability that are not based on observable market data.

Stock-based Compensation

The Company applies the fair-value based method to all stock options granted and warrants issued. Accordingly, compensation cost is measured at fair value at the date of grant and is expensed on a straight line basis over the vesting period, with the related credit included in contributed surplus. The applicable contributed surplus is transferred to share capital, if and when stock options are exercised. Any consideration paid on the exercise of stock options and warrants are credited to capital stock.

The Company uses the Black-Scholes option pricing model to determine the value of all issued options and warrants. The table in note 7 (b) summarizes the assumptions used with the Black-Scholes model for determining the value of the stock-based costs for the stock options and warrants issued in 2010 and 2009.

Other Stock-based Payments

The Company accounts for other stock-based payments based on the fair value of services granted or the equity instruments issued in exchange for the receipt of goods and services from non-employees by using the stock price and other measurement assumptions at the measurement date, whichever is the more reliably measured.

Loss Per Share

Loss per share and is calculated based on the weighted average number of shares issued and outstanding during the year. In the years when the Company reports a net loss, the effect of potential issuances of shares under options and warrants would be anti-dilutive and, therefore, basic and diluted loss per share is the same.

Comparative Amounts

Certain prior year amounts have been reclassified to conform to account presentation in the current year. The net loss stated in prior year has not been affected by these changes.

Accounting policies to be implemented effective January 1, 2011

In October 2008, the CICA issued three new accounting standards: Section 1582, *Business Combinations*, Section 1601, *Consolidated Financial Statements* and Section 1602, *Non-Controlling interests.*

Section 1582 replaces Section 1581 and establishes standards for the accounting of a business combination. It provides the Canadian equivalent to IFRS 3 – *Business Combinations.* The section applies 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.

Sections 1601 and 1602 together replace section 1600, *Consolidated Financial Statements.* Section 1601, establishes standards for the preparation of consolidated financial statements. Section 1601 applies to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011.

Section 1602 establishes standards for accounting of a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. It is equivalent to the corresponding provisions of IFRS IAS 27 - C*onsolidated and Separate Financial Statements* and applies to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011.

Early adoption of these sections is permitted, but requires that all three sections be adopted at the same time. The Company does not anticipate that the adoption of these new sections will impact have a material impact to its financial results.

The Canadian Accounting Standards Board has confirmed that International Financial Reporting Standards (IFRS) will replace current GAAP for publicly accountable enterprises, effective for fiscal years beginning on or after January 1, 2011. Accordingly, the Company will report interim and annual financial statements (with comparatives) in accordance with IFRS beginning with the quarter ending December 31, 2011.

11. Financial Instruments and other Instruments and Risks and Uncertainties

Fair Value of Financial Assets and Liabilities

The Company's financial instruments comprise cash, accounts receivable and accounts payable and accrued liabilities.

The Company has designated its cash and cash equivalents as held-for-trading, which are measured at fair value. Accounts receivable are classified for accounting purposes as loans and receivables, which are measured at amortized cost which equals fair value. Accounts payable and accrued liabilities are classified for accounting purposes as other financial liabilities, which are measured at amortized cost which also equals fair value. Fair values of accounts receivable and accounts payable and accrued liabilities are determined from transaction values which were derived from observable market inputs. Fair values of these financial instruments are based on Level 2 measurements.

As at June 30, 2010, the carrying and fair value amounts of the Company's financial instruments are approximately equivalent.

The Company has made the following classifications:

Cash and cash equivalents	Held for trading
Accounts receivable	Other receivables
Accounts payable and accrued liabilities	Other liabilities

Financial Instrument Risk Exposures

It is management's opinion that the Company is not exposed to significant interest or credit risks arising from its financial instruments and that their fair values approximate their carrying value unless otherwise noted. Fluctuation in currency exchange rates, principally the Canadian/US dollar exchange rate, can impact the Company's earnings and cash flows.

Risks and Uncertainties

Political Risk

All of the Company's properties are located in Canada. Accordingly, the Company is subject to risks normally associated with exploration for and development of mineral properties in these countries. The Company's mineral exploration activities could be affected in varying degrees by such political instability, aboriginal land claims and government regulation relating to foreign investment and the mining business. Operations may also be affected in varying degrees by terrorism, military conflict or repression, crime, extreme fluctuations in currency rates and high inflation.

Interest Rate Risk

The Company invests cash surplus to its operational needs in investment-grade short term deposits certificates issued by the bank where it keeps its Canadian bank accounts. The Company periodically assesses the quality of its investments with this bank and is satisfied with the credit rating of the bank and the investment grade of its short term deposits certificates.

Business Risk

There are numerous business risks involved in the mineral exploration industry, some of which are outlined below. The Company may not always own 100% of the mineral claims, concessions, rights or other interests. Similarly, any non-compliance with or non-satisfaction of the terms of an option agreement by the Company could affect its ability to exercise the option and earn its interest in the claims, concessions and assets relating to mineral properties.

Mining claims, concessions or other interests may not include surface rights and there can be no assurance that the Company will be successful in negotiating long term surface rights access agreements in respect of the properties. Failure to obtain surface rights could have an adverse impact on the Company's future operations.

The Company's current or future operations, including development activities, are subject to environmental regulations which may make operations not economically viable or prohibit them altogether.

The success of the operations and activities of the Company is dependent to a significant extent on the efforts and abilities of its management, outside contractors, experts and other advisors. Investors must be willing to rely to a significant degree on management's discretion and judgement, as well as the expertise and competence of the outside contractors, experts and other advisors. The Company does not have a formal program in place for succession of management and training of management. The loss of one or more of the key employees or contractors, if not replaced on a timely basis, could adversely affect the Company's operations and financial performance.

Commodity Price Risk

The price of the common shares in the capital the Company, its financial results, exploration and development activities have been, or may in the future be, adversely affected by declines in the price of gold and/or other metals. Gold prices fluctuate widely and are affected by numerous factors beyond the Company's control, such as the sale or purchase of commodities by various central banks, financial institutions, expectations of inflation or deflation, currency exchange fluctuations, interest rates, global or regional consumptive patterns, international supply and demand, speculative activities and increased production due to new mine developments, improved mining and production methods and international economic and political trends. The Company's revenues, if any, are expected to be in large part derived from mining and sale of precious and base metals or interests in properties related thereto. The effect of these factors on the price of precious and base metals, and therefore the economic viability of any of the Company's exploration projects, cannot accurately be predicted.

Liquidity Risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at June 30, 2010, the Company had current assets of $933,173 (September 30, 2009 - $222,277) and current liabilities of $42,142 (September 30, 2009 - $23,771). All of the Company's financial liabilities and receivables have contractual maturities of less than 90 days and are subject to normal trade terms. Current working capital of the Company is $891,031 (September 30, 2009 - $198,506).

Environmental and Permitting

All aspects of the Company's operations are subject to environmental regulation in the various jurisdictions in which it operates. These regulations, among other things, mandate the maintenance of air and water quality standards, land reclamation, transportation, storage and disposal of hazardous waste. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors, and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's operations.

Additional Capital

The exploration activities of the Company may require substantial additional financing. Failure to obtain sufficient financing may result in delaying or indefinite postponement of exploration and development of any of the Company's properties. There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, the terms of such financings will be favourable to the Company. In addition, low commodity prices may affect the Company's ability to obtain financing.

Acquisition

The Company uses its best judgment to acquire mining properties for exploration and development. In pursuit of such opportunities, the Company may fail to select appropriate acquisition candidates or negotiate acceptable agreements, including arrangements to finance the acquisitions and development, or integrate such opportunity and their personnel with the Company. The Company cannot assure that it can complete any acquisition that it pursues or is currently pursuing, on favourable terms, or that any acquisition completed will ultimately benefit the Company.

Competition

The mining industry is intensely competitive in all of its phases, and the Company competes with many companies possessing greater financial resources and technical facilities than the Company. Competition in the mining business could adversely affect the Company's ability to acquire suitable producing properties or prospectus for mineral exploration in the future.

Internal Control over Financial Reporting

Internal controls over financial reporting are procedures designed to provide reasonable assurance that transactions are properly authorized, assets are safeguarded against unauthorized or improper use, and transactions are properly recorded and reported. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance with respect to the reliability of financial reporting and financial statement preparation.

12. Status Hy Lake's Transition to International Financial Reporting Standards ("IFRS")

The Canadian Accounting Standards Board ("AcSB") has confirmed that IFRS will replace current Canadian GAAP for publicly accountable enterprises, effective for fiscal years beginning on or after January 1, 2011. Accordingly, the Company will report interim and annual financial statements (with comparatives) in accordance with IFRS beginning with the quarter ended December 31, 2011.

The Company has commenced the development of an IFRS implementation plan to prepare for this transition, and is currently in the process of analyzing the key areas where changes to current accounting policies may be required. While an analysis will be required for all current accounting policies, the initial key areas of assessment will include:

- Exploration and development expenditures;
- Property, plant and equipment (measurement and valuation);
- Provisions, including asset retirement obligations;
- Stock-based compensation;
- Accounting for joint ventures;
- Accounting for income taxes; and

- First-time adoption of International Financial Reporting Standards (IFRS 1).

As the analysis of each of the key areas progresses, other elements of the Company's IFRS implementation plan will also be addressed, including: the implication of changes to accounting policies and processes; financial statement note disclosures on information technology; internal controls; contractual arrangements; and employee training. The table below summarizes the expected timing of activities related to the Company's transition to IFRS.

Initial analysis of key areas for which changes to accounting policies may be required.	In progress, expected to be complete during Q4 2010
Detailed analysis of all relevant IFRS requirements and identification of areas requiring accounting policy changes or those with accounting policy alternatives.	Throughout 2010
Assessment of first-time adoption (IFRS 1) requirements and alternatives.	Throughout 2010
Final determination of changes to accounting policies and choices to be made with respect to first-time adoption alternatives	Q4 2010 – Q1 2011
Resolution of the accounting policy change implications on information technology, internal controls and contractual arrangements	Q4 2010 – Q2 2011
Management and employee education and training	Throughout the transition process
Quantification of the Financial Statement impact of changes in accounting policies	Throughout 2011

The Company continues to monitor the deliberations and progress on plans to converge to International Financial Reporting Standards ("IFRS") by accounting standard setting bodies and securities regulators in Canada.

Due to resource constraints the Company has not performed any additional assessment work related to its IFRS conversion project during the period ended June 30, 2010. The Company must still establish a team that will focus its efforts on this initiative. The Company's search for additional staff for this project is on-going and more IFRS training will be needed for all levels of management. Despite these limitations in personnel, Management has made an initial assessment of the accounting standards that will be impacted by the transition to IFRS.

The Company will follow the key events timeline proposed by the AcSB to obtain training and thorough knowledge of IFRS, and continue its assessment of accounting policies with reference to IFRS and plan for convergence to be ready for the 2011 changeover.

13. Cautionary Note Regarding Forward Looking Statements

This Management's Discussion and Analysis includes "forward-looking statements", within the meaning of applicable securities legislation, which are based on the opinions and estimates of Management and are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those projected in the forward looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "budget", "plan", "continue", "estimate", "expect", "forecast", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar words suggesting future outcomes or statements regarding an outlook. Such risks and uncertainties include, but are not limited to, risks associated with the mining industry (including operational risks in exploration development and production; delays or changes in plans with respect to exploration or development projects or capital expenditures; the uncertainty of reserve estimates; the uncertainty of estimates and projections in relation to production, costs and expenses; the uncertainty surrounding the ability of the Company to obtain all permits, consents or authorizations required for its operations and activities; and health safety and environmental risks), the risk of commodity price and foreign exchange rate fluctuations, the ability of Hy Lake to fund the capital and operating expenses necessary to achieve the business objectives of Hy Lake, the uncertainty associated with commercial negotiations and negotiating with foreign governments and risks associated with international business activities, as well as those risks described in public disclosure documents filed by the Company. Due to the risks, uncertainties and assumptions inherent in forward-looking statements, prospective investors in securities of the Company should not place undue reliance on these forward-looking statements. Statements in relation to "reserves" are deemed to be forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions, that the reserves described can be profitably produced in the future.

Readers are cautioned that the foregoing lists of risks, uncertainties and other factors are not exhaustive. The forward-looking statements contained in this press release are made as of the date hereof and the Company undertakes no obligation to update publicly or revise any forward-looking statements or in any other documents filed with Canadian securities regulatory authorities, whether as a result of new information, future events or otherwise, except in accordance with applicable securities laws. The forward-looking statements are expressly qualified by this cautionary statement.

14. Additional Funding Requirements

As discussed, the mineral properties of Hy Lake Gold Inc. are in the exploration and development stage and, as a result, the Company has no source of operating cash flow. The Company intends to raise such additional funds to complete its projects. There is no assurance that Hy Lake Gold Inc. will be able to raise additional funds on reasonable terms. The development of any ore deposits found on the exploration properties of Hy Lake Gold Inc. depends on the ability of the Company to obtain financing through debt financing, equity financing or other means. If the exploration and development programs of Hy Lake Gold Inc. are successful, additional funds will be required to develop the properties and, if successful, additional funds will be required to place them in commercial production. The only source of future funds presently available to Hy Lake Gold Inc. is the sale of equity capital of Hy Lake Gold Inc. or the sale by Hy Lake Gold Inc. of an interest in any of its properties in whole or in part. The ability of Hy Lake Gold Inc. to arrange such financing in the future will depend in part upon the prevailing capital market conditions, as well as on the business performance of the Company. There can be no assurance that Hy Lake Gold Inc. will be successful in its efforts to arrange additional financing if needed on terms satisfactory to Hy Lake Gold Inc. If additional financing is raised by the issuance of shares from the treasury of the Corporation, control of Hy Lake Gold Inc. may change and shareholders may suffer additional dilution. If adequate financing is not available, Hy Lake Gold Inc. may be required to delay, reduce its scope, eliminate one or more exploration activities or relinquish rights to certain of its interests. Failure to obtain additional financing on a timely basis could cause Hy Lake Gold Inc. to forfeit its interests in some or all of its properties and to reduce or terminate its operations.

15. Mineral Properties and Deferred Exploration Costs

The Company defers the costs of exploration and capital assets in existing projects and carries them as assets until production begins. Mineral properties and deferred exploration expenditures are recorded at cost and do not necessarily reflect present or future values. If a project is successful, the related mineral properties and deferred exploration expenditures will be amortized over the estimated economic life of the project. If a project is unsuccessful, or if exploration ceases because continuation is not economically feasible, the mineral properties and related exploration expenditures are written off. Senior management periodically reviews the carrying value of the mineral properties and deferred exploration expenditures to consider whether there are any conditions that may indicate impairment.

Where estimates of future cash flows are available, a reduction in carrying value is recorded to the extent the net book value of the investment exceeds the estimated future cash flows. Where estimates of the future cash flows are not available and where other conditions suggest impairment, management assesses if the carrying value can be recovered and provides for impairment.

16. Management's Evaluation of Disclosure Controls and Procedures

Management is responsible for establishing and maintaining a system of controls and procedures over the public disclosure of financial and non-financial information regarding the Company. Such controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported, on a timely basis, to senior management, including the

President and the Chief Financial Officer (CFO), so that appropriate decisions can be made by them regarding public disclosure.
The system of disclosure controls and procedures includes, but is not limited to, our Disclosure Policy, our Code of Business Ethics, the effective functioning of our Disclosure and Audit Committees, procedures in place to systematically identify matters warranting consideration of disclosure by the Disclosure Committee and verification processes for individual financial and non-financial metrics and information contained in annual and interim filings, including the financial statements, MD&A, Annual Information Forms and other documents and external communications.

As required by CSA Multilateral Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings, an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures was conducted, under the supervision of Management, including the President and CFO, as of June 30, 2010. The evaluation included documentation review, enquiries and other procedures considered by Management to be appropriate in the circumstances.

Based on that evaluation, the President and the CFO have concluded that the design and operation of the system of disclosure controls and procedures was effective as of June 30, 2010.

Risk Factors and Risk Management

The Company's business is highly uncertain and risky by its very nature. Future business opportunities pursued by the Company may be in other fields, and are also likely to be risky. In addition, the ability to raise funding in the future to maintain the Company's search for new business opportunities, and to carry through with the ensuing activities is dependant on financial markets that often fail to provide necessary capital.

Regulatory standards continue to change making the review process longer, more complex and more costly. Even if an apparently successful business proposal is developed, there is no assurance that it will ever be carried out or be profitable, as its potential economics are influenced by many key factors such as the general state of the economy, foreign exchange rates, equity markets and political interference, permitting approvals, which can not be controlled by management.

Dated this 30th day, of August, 2010.

"Andres Tinajero"

Andres Tinajero
Chief Financial Officer