



Management Discussion and Analysis

Unaudited Financial Statements

For the three and six months ended: **March 31, 2011**

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HY GOLD INC.

MANAGEMENT DISCUSSION & ANALYSIS

March 31, 2011

This Management Discussion and Analysis ("MD&A") of Hy Lake Gold Inc. ("Hy Lake" or the "Company") is dated May 27, 2011, and provides an analysis of the Company's performance and financial condition for the 3 and 6 month periods ended March 31, 2011 as well as an analysis of future prospects. The Board of Directors carries out its responsibility for review of this disclosure principally through its audit committee, comprised of two directors. The audit committee reviews this disclosure and recommends its approval by the Board of Directors.

This MD&A should be read in conjunction with the Company's unaudited financial statements for the 3 and 6 month periods ended March 31, 2011, including the related note disclosure, both of which are prepared in accordance with generally accepted accounting principles in Canada. All amounts are in Canadian dollars unless otherwise specified. The financial statements and additional information, including the Company's Certifications of Annual and Interim Filings and press releases, are available on the Canadian System for Electronic Document Analysis and Retrieval (SEDAR) at www.sedar.com.

This MD&A may contain forward-looking statements that are based on the Company's expectations, estimates and projections regarding its business and the economic environment in which it operates. These statements speak only as of the date on which they are made, are not guarantees of future performance and involve risks and uncertainties that are difficult to control or predict. Examples of some of the specific risks associated with the operations of the Company are set out below under "Risk Factors". Actual outcomes and results may differ materially from those expressed in these forward-looking statements and readers should not place undue reliance on such statements.

OVERALL PERFORMANCE

Principal Business and Corporate History

Hy Lake Gold Inc. is a junior exploration company focused on the acquisition, exploration and development of gold mineral resources 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.

Recent Project Developments

During Q2/11, the Company resumed drilling at both its Mount Jamie Mine and Red Summit Mine properties. In addition, the Company entered into a joint venture agreement with Goldcorp's Red Lake Gold Mines on the Rowan Lake Mine property with a 60% ownership interest.

The first phase of exploration work at Mount Jamie consisted of an estimated 2,200 metres of diamond drilling and was designed to expand on what is currently known of the geology and mineral potential of the Mount Jamie property. Previous work at Mount Jamie has explored

portions of the property from surface to a depth of approximately 150 meters. In 2007, Hy Lake Gold drilling on the property, as well as earlier exploration programs, confirmed the presence of high-grade gold-bearing zones. Reference to the previous work and other technical details can be found in the Company's NI 43-101 report prepared by Mr. Peter Bevan, P.Eng. available on SEDAR and at www.hylake.com.

Hy Lake recently updated a three-dimensional digital database of all available diamond-drill data on the Mount Jamie property and has an improved understanding of the occurrence's geometry. Analysis of this compilation has provided the basis for the current exploration concept.

The initial drilling was focused on several areas shown in the map (see News Release dated January 25, 2011) as Blocks A-E (Figure 1). The program further defined the continuity of high-grade intercepts and expanded, along strike and at depth, the known zones of mineralization on the Mount Jamie Mine property. In addition, drilling tested a new target, important in establishing continuity between the Mount Jamie Mine property and the Rowan Lake Mine property.

Hy Lake Gold also retained the services of Mr. Michael Schweinberger, M.Sc. to manage field operations for the Company. As field geologist, Michael will supervise drilling operations, log and sample drill core and manage core cutting. In addition, he will undertake prospecting and mapping initiatives and assist in guiding a soil-sampling program. Michael brings nearly 10 years of field experience to the Company and possesses excellent data compilation and analysis skills. Having studied at both the University of Friedburg and the University of Marburg, Michael is fluent in German.

Chibougamau Diamond Drilling Ltd. of Chibougamau, Quebec mobilized a drill rig to the property and will conduct drilling operations for the Company. In addition, Hy Lake Gold has the option of mobilizing a second drill to the properties when needed.

On March 3, 2011 Hy Lake Gold announced that it had expanded its initial drilling program at the Mount Jamie Mine property. Six additional holes were planned, totaling a further 1,200 metres, adding to the 25-hole, 2,200 metre program previously announced on January 25, 2011. Three holes were drilled in the area between Block A and Block C of earlier drilling. These holes were primarily intended to test the gold-bearing sub-vertical vein system referred to as the North Vein along strike. Two drill holes of this series also tested for possible gold mineralization in the contact zones of chemical metasediments with intermediate metavolcanics (tuff-breccias, breccias) and intrusive quartz-diorite body.

The fourth hole, to the north of Block C, was planned as a western addition to the holes drilled in Block E along the main structural trend, with several east-southeast striking conductive zones mapped by geophysics (1995, 1996). This hole was planned to intersect a known feldspar porphyry body that has never been tested before for gold mineralization.

The two final holes, to the north of Block E, were set in an area with no historic drilling. In this new area, mafic and intermediate metavolcanics, iron formation, clastic metasediments and mafic-ultramafic series (with apparent contrast in mechanical properties) can be found in close spatial conjunction. Such geological diversity makes this area very favorable for the development of dilation zones and possible gold mineralization which makes it an attractive drilling target.

The total Mount Jamie drilling program consisted of 31 drill holes totaling 3,489 meters and was designed to define the continuity of high-grade intercepts and expand, mainly along strike, the known zones of mineralization on the Mount Jamie Mine property. In addition, several new targets were drilled to test Hy Lake Gold's exploration concept, which implies mineralization continuity between the Mount Jamie Mine property and the Rowan Lake Mine property.

On April 14, 2011 the Company released the results of the drilling program. Drilling confirmed multiple mineralized intervals in Blocks A, B, C and D with gold assays ranging from 2.2 to 34.3 g Au/t. Drilling also established the existence and strong spatial continuity of three main mineralization corridors (Trends) striking approximately in an east-south-east (AZ 300-120) direction:

- The prominent North Vein Trend (NVT), with a width of 50-100 metres and a current length of approximately 1.8 kilometres, is delineated by recent significant mineralized intercepts in holes (from west to east) HY-11-09, HY-11-14, HY-11-26/27/28, HY-11-15/16/17 and HY-11-19/20/21/22 and is supported by interpretation of historical drilling assays. Block C is located in the central part of NVT and numerous historical and recent intercepts of significant shallow gold mineralization (above 100 metres) make it suitable for advanced fence (grid) exploration drilling and gold resource estimation.
- Golden Tree Trend (GTT), with a width of 50-100 metres and a current length of approximately 900 metres, is delineated by gold mineralized intercepts, strong carbonate alteration, sulphide mineralization (pyrrhotite, chalcopyrite, pyrite, and sphalerite) and rock brecciation intervals recorded in holes (from east to west) HY-11-23/24/25 and HY-11-29. In the east, GTT coincides with one of the east-southeast trending conductive zones mapped by an Induced Polarization Survey (1995) and Ground Magnetic & VLF surveys (1996) carried out by Placer Dome. The historical West Red Lake Zone, situated on the Rowan Lake Mine property, may represent either the easterly extension or a south splay of this Trend.
- West Mount Jamie Trend (WJT), with a width of 50-100 metres and currently traced for about 250-300 metres, is delineated by gold mineralization intercepts in holes HY-11-01 thru HY-11-08 and by historical intercepts and assays.

Gold mineralization at the Mount Jamie Mine property is generally hosted by thin quartz veins and/or veinlets associated with zones of medium to strong carbonate and sericite-chlorite (sometimes fuchsite) alteration and sulphide mineralization. In sections, mineralized intervals line up into nearly vertical narrow zones 20-60 metres long. Due to the limited and relatively shallow drilling, dip extension remains undetermined and open. Gold mineralization was encountered at levels as shallow as 3 m (HY-11-10) and as deep as 100 m (HY-11-28).

Favourable geology and alteration (carbonate and sericite-chlorite) as well as various sulphide mineralizations were encountered in all of the 31 drill holes along with encouraging gold values (with the exception of HY-11-18). The lower value gold intercepts accommodate the connection of areas of higher gold assays and establish the main, property-scale mineralization Trends. Although drill holes HY-11-30 and HY-11-31 also have lower gold mineralization values, the data is currently insufficient to draw any conclusions on spatial connectivity of these intercepts.

Gold presence is apparently independent of host rock type. Such vein-type superimposed mineralization is well known in many other parts of Red Lake Greenstone Belt, including at the most prolific Goldcorp gold mines in the east end of the Red Lake Camp.

The drilling program was designed largely based on the interpretation of the 3-dimensional database, built on the historical data available, and on Hy Lake Gold's property-scale in-house structural study conducted last summer by Dr. Vadim Galkin, the Company's VP Exploration. The results of this drilling decisively confirm the validity of the extensive modeling. They also show definite spatial correlation of all three gold-bearing Trends on the property with secondary, property-scale, E-S-E oriented linear structures identified by the study. Stripping, mapping and sampling of other perspective areas at Mount Jamie resulting from the structural study are planned as a follow-up to the recent drilling.

Drilling in the central part of the North Vein Trend, Block C returned the highest gold assay of 1.0 metre of 34.3 Au g/t (3.28 feet of 1.17 Au oz/t). This zone represents a first priority target for advanced exploration drilling, particularly in view of the close proximity to the past producing

Mount Jamie Mine Main Shaft and related underground infrastructure. Both open pit and underground mining concepts may currently be taking into consideration since the downward extension of mineralization in this area has not been tested deeper than 40-50 metres.

Another geologically significant result of the drilling program was the discovery of the much more extensive presence of diorites/granodiorites in the central part of the Mount Jamie property. Diorites were intersected in holes HY-11-08 thru HY-11-14 (all holes in Block B) and through the total length of hole HY-11-28, drilled between Block B and Block C. Associated vein gold mineralization in diorites, and in the host rocks near the contact, makes the structural environment look very similar to the Red Summit Mine property where Hy Lake Gold has recently finished a drilling program (assays results pending). At Red Summit, mineralized envelopes containing the vein sets lie mainly within a zone of lithological contacts between intrusive bodies of quartz diorites and mafic metavolcanics.

The existence of the several kilometre long linear structure marked by diorite intrusives with associated mineralization underscores once again the importance of the Pipestone Bay - St Paul Bay Deformation Corridor as a structure which controls spatial distribution of gold deposits in the West Red Lake area. This discovery also confirms and expands Hy Lake Gold's exploration concept that Rowan Zones, West Rowan Lake Zone, Headache Zone, Mount Jamie Zones and the North Jamie Zone may belong to the single family of nearly vertical, east-west and/or ESE-WNW trending gold-bearing vein systems (see news release November 2, 2010). The Red Summit Mine property may represent yet another member of this family and there exists a very high probability of discovering additional gold mineralization between the known deposits, including the Rowan Main Zones. Hy Lake Gold's current unimpeded exploration horizon along these vein systems, within the deformation corridor, is approximately 12 kilometres.

During the quarter, Hy Lake Gold also announced plans to resume drilling at its 100% owned Red Summit Mine property. The nine-hole, 2,150 metre program was designed to follow up on drilling completed by Hy Lake Gold on the property in 2008. The 2008 drilling focused on testing the mineralized zone at the Red Summit Mine, both along strike and down dip of the historic underground workings. High-grade mineralization was intersected in a 100-metre step out from the historic workings and indicates that the mineralization may extend beyond the known zones.

Highlights of 2008 Drilling:

- Hole HYR-08-12 returned 116.64 g/t Gold over 1.0 metre
- Hole HYR-08-13 returned 7.77 g/t Gold over 1.2 metres and 3.14 g/t Gold over 2.0 metres
- Hole HYR-08-14 returned 3.93 g/t Gold over 1.0 metre
- Hole HYR-08-19 returned 3.28 g/t Gold over 1 metre

Analysis of the 2008 drill results suggests that mineralized envelopes containing the vein sets lie mainly within a southwest plunging zone situated on lithological contacts between mafic intrusive (quartz diorite) and mafic volcanic structures. The zone remains open both along strike and at depth.

The initial 2011 drill program tested additional targets within the southwest plunge of the mineralized zone. Upon completion of this phase of drilling the plunge and strike continuity of the mineralization will be well defined at the Red Summit Mine property within, and relative to, the Rowan Lake property. Results of the drilling program are expected to be available early in Q3, 2011.

RESOURCE PROPERTIES

Exploration on all of the Company's projects is conducted under the supervision of Dr. Vadim Galkin, Ph.D., Dr.Sc., P.Geo the Company's Vice President, Exploration and a Qualified Person as

defined under National Instrument 43-101. Dr. Galkin has read and approved the technical and scientific information contained in this MD&A. Disclosure on mineralization on adjacent properties has not been verified by Dr. Galkin and is not necessarily indicative of the Company's anticipated results. Where provided, potential quantity and grade is conceptual in nature as the Company has not conducted sufficient exploration to define resources and it is uncertain if further exploration will result in the target being delineated as a mineral resource.

Rowan Property:

During 2008, the Company entered an Option Agreement with Red Lake Gold Mines, a general partnership of Goldcorp Inc. and Goldcorp Canada Ltd. (collectively "Goldcorp Red Lake Gold Mines" or "Goldcorp") on Goldcorp Red Lake Gold Mines' Rowan Lake Property in Todd Township, Red Lake, Ontario. Under the terms of the Option Agreement, the Company can earn a 60% interest in the property, as operator, through incurring exploration expenditures of \$2,500,000 over 3 years with a minimum \$500,000 commitment in the first year. Goldcorp shall have an option back-in right to purchase a 20% interest in the property from the Company for \$5,000,000 within 90 days of the exercise of the option by the Company. If Goldcorp exercises the option back-in right, it will thereafter have a 60% joint venture interest and the Company will have a 40% joint venture interest in the Rowan Property.

If Goldcorp does not exercise the option back-in right, the Company will issue and deliver to Goldcorp 1,000,000 common shares of the Company. Furthermore, subsequent to the formation of the joint venture, Goldcorp shall have a joint venture back-in right to purchase an 11% interest in the property from the Company, within 90 days of the joint venture expending \$5,000,000 on operations, for \$7,000,000. If Goldcorp exercises the joint venture back-in right, it will thereafter have a 51% joint venture interest and the Company will have a 49% joint venture interest in the Rowan Property.

The property is subject to a 2% NSR.

The Rowan property has been explored for gold since the Red Lake Gold Rush of the late 1920's. As a consequence, several surface gold showings have been discovered, the Rowan mine veins are considered the most prospective and therefore the most developed. On the eastern portion of the property near Martin Bay other commodities including base metals, silver and tungsten were also found.

The property lies within a regionally defined northwest trending structural feature known as the Pipestone Bay - St Paul Bay Deformation Zone. This zone has within it three advanced gold occurrences including the Red Summit, Rowan and the Mt. Jamie mines. The prized Balmer-Conederation aged unconformity occurs both on the northern and southern portions of the Rowan property as are folded iron formations and ultramafic units that have been shown to be prime hosts for the deposition for gold in the Red Lake Camp. Recently, the interpretation of sets of intersecting structures has created several new, high priority targets. The interference patterns produced by the intersection of multiple structures are potential dilation traps. The Golden Arm ultramafic structure and the Pipestone Bay - St. Paul Bay Deformation Zone is one such set. Another set includes two anticlines that converge at the fold closure to the east of the Rowan shaft zones. Mineralized intersection of structures, proximity to regional unconformity and favourable associated lithologies, such as iron formations and ultramafics, draw strong comparisons between Rowan Lake and the discoveries in the east part of the Red Lake Camp.

During Q1/11, the Company completed a 9-hole drilling program at its Rowan Lake property optioned from Goldcorp's Red Lake Gold Mines. The program focused on two areas of interest. Firstly, drilling targeted the east and down dip extensions of the Rowan Main Zones. Secondly, drilling targeted the northeast extension of a large mineralized structural zone discovered on the

Newman-Todd property south of the Rowan Lake property. Four holes, totaling 1,509 metres, targeted the Rowan Zones and five holes, totaling 1,147 metres, targeted the Newman-Todd structure.

Mount Jamie Property:

During 2008, the Company completed a series of transactions resulting in the acquisition of a 100% interest in the Mount Jamie Property for 2,000,000 shares. The 9 mining claims are located in the Red Lake Mining District in Ontario. The property is subject to a 3% NSR.

The Mount Jamie Property is situated in Todd Township, Red Lake Mining Division, District of Kenora (Patricia Portion), Northwestern Ontario. The Red Lake area is located 250 km northeast of Winnipeg, Manitoba, 150 km north-north-west of Dryden, Ontario and 430 km northwest of Thunder Bay, Ontario. The property is part of the historic Red Lake Gold Camp and hosts the past producing Mount Jamie Mine. After a series of transactions with Jamie Frontier Resources Inc. (JFRI), West Red Lake Gold acquired 100% interest in the property, subject to a 3% Net Smelter Royalty payable to JFRI.

Red Summit Property:

During 2008, the Company entered into an Option Agreement with Claude Resources Inc. to earn a 100% interest in two patented mineral claims in Todd Township, Ontario. Total consideration charged for the claims includes a cash payment of \$25,000 plus work commitments of \$100,000. The property is subject to a 3% NSR.

A diamond drilling program was completed by Hy Lake Gold Inc. on the Red Summit Shaft Zone of the Red Summit Property, Red Lake Mining Division, Ontario. The program consisted of 8 diamond drill holes totalling 2259 m. Purpose of the program was to test the depth and strike extension of the mineralized zones in the vicinity of the underground workings.

The Property is situated 16 km west northwest of the Town of Red Lake and is 25 km due west of Goldcorp Inc's Red Lake Mine in Balmertown. The property consists of 2 contiguous patented claims.

The main focus of past exploration on the Red Summit property has been the Red Summit / Red Crest Mine. Gold was discovered in the area in 1928 and work has continued sporadically since that time. Limited surface diamond drilling over the years has resulted in the discovery of several narrow gold-bearing zones in the vicinity of the shaft.

The property is situated at the west end of the Red Lake Greenstone Belt. The belt is comprised of a relatively narrow series of six metavolcanic/metasedimentarysupracrustal assemblages intruded by several bodies of variable size, form and composition. All of the assemblages have undergone several phases of deformation and metamorphism. The rocks, of Mesoproterozoic and Neoproterozoic age, form part of the larger UchiSubprovince of the Superior Province of the Canadian Shield.

Several future targets present themselves as a result of the current drill program. These targets consist of folded lithological contacts which host significant gold mineralization either along strike or dip on adjacent sections.

Golden Tree Property:

During 2007, the Company entered into an Option Agreement to earn a 100% interest in five mining claims in the Rowan Lake area of Red Lake, Ontario. The claims are contiguous with the Mount Jamie Property. Total consideration charged and committed for these claims includes cash payments totaling \$70,000, the issuance of 200,000 common shares of the Company and

carry out exploration work totaling \$140,000 over a four year period. The property is subject to a 3% NSR.

During 2008, the Company entered into an Option Agreement to acquire a 100% interest in a six claim addition to the Golden Tree Property, in the Ball Township / Hammell Lake areas of the Red Lake Mining District. The claims, to be known as the Pipestone Bay Property, are contiguous, west-north-west along strike, with the Company's Mount Jamie Property. Total consideration charged for the claims includes the issuance of 150,000 common shares, in aggregate, over a three year period. The property is subject to a 3% NSR.

Rubicon:

During 2008, the Company entered into an Option Agreement with Rubicon Minerals Corporation ("Rubicon") to earn a 100% interest in four mining claims in Todd Township, Red Lake Mining District, Ontario. The aggregate purchase price consists of cash payments of \$50,000 (\$18,000 paid) and the issuance of 75,000 common shares of the Company (45,000 issued). The property is subject to a 2% NSR.

Pipestone Bay:

Pipestone Bay Property is a 6 claim, 420 hectare package to the west and northwest of the Mount Jamie property. Potential exists to expand upon the Mt. Jamie gold zones along strike, and at depth, on these claims.

Project Expenditures

Exploration expenditures during fiscal 2011 were as follows:

	Mount Jamie	Rowan Lake	Golden Tree	Red Summit	Rubicon	Total
Balance at September 30, 2010	\$ 3,004,245	\$ 2,479,645	\$ 268,392	\$ 347,022	\$ 34,002	\$ 6,133,306
Q1/11 expenditures	36,571	59,793	-	-	12,000	111,364
Q2/11 expenditures	582,406	37,431	20,000	237,475	24,001	898,313
Balance at March 31, 2011	\$ 3,623,222	\$ 2,576,869	\$ 288,392	\$ 584,497	\$ 70,003	\$ 7,142,983

SELECTED QUARTERLY INFORMATION

The following tables show selected financial information related to the Company for the periods indicated. The information contained in these tables should be read in conjunction with the Company's financial statements. An analysis of the information contained in these tables is set out below under "Results of Operations" and "Liquidity and Capital Resources".

Selected Quarterly Information:

Quarter Ended	Net Loss and Comprehensive Loss		Cash	Working Capital
	Total	Per Share ⁽¹⁾		
Mar. 31, 2011	\$ 113,667	\$ 0.00	\$ 2,043,431	\$ 1,432,704
Dec. 31, 2010	156,943	0.00	2,530,116	2,399,961
Sept. 30, 2010	238,928	0.01	640,302	205,973
June 30, 2010	198,500	0.01	907,845	891,031
Mar. 31, 2010	413,676	0.01	1,063,445	1,054,557
Dec. 31, 2009	246,992	0.01	1,298,886	1,248,187
Sept. 30, 2009	543,751	0.02	195,530	198,506
June 30, 2009	91,196	0.00	16,504	3,259

Note: (1) Basic and fully diluted

Factors Affecting Quarterly Results:

Quarterly variances occur mainly due to seasonal factors, administrative costs and fees related to new property acquisitions, business partnerships and combinations and levels of exploration activities.

The Company completed private placements during Q4/09 for gross proceeds of \$300,000, during Q1/10 for gross proceeds of \$1,300,000 and Q1/11 for gross proceeds of \$2,563,474.

The Company recorded a future income tax expense of \$389,700 during Q4/09 and of \$333,264 during Q2/10 and a recovery of future income taxes of \$397,264 during Q4/10.

Stock-based compensation amounted to \$58,000 during Q4/09, to \$77,000 during Q1/10 and \$102,000 during Q3/10.

RESULTS OF OPERATIONS

The Company has no revenue or operating cash flow. As a result of its activities, the Company continues to incur net losses. For the 3 and 6 month periods ended March 31, 2011, the Company's net loss and comprehensive loss amounted to \$113,667 and \$270,610 respectively versus a net loss of \$413,676 and \$660,668 for the 3 and 6 month periods ended March 31, 2010.

The main components of this loss were:

	3 months ended Mar. 31, 2011	3 months ended Mar. 31, 2010	6 months ended Mar. 31, 2011	6 months ended Mar. 31, 2010
Management fees	\$ 43,500	\$ 17,500	\$ 97,167	\$ 66,000
Consulting fees	1,000	22,368	4,326	84,571
General and administration	35,315	23,171	50,535	42,463
Professional fees	16,126	12,341	46,667	16,304
Shareholder Information	6,073	5,281	31,804	16,006
Travel and entertainment	2,095	6,048	19,911	13,004
Insurance	4,246	-	8,980	16,573
Depreciation	5,311	5,288	10,519	12,068
Stock-based compensation	1	(14,000)	1,001	63,000
Part XII.6 tax	-	2,415	-	2,415
Other (income) expenses	-	-	(300)	(5,000)
Total	\$ 113,667	\$ 80,412	\$ 270,610	\$ 327,404

2nd Quarter ended March 31, 2011

During the three month period ended March 31, 2011, management fees increased by \$26,000 as compared to Q2/10. Fees to the CEO in Q2/11 amounting to \$45,000 were allocated to mineral properties and deferred exploration costs (\$15,000) and \$30,000 to management fees. During Q2/10, \$36,000 of the CEO's fees representing half of the first 6 months fees were re-allocated to mineral properties and deferred exploration costs. This represents a net increase of \$29,000 in management fees. Fees to the Chief Financial Officer decreased by \$3,000 in Q2/11 from Q2/10.

The decrease in consulting fees of \$21,368 during Q2/11 from Q2/10 is primarily due to no longer using the assistance of a consultant who conducted due diligence and prepared a document to assist the Company in its financing efforts. Management consulting of \$12,000 incurred in Q2/10 was subsequently discontinued.

For the three months ended March 31, 2011, professional fees increased by \$3,785 from the comparable period. Legal fees increase is related to the Company's application for a listing on the TSX Venture Exchange.

Insurance expense increased by \$4,246 during the current quarter from the comparable period. During Q1/09, all premiums paid were immediately expensed but are amortized over the coverage period during the current fiscal year.

Stock-based compensation is the fair value of options granted and vested during the quarter using the Black-Scholes model. The expense varies based on the number of options issued and the underlying assumptions used in the model. During Q2/10, an adjustment to the expense booked Q1/10 was recorded.

6 Months ended March 31, 2011

During the six month period ended March 31, 2011, management fees increased by \$31,167 as compared to the six months ended March 31, 2010. As noted above, fees to the CEO increased by \$29,000. Fees to the Chief Financial Officer increased by 2,500.

The decrease in consulting fees of \$80,245 during the six months ended March 31, 2011 from the comparable period is primarily due to no longer using the assistance of a consultant who conducted due diligence and prepared a document to assist the Company in its financing efforts. As noted above management consulting of \$12,000 in Q2/10 was subsequently discontinued.

For the six months ended March 31, 2011, professional fees increased by \$30,363 from the comparable 2010 period. Accounting fees increased by \$7,000 and legal fees increase of \$24,000 was related to the Company's application for a listing on the TSX Venture Exchange.

Shareholder information expenses increased by \$15,798 during the 6 months ended March 31, 2011 as compared to the 6 month period ended March 31, 2010. Filing fees increased by \$3,300, fees to the TSX increased by \$2,000 and registration fees to a gold trade show in Germany amounted to \$8,100.

During the 6 months ended March 31, 2011, travel and entertainment increased by \$6,907 from the 6 months ended March 31, 2010. The increase is due primarily to travel costs associated with attending a gold trade show in Germany.

Insurance expense decreased by \$7,593 during the 6 months ended March 31, 2011 from the comparable 2010 period. As noted above, all premiums paid were expensed during Q1/10 but are amortized over the coverage period during the current fiscal year.

Stock-based compensation is the fair value of options granted and vested during the period using the Black-Scholes model. The expense varies based on the number of options issued and the underlying assumptions used in the model. No stock options were granted during the six months ended March 31, 2011 while 500,000 were granted during the six month period ended March 31, 2010.

General and administration

General and administration expenses for the Company can be further broken down as:

	3 Months Ended Mar. 31, 2011	3 Months Ended Mar. 31, 2010	6 Months Ended Mar. 31, 2011	6 Months Ended Mar. 31, 2010
Advertising and promotion	\$ 19,857	\$ 11,820	\$ 20,605	\$ 20,236
Rent	10,573	6,000	17,621	14,000
General and office expenses	2,088	-	2,088	-
Telephone	842	1,924	2,716	3,330
Printing	662	212	1,768	330
Interest and bank charges	414	25	1,342	229
Office supplies	185	2,939	3,598	3,922
Courier	694	251	797	416
Total General and administration	\$ 35,315	\$ 23,171	\$ 50,535	\$ 42,463

2nd Quarter ended March 31, 2011

Advertising and promotion expenses increased by \$8,037 during Q2/11 from Q2/10 mainly due to the Company's re-branding and re-designing its website.

Rent expense increased by \$4,573 for the 3 months ended March 31, 2011 as compared to the 3 month period ended March 31, 2010 as the Company moved to new premises during Q2/10.

6 Months ended March 31, 2011

For the 6 months ended March 31, 2011, rent expenses increased by \$3,621 due to the Company moving to new premises as noted above.

Deferred exploration expenditures

As a result of its exploration activities, the Company had deferred \$6,244,670 (September 2010 - \$6,133,306) of exploration expenditures as at December 31, 2010. Exploration expenditures during Q1/11 amounted to \$11,364 (Q1/10 - \$72,107). The deferred expenses were mostly on the Mount Jamie and Rowan Lake projects and the acquisition of the Rubicon Property, and consisted of geological mapping, geophysical surveys, geochemical sampling, trenching, tunnelling, drilling and efforts to identify anomalies and mineralization zones. For further information, refer to the "Mineral Properties" section below.

LIQUIDITY AND CAPITAL RESOURCES

The Company had \$2,399,961 in working capital as at December 31, 2010 (December 2009 - \$1,248,187). The increase in working capital of \$1,151,774 is due primarily to the closing of private placements during Q1/11 for net proceeds of approximately \$2,433,000 less exploration expenditures of \$764,000 during the 12 month period ended December 30, 2010 and to corporate administrative expenses.

In order to carry out the planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. There is no assurance that such additional financing will be available as required, or under favourable terms. If the Company does not secure additional financing, exploration activities will be seriously curtailed.

For additional comments on the Company's liquidity and capital resources, refer to Notes 1, 5, 13 and 16 of the Financial Statements for the year ended December 31, 2010 and to the "Subsequent Events" section below.

Share Capital

During Q2/11, the Company issued 25,000 common shares on the exercise of warrants and 95,000 common shares on the exercise of stock options. Subsequent to March 31, 2011, the Company issued 50,000 common shares on the exercise of options, 425,000 common shares on the exercise of warrants, 1,000,000 common shares to acquire a 60% interest of in the Rowan Property joint venture agreement and 50,000 common shares on the Golden Tree Property. For additional information, refer to the "Subsequent Events" section below. No further shares were issued to May 27, 2011.

During Q2/11, 181,818 warrants exercisable at \$0.55 expiring December 23, 2012, 86,400 warrants exercisable at \$0.75 to December 31, 2011 and \$1.00 to December 31, 2012 on private placements that closed on December 23 and December 31, 2010 respectively were issued, and 25,000 warrants were exercised for cash proceeds of \$7,500. Subsequent to March 31, 2011, 425,000 warrants were exercised for cash proceeds of \$127,500. No further warrants were issued or exercised to May 27, 2011.

95,000 options were exercised during Q2/11 for gross proceeds of \$27,500 and 225,000 options expired unexercised. Subsequent to Q2/11, 670,000 options were granted (Refer to the "Subsequent Events" note below) and 50,000 options were exercised for gross proceeds of \$7,500. No additional options were issued or exercised to May 27, 2011.

As at February 28, 2011 the Company's share position consisted of:

Shares outstanding	41,649,148
Warrants outstanding ⁽¹⁾	13,791,521
Options outstanding ⁽²⁾	3,625,000

(1) Warrants outstanding:

Expiry Date	No. of Warrants	Exercised Price
August 18, 2011	225,000	\$ 0.30
August 19, 2011	2,700,000	0.30
June 4, 2011	5,000,000	0.30
November 19, 2012	2,000,000	0.50
December 23, 2012	3,226,453	0.75 - 1.00
December 23, 2012	181,818	0.55
December 31, 2012	283,500	1.00
December 31, 2012	174,750	0.55

(2) Options outstanding:

Expiry Date	No. of Options	Exercised Price
November 7, 2011	100,000	\$ 0.30
February 15, 2012	200,000	0.50
November 13, 2012	500,000	1.00
September 10, 2013	330,000	0.30
August 10, 2014	600,000	0.13
December 7, 2014	400,000	0.20
March 1, 2015	100,000	0.20
June 15, 2015	725,000	0.15
April 28, 2016	670,000	0.40

Subsequent Events

1. Subsequent Q2/11, 50,000 options with an exercise price of \$0.15 were exercised and 425,000 warrants with an exercise price of \$0.30 were exercised.
2. On May 6, 2011, the Company announced that it had completed the earn-in conditions of the Rowan Property Option and Joint Venture Agreement dated December 5, 2007 between Hy Lake Gold and Red Lake Gold Mines ("RLGM"), a partnership of Goldcorp Inc. (TSX:G: NYSE:GG) and Goldcorp Canada Ltd. (see news release dated December 13, 2007).

As a result of Hy Lake Gold having incurred the requisite exploration expenditures of \$2,500,000 on the Rowan Lake Mine Property, the Company has elected to exercise its option to acquire a 60% ownership interest in the property. RLGM has advised Hy Lake Gold that it does not intend to exercise the Option Back-In Right to purchase a 20% interest in the Property for \$5,000,000. The Company issued and delivered to RLGM 1,000,000 common shares of Hy Lake Gold. The Initial Participating Interests of the Joint Venture are 60% in favour of Hy Lake Gold and 40% in favour of RLGM, with Hy Lake Gold being the Manager of the Joint Venture. The Joint Venture effective date is October 4, 2010.

Further to the formation of the Joint Venture, RLGM has a Joint Venture Back-In Right to acquire an 11% interest in the Rowan Lake Mine Property from Hy Lake Gold, within 90 days of the Joint Venture expending \$5,000,000 on operations, for \$7,000,000. If RLGM exercises the Joint Venture Back-In Right, the resulting participating interests of the Joint Venture shall be 51% in favour of RLGM and 49% in favour of Hy Lake Gold.

3. On April 28, 2011, the Company granted incentive stock options for the purchase of 670,000 common shares of Hy Lake Gold to directors, officers and consultants of the Company. The options have an exercise price of \$0.40 and expire five years from the date of grant.
4. Subsequent to Q2/11, the Company issued 50,000 common shares as per its contract agreement on the Golden Tree Property.

Commitments:

As at March 31, 2011, the Company had the following commitments:

	2011		2012	
	Cash	Issue Common Shares	Cash	Issue Common Shares
Golden Tree Property ⁽¹⁾	\$ -	50,000	\$ -	-
Rubicon Property ⁽¹⁾	-	-	-	30,000
Total	\$ -	50,000	\$ -	30,000

Note 1: Acquisition costs

In addition, the Company has a current obligation to spend \$1,963,474 on qualifying Canadian exploration expenditures prior to December 31, 2011.

ENVIRONMENTAL LIABILITIES

The Company is not aware of any environmental liabilities, obligations or responsibilities associated with the Company's mining interests.

COURSE OF BUSINESS TRANSACTIONS**Related Party Transactions**

The following amounts were paid or accrued as payable to officers and directors or to companies controlled by those officers and directors. These expenditures were recorded at the amounts negotiated and agreed to by the parties and are summarized below:

	3 Months Ended March 31, 2011	3 Months Ended March 31, 2010	6 Months Ended March 31, 2011	6 Months Ended March 31, 2010
President	\$ 45,000	\$24,500	\$ 100,750	\$ 74,500
VP of Explorations	36,000	-	60,000	-
Chief Financial Officer	13,500	16,500	30,000	27,500

The Company was charged \$Nil and \$21,541 respectively for the three and six months ended March 31, 2011 (three and six months ended March 31, 2010 - \$3,341 and \$5,304) for legal fees by a law firm of which a former officer of the Company is a partner.

Officers and directors of the Company were also reimbursed out of pocket expenses that occurred in the normal course of operations.

Accounts payable and accrued liabilities include \$16,221 (September 30, 2010 - \$26,724) due to officers, directors and companies controlled by officers and directors.

Off-Balance Sheet Transactions

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

Proposed Transactions

As is typical of the minerals exploration and development industry, the Company continues to review property and competitor company information in search of future opportunities in terms of new property acquisitions and business partnerships. Although no transactions are in progress currently, the Company endeavours to continue research into potential opportunities, and to keep business relationships open should opportunities arise.

ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES

The unaudited interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles for interim financial information. Accordingly, they do not include all of the information and notes to the consolidated financial statements required by Canadian generally accepted accounting principles for annual financial statements. In the opinion of management, all adjustments considered necessary for a fair presentation have been included. Operating results for the three and six month periods ended March 31, 2011 may not necessarily be indicative of the results that may be expected for the year ending September 30, 2011.

The balance sheet at September 30, 2010 has been derived from the audited financial statements at that date but does not include all of the information and footnotes required by Canadian generally accepted accounting principles for annual financial statements. The interim financial statements have been prepared by management in accordance with the accounting policies described in the Company's annual audited financial statements for the year ended September 30, 2010, except as noted below. For further information, refer to the audited financial statements and notes thereto for the year ended September 31, 2010.

Future Accounting Pronouncements

International Financial Reporting Standards ("IFRS")

In January 2006, the CICA's Accounting Standards Board ("AcSB") formally adopted the strategy of replacing Canadian GAAP with IFRS for Canadian enterprises with public accountability. On February 13, 2008, the AcSB confirmed that the use of IFRS will be required in 2011 for publicly accountable profit oriented enterprises. For these entities, IFRS will be required for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The Company will be required to have prepared, in time for its first quarter of fiscal 2012 filing, comparative financial statements in accordance with IFRS for the three months ending December 31, 2011. The Company is currently in the process of evaluating the potential impact of IFRS to its financial statements. This will be an ongoing process as the International Accounting Standards Board and the AcSB issue new standards and recommendations. It is anticipated that the Company's financial results and financial position as disclosed in the Company's current Canadian GAAP financial statements will not be significantly different when presented in accordance with IFRS. For additional information, refer to the "IFRS Implementation Plan" section below.

Business Combinations, Consolidated Financial Statements and Non-Controlling Interests

The CICA issued three new accounting standards in January 2009: Section 1582, Business Combinations, Section 1601, Consolidated Financial Statements and Section 1602, Non-Controlling interests. These new standards will be effective for fiscal years beginning on or after January 1, 2011.

Section 1582 replaces section 1581 and establishes standards for the accounting for 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 for 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 - Consolidated and Separate Financial Statements. The Company is in the process of evaluating the requirements of the new standards.

CAPITAL MANAGEMENT

The Company manages its capital with the following objectives:

- to ensure sufficient financial flexibility to achieve the ongoing business objectives including funding of future growth opportunities, and pursuit of accretive acquisitions; and
- to maximize shareholder return through enhancing the share value.

The Company monitors its capital structure and makes adjustments according to market conditions in an effort to meet its objectives given the current outlook of the business and industry in general. The Company may manage its capital structure by issuing new shares, repurchasing outstanding shares, adjusting capital spending, or disposing of assets. The capital structure is reviewed by Management and the Board of Directors on an ongoing basis.

The Company manages capital through its financial and operational forecasting processes. The Company reviews its working capital and forecasts its future cash flows based on operating expenditures, and other investing and financing activities. The forecast is regularly updated based on activities related to its mineral properties. Selected information is frequently provided to the Board of Directors of the Company. The Company's capital management objectives, policies and processes have remained unchanged during the three and six months ended March 31, 2011. The Company is not subject to external capital requirements.

The Company defines capital that it manages as its shareholders equity. As at March 31, 2011, total shareholders' equity (managed capital) was \$8,129,897 (September 30, 2010 - \$5,883,988).

PROPERTY AND FINANCIAL RISK FACTORS

(a) Property risk

The Company's major mineral properties are Mount Jamie, Rowan Lake, Golden Tree, Red Summit and Rubicon. Unless the Company acquires or develops additional material properties, the Company will be mainly dependant upon these five projects. If no additional major mineral exploration properties are acquired by the Company, any adverse development affecting these five projects would have a material adverse effect on the Company's financial condition and results of operations.

(b) Financial risk

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including interest rate, foreign exchange rate and commodity price risk).

Risk management is carried out by the Company's management team with guidance from the Audit Committee under policies approved by the Board of Directors. The Board of Directors also provides regular guidance for overall risk management.

✓ **Credit risk**

Credit risk is the risk of financial loss to the Company if a customer or counter party to a financial instrument fails to meet its contractual obligations.

The Company's credit risk is primarily attributable to cash and accounts receivables. The Company has no significant concentration of credit risk arising from operations. Cash has been invested with reputable financial institutions, from which management believes the risk of loss to be minimal. Accounts receivables consist of goods and services tax due from the Federal Government of Canada. Sundry receivables of \$121,545 are in good standing as at March 31, 2011 and represent the maximum credit exposure. Management believes that the credit risk concentration with respect to sundry receivables is minimal.

✓ **Liquidity risk**

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company's liquidity and operating results may be adversely affected if the Company's access to the capital market is hindered, whether as a result of a downturn in stock market conditions generally or as a result of conditions specific to the Company. As at March 31, 2011, the Company had cash of \$2,043,431 (September 30, 2010 - \$640,302) to settle current liabilities of \$767,695 (September 30, 2010 - \$532,053). All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

✓ **Market risk**

➤ **Interest rate risk**

The Company has cash balances and no interest-bearing debt.

➤ **Foreign currency risk**

The Company's functional and reporting currency is the Canadian dollar and major purchases are transacted in Canadian dollars.

➤ **Commodity price risk**

The Company is exposed to price risk with respect to commodity prices. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices of gold and other precious minerals to determine the appropriate course of action to be taken by the Company.

(c) Sensitivity analysis

Based on management's knowledge and experience of the financial markets, the Company believes the following movements are "reasonably possible" over a six month period:

Cash is subject to fixed and variable interest rates. As at March 31, 2011, if interest rates had decreased/increased by 1% with all other variables held constant, this would not have a material impact on the reported net loss for the three and six months ended March 31, 2011.

Commodity price risk could adversely affect the Company. In particular, the Company's future profitability and viability of development depends upon the world market price of gold and other precious minerals. Gold prices have fluctuated significantly in recent years. There is no assurance that, even as commercial quantities of gold may be produced in the future, a profitable market will exist for it. As of March 31, 2011, the Company was not a gold producer. As a result, gold price risk may affect the completion of future equity transactions such as equity offerings and the exercise of stock options and warrants. This may also affect the Company's liquidity and its ability to meet its ongoing obligations.

Fair Value Hierarchy

The Company's financial instruments as at March 31, 2011 include cash, accounts receivable, and accounts payable and accrued liabilities. Fair value of cash is determined based on transaction value and is categorized as Level 1 measurement. Fair value of 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. The Company records its financial instruments at their carrying amounts which approximates fair value, unless otherwise disclosed in the financial statements. The carrying amounts approximate fair values due to the short-term maturities of these financial instruments.

IFRS TRANSITION PLAN

The Canadian Accounting Standards Board has confirmed that International Financial Reporting Standards ("IFRS") will replace current Canadian GAAP for publicly accountable enterprises, including Hy Lake, effective for fiscal years beginning on or after January 1, 2011.

Accordingly, the Company will report interim and annual financial statements in accordance with IFRS beginning with the quarter ending December 31, 2011. The Company's 2012 interim and annual financial statements will include comparative 2010 financial statements, adjusted to comply with IFRS.

The Company has established a comprehensive IFRS transition plan and engaged third-party advisers to assist with the planning and implementation of its transition to IFRS. The following summarizes the Company's progress and expectations with respect to its IFRS transition plan:

Initial scoping and analysis of key areas for which accounting policies may be impacted by the transition to IFRS.	Complete.
Detailed evaluation of potential changes required to accounting policies, information systems and business processes, including the application of IFRS 1 First-time Adoption of International Financial Reporting Standards.	Complete.
Final determination of changes to accounting policies and choices to be made with respect to first-time adoption alternatives.	In progress, completion expected during Q3/11.
Resolution of the accounting policy change implications on information technology, business processes and contractual arrangements.	In progress, completion expected during Q3/11.

Quantification of the Financial Statement impact of changes in accounting policies.	Throughout 2011.
Management and employee education and training.	Throughout the transition process.

Impact of Adopting IFRS on Hy Lake's Business

As part of its analysis of potential changes to significant accounting policies, the Company is assessing what changes may be required to its accounting systems and business processes. The Company believes that the changes identified to date are minimal and the systems and processes can accommodate the necessary changes.

To date, the Company has not identified any contractual arrangements that may be affected by potential changes to significant accounting policies.

The Company's staff and advisers involved in the preparation of financial statements are being trained on the relevant aspects of IFRS and the anticipated changes to accounting policies. Employees of Hy Lake that will be affected by a change to business processes as a result of the conversion to IFRS will also be trained as necessary.

The Board of Directors and Audit Committee have been regularly updated on the progress of the IFRS conversion plan, and made aware of the evaluation to date of the key aspects of IFRS affecting the Company.

First-time adoption of IFRS

The adoption of IFRS requires the application of IFRS 1 *First-time Adoption of International Financial Reporting Standards* ("IFRS 1"), which provides guidance for an entity's initial adoption of IFRS. IFRS 1 generally requires retrospective application of IFRS as effective at the end of its first annual IFRS reporting period. However, IFRS 1 also provides certain optional exemptions and mandatory exceptions to this retrospective treatment.

The Company has identified the following optional exemptions that it expects apply in its preparation of an opening IFRS statement of financial position as at October 1, 2010, Hy Lake's "Transition Date":

- To apply IFRS 2 *Share-based Payments* only to equity instruments that were issued after November 7, 2002 and had not vested by the Transition Date.
- To apply IFRS 3 *Business Combinations* prospectively from the Transition Date, therefore not restating business combinations that took place prior to the Transition Date.
- To apply the transition provisions of IFRIC 14 *Determining whether an Arrangement Contains a Lease*, therefore determining if arrangements existing at the Transition Date contain a lease based on the circumstances existing at that date.
- To apply IAS 23 *Borrowing Costs* prospectively from the transition date. IAS 23 requires the capitalization of borrowing costs directly attributable to the acquisition, production or construction of certain assets.

Prior to reporting interim financial statements in accordance with IFRS for the quarter ending December 30, 2011, the Company may decide to apply other optional exemptions contained in IFRS 1.

IFRS 1 does not permit changes to estimates that have been made previously. Accordingly, estimates used in the preparation of the Company's opening IFRS statement of financial position

as at the Transition Date will be consistent with those made under current Canadian GAAP. If necessary, estimates will be adjusted to reflect any difference in accounting policy.

Impact of Adopting IFRS on Hy Lake's Financial Statements

The adoption of IFRS will result in some changes to the Company's accounting policies that are applied in the recognition, measurement and disclosure of balances and transactions in its financial statements.

The following provides a summary of the Company's evaluation to date of potential changes to accounting policies in key areas based on the current standards and guidance within IFRS. This is not intended to be a complete list of areas where the adoption of IFRS will require a change in accounting policies, but to highlight the areas the Company has identified as having the most potential for a significant change. The International Accounting Standards Board has a number of ongoing projects, the outcome of which may have an affect on the changes required to the Company's accounting policies on adoption of IFRS. At the present time however, the Company is not aware of any significant expected changes prior to its adoption of IFRS that would affect the summary provided below.

1) Exploration and Evaluation Expenditures

IFRS currently allows an entity to retain its existing accounting policies related to the exploration for and evaluation of mineral properties, subject to some restrictions.

The Company expects to retain its current policy of deferring exploration and evaluation expenditures until such time as the properties are either put into commercial production, sold, determined not to be economically viable or abandoned. The current policy may be subject to change as the Company progresses through its final analysis. At the present time, the Company does not expect that the adoption of IFRS will result in any significant change to the related line items within its financial statements.

2) Impairment of (Non-financial) Assets

IFRS, like Canadian GAAP, requires an assessment at each reporting date as to whether there are indicators of impairment of deferred exploration and evaluation costs. The factors considered under IFRS are quite similar to Canadian GAAP, but there are some differences.

IFRS requires a write down of assets if the higher of the fair market value and the value in use of a group of assets is less than its carrying value. Value in use is determined using discounted estimated future cash flows. Current Canadian GAAP requires a write down to estimated fair value only if the undiscounted estimated future cash flows of a group of assets are less than its carrying value.

The Company's accounting policies related to impairment of deferred exploration costs will be changed to reflect these differences, however the Company does not expect this change will have an immediate impact to the carrying value of its assets. These differences could lead to net loss and comprehensive loss volatility in future periods. The Company will perform impairment assessments as at the Transition Date in accordance with IFRS.

3) Foreign Currency

IFRS requires that the functional currency of the Company be determined separately, and the factors considered to determine functional currency are somewhat different than current Canadian GAAP.

The Company does not expect any changes to its accounting policies related to foreign currency that would result in a significant change to line items within its financial statements at the Transition Date.

4) Share-based Payments

In certain circumstances, IFRS requires a different measurement of stock-based compensation related to stock options than current Canadian GAAP.

The Company does not expect any changes to its accounting policies related to share-based payments that would result in a significant change to line items within its financial statements.

5) Asset Retirement Obligations (Decommissioning Liabilities)

IFRS requires the recognition of a decommissioning liability for legal or constructive obligations, while current Canadian GAAP only requires the recognition of such liabilities for legal obligations. A constructive obligation exists when an entity has created reasonable expectations that it will take certain actions.

The Company's accounting policies related to decommissioning liabilities will be changed to reflect these differences, however the Company does not expect this change will have an immediate impact to the carrying value of its assets.

6) Property and Equipment

IFRS contains different guidance related to recognition and measurement of property and equipment than current Canadian GAAP.

The Company does not expect any changes to its accounting policies related to property and equipment that would result in a significant change to line items within its financial statements.

7) Income Taxes

In certain circumstances, IFRS contains different requirements related to recognition and measurement of future (deferred) income taxes.

The Company does not expect any changes to its accounting policies related to income taxes that would result in a significant change to line items within its financial statements.

Subsequent Disclosures

Further disclosures of the IFRS transition process are expected as follows:

- The Company's Management Discussion and Analysis for the 2011 interim periods and the year ending September 30, 2011 will include updates on the progress of the transition plan, and, to the extent known, further information regarding the impact of adopting IFRS on key line items in the annual financial statements.
- The Company's first financial statements prepared in accordance with IFRS will be the interim financial statements for the three months ending December 31, 2011, which will include notes disclosing transitional information and disclosure of new accounting policies under IFRS. The interim financial statements for the three months ending December 31, 2011 will also include 2011 financial statements for the comparative period, adjusted to comply with IFRS, and the Company's transition date IFRS statement of financial position (as at October 1, 2010).

RISK FACTORS

Due to the nature of the Company's business, it is subject to various financial, environmental and operational risks that should be carefully considered by readers. For a summary of the risk factors which could impact the Company's operations and its financial position, readers should carefully review the "Risk Factors" section set out in the Annual Management Discussion & Analysis for the year ended September 30, 2010 on Sedar at www.sedar.com. There have been no significant changes in risk factors since the date hereof.