Otis Gold Corp.

(an Exploration Stage Company)

Management Discussion and Analysis

For the three months ended September 30, 2010

Background

This management discussion and analysis, ("MD&A"), prepared as at November 26, 2010, provides information that management believes is relevant to an assessment and understanding of the financial position of Otis Gold Corp. (the "Company" or "Otis") as at September 30, 2010. The MD&A should be read in conjunction with the Company's audited financial statements for the year ended June 30, 2010 and the interim financial statements for the three months ended September 30, 2010. The financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). Except as otherwise disclosed, all dollar figures included therein and the following management discussion and analysis are stated in Canadian dollars. The audit Committee of the Board of Directors of the Company has reviewed this document pursuant to its mandate and charter.

Nature of Business

Otis Gold Corp. was incorporated under the *Business Corporations Act* (British Columbia) on April 24, 2007. The Company's common shares are listed on the TSX Venture Exchange (the "Exchange") under the trading symbol OOO. The Company is in the business of acquiring and exploring unproven mineral interests.

Forward Looking Statements

All statements made in this MD&A, other than statements of historical fact, are forward looking statements. The Company's actual results may differ significantly from those anticipated in the forward looking statements and readers are cautioned not to place undue reliance on these forward looking statements. Except as required by securities regulations, the Company undertakes no obligation to publicly release the results of any revisions to forward looking statements that may be made to reflect events or circumstances after the date of this MD&A or to reflect the occurrence of unanticipated events.

Forward looking statements include, but are not limited to, statements with respect to the future price of gold, the estimation of mineral reserves and resources, the realization of mineral reserve estimates, the timing and amount of estimated future production, costs of production, capital expenditures, costs and timing of the development of new deposits, success of exploration activities, permitting time lines, currency fluctuations, requirements for additional capital, government regulation of mining operations, environmental risks, unanticipated reclamation expenses, title disputes or claims, limitations on insurance coverage and the timing and possible outcome of pending litigation. In certain cases, forward looking statements can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases, or state that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved". Forward looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward looking statements. Such factors include, among others, risks related to the integration of acquisitions; risks related to international operations; actual results of current exploration activities; conclusions of economic evaluations; changes in project parameters as plans continue to be refined; future prices of gold; possible variations in ore reserves, grade or recovery rates; failure of plant, equipment or processes to operate as anticipated; accidents, labour disputes and other risks of the mining industry; delays in obtaining governmental approvals or financing or in the completion of development or construction activities. Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward looking statements.

Description of Business and Summary of Recent Activities

On July 15, 2008, the Company purchased an option to acquire a 100% interest in the Blue Hill Creek Project located in Cassia County, Idaho (now referred to as the Oakley Project). The Company also acquired an option to earn up to a 75% interest in the Kilgore Gold Project, located in Clark County, Idaho, and the Hai and Gold Bug properties, located in Lemhi County, Idaho. The Company is currently exploring for minerals on these properties and other properties that it may acquire.

Unproven Mineral Interests

Kilgore Gold Project

The Company entered into a joint venture on the Kilgore Gold Project located in Clark County, Idaho and the Hai and Gold Bug properties located in Lemhi County, Idaho. The Kilgore property is covered by 162 federal lode mining claims and the Hai and Gold Bug properties are covered by 16 federal lode mining claims. The Company can earn up to 75% joint venture interest in the Kilgore Gold Project and the Hai and Gold Bug properties.

Kilgore is a volcanic-hosted epithermal gold system situated on the northern margin of the eastern Snake River Plain. Mineralization is hosted within Miocene age lithic tuff intruded by felsic dikes on the margin of an ancient caldera setting. Mineralization is analogous to that characterizing the Round Mountain, Nevada and McDonald Meadows, Montana multi-million ounce volcanic-hosted disseminated gold deposits. Between 1983 and 1996, Placer Dome, Echo Bay and others drilled 37,260 meters in 190 holes outlining a 700,000 ounce bulk-minable resource. In 2008, Otis submitted a “20 site” Plan of Operation that was accepted by the Caribou-Targhee National Forest. The Company is currently implementing a program to outline a sizeable bulk mineable deposit area that can be mined by open pit methods.

The Company has paid US $100,000 and issued 500,000 common shares (recorded at their fair value of $200,000) and can earn an initial 50% as follows:

a) payment of US$ 100,000 (paid), issuance of 400,000 shares (issued and recorded at their fair value of $148,000) and incurring US$ 250,000 in exploration expenditures by July 15, 2009 (status: completed);
b) issuance of 400,000 shares (issued and recorded at their fair value of $152,000) and incurring US$ 350,000 in exploration expenditures by July 15, 2010 (status: completed);
c) issuance of 400,000 shares and incurring US$ 500,000 in exploration expenditures (completed) by July 15, 2011;
d) issuance of 400,000 shares and incurring US$ 900,000 in exploration expenditures (completed) by July 15, 2012; and
e) issuance of 400,000 shares and incurring US$ 1,000,000 in exploration expenditures (completed) by July 15, 2013.

As of September 30, 2010, the Company has incurred US$ $3,597,729 on qualifying exploration expenditures.

The Company can increase its interest to 75% by issuing an additional 1,000,000 shares and by completing a pre-feasibility study on the Kilgore Gold Project. In the event the Company does not exercise its right to earn the additional 25% interest, the joint venture partner may elect to earn back a 10% interest, reducing the Company’s interest to 40%, by expending US$ 600,000 within the year following its election to exercise. A 2.0% net smelter royalty (“NSR”) will be paid to the Company’s joint venture partner on production of gold from the properties. At any time, the Company has the right to purchase each one-fourth of the NSR for the sum of $500,000, up to a maximum of three-fourths (3/4), following which the joint venture partner would hold a 0.5% NSR.

In March and April 2009, Otis released favourable drilling results from four core-holes drilled in November and December 2008. The four holes totalled approximately 630 metres of drilling at the Kilgore Gold Project. The results confirm the presence of high-grade gold values from potentially mineable thicknesses and intervals within a higher-grade core zone in the Kilgore Mine Ridge area. The results also provide details regarding the attitudes and structural controls of some of the quartz stockwork vein-type gold mineralization present.

In December 2009, the Company completed a further 12 core drill holes totalling approximately 3,100 metres of drilling in the Mine Ridge Area. The majority of the holes contain mineralized thickness and average grades substantially greater than the majority of the intervals previously released. These new intervals could serve to increase the overall size and grade of the Kilgore bulk-tonnage deposit, further enhancing the deposit economics. Addtionally, a Controlled Source Audio-Frequency Magnetotellurics ("CSAMT") geophysical survey was completed in November 2009 in the Dog Bone Ridge area (immediately to the southwest of the Mine Ridge area) which identified the presence of numerous sizable and geologically significant resistivity anomalies.

In 2010, the Company implemented a program to drill approximately 7,900 metres using two core drill rigs. Of this drilling, approximately 6,400 metres was spread amongst 35 holes, conducted in the Mine Ridge area utilizing two core rigs, and a approximately 1,400 metres was spread amongst 5 holes at certain priority Dog Bone Ridge geophysical targets. The focus of the drilling was on resource delineation at Mine Ridge and the testing of geophysical targets at Dog Bone Ridge. In September 2010, the Company announced the results of the first five logged and processed holes, including two holes indicating that significant bulk-tonnage gold mineralization exists and extends at least 120 metres

Oakley Project. The project consists of 2 primary targets – the Blue Hill Creek property and the Cold Creek property.

a) Blue Hill Creek (or "BHC")

On June 11, 2008, the Company entered into an agreement in principal to acquire a 100% interest in the Blue Hill Creek Gold Project located in Cassia County, Idaho; the property consists of 33 unpatented federal lode mining claims and an adjacent 80 acre Idaho State lease.

The Blue Hill Creek precious metal system, containing 235,000 ounces of low-grade gold mineralization, is part of a larger, north-trending, 5-mile-long by 1-mile-wide belt of scattered gold anomalies along a north-trending, Basin-and-Range mountain block, which serves as the westernmost extension of the Albion metamorphic core complex. The geology of the property is dominated by the lower member of the Tertiary Salt Lake Formation where auriferous chalcedonic sinter, and thick section of mineralized epiclastic and tuffaceous volcanic rock host the precious metal mineralization. A recently completed Controlled-Source-Audio-Frequency Magnetotellurics ("CSAMT") geophysical survey indicated the presence of a sizable and geologically significant 1.5 kilometre-long low-resistivity anomaly. These feeders and adjacent to mineralized rock may constitute drill targets. A NI 43-101 qualifying report on the property has been filed with the Exchange.

The Company has paid a total of US$130,000 and has issued 3,000,000 common shares (at their estimated fair value of $1,020,000) to acquire an undivided 30% interest in BHC. To maintain its option the Company shall do the following:

a) issue 750,000 common shares (issued at their estimated fair value of $375,000) to acquire an aggregate 40% interest;
b) on or before July 15, 2010, pay US$ 60,000 (subsequently reduced to US $18,000, and paid) and issue 750,000 common shares (issued and recorded at their estimated fair value of $285,000) to acquire an aggregate 50% interest;
c) issue 750,000 common shares on or before January 15, 2011 to acquire an aggregate 60% interest;
d) on or before July 15, 2011, pay US$ 70,000 and issue 750,000 common shares to acquire an aggregate 70% interest;
e) on or before July 15, 2012, pay US$ 80,000 to acquire an aggregate 85% interest; and
f) on or before July 15, 2013, pay US$ 100,000 to acquire an aggregate 100% interest.

The BHC payments may be accelerated at any time at the option of the Company. In addition to the foregoing, the Company will be responsible for filing and paying all annual assessments and fees relating to BHC.

A 2.5% net smelter royalty ("NSR") will be paid to the vendors on production of gold from BHC. At any time, the Company may buy the NSR, or a portion thereof, for US$ 1,000,000 per percentage point (i.e. $ 2,500,000 for the entire NSR).

b) Cold Creek

The Cold Creek Gold Project, located in Cassia County, Idaho, comprises 53 unpatented federal lode mining claims located approximately 5 miles north of the Company's Blue Hill Creek Gold Project. Otis acquired the claims in exchange for payment of the costs associated with staking the property.

The Cold Creek precious metal system lies on the western margin of the Albion metamorphic core complex. Alteration and gold mineralization are hosted within a conglomeratic sandstone. The Cold Creek zone consists of a northwest-trending, fault bounded graben, filled by more than 450 feet of Tertiary sedimentary rocks which unconformably overlie Paleozoic sedimentary rocks. Pervasive silicification with locally strong stockwork chalcedonic quartz veins are the primary alteration types. Fine-grained pyrite is ubiquitous in the pervasively silicified and oxidized rock. Surface dimensions of these altered measure at least 1,000 feet x 3,000 feet. Surface gold values to 0.06 opt are present. A total 38 reverse circulation holes were completed by both Meridian and WestGold in the Cold Creek Area. A historically reported, open-ended 50,000 ounce gold resource exists which is in need of step-out drilling. Although considered relevant, the reader is cautioned that this resource estimate does not comply with the guidelines of National Instrument 43-101 and Otis is not treating it as such.

In January 2009, Otis announced the results of a recent CSAMT (Controlled-Source Audio-Frequency Magnetotellurics) geophysical survey that indicates the presence of a sizeable and geologically significant, 1.5 kilometer-long, low-resistivity anomaly underlying and extending down-dip from the Company's Blue Hill Creek gold deposit and precious metals target area located in Cassia County, Idaho. Smaller, but geologically significant, CSAMT anomalies were also identified underlying and extending beyond Otis' Cold Creek gold deposit and target area, 5 miles north of the Blue Hill Creek target.

The survey was conducted using 50-meter-spaced electric-field receiver dipoles in order to identify low-resistivity structures that may have acted as feeders for the gold deposits at Blue Hill Creek and Cold Creek. The CSAMT survey was conducted by Zonge Geosciences Inc., Sparks, Nevada between October 9th and October 26th, 2008, and consisted of data acquisition from nine east-west oriented lines (16 line-km) using two transmitter dipoles concentrated over the Blue Hill Creek and Cold Creek portions of Otis' Oakley claim block.

The Company has permitted a drill program at Blue Hill Creek, and is seeking a joint venture partner for drilling operations.

Other Projects

The Company also has an early stage exploration project, named the Buckhorn Silver Project, located in central Idaho. The project has been permitted and the Company plans to test this project by reverse circulation drilling in the fall or early winter of 2010. The planned drilling comprises a 1,000 metre ("m"), seven-hole program designed to test multi-ounce silver chip-channel intervals obtained from shallow trenches in the fall of 2009.

During the three months ended September 30, 2010, the Company abandoned its interest in the Red Property in Nevada and wrote off the costs incurred of $121,274.

Impairment of long-lived assets

Management of the Company reviews and evaluates the carrying value of each mineral property for impairment when events or changes in circumstances indicate that the carrying amounts of the related asset may not be recoverable. If the total estimated future cash flows on an undiscounted basis are less than the carrying amount of the asset, an impairment loss is measured and assets are written down to fair value which is normally the discounted value of future cash flows. Where estimates of future net cash flows are not available and where other conditions suggest impairment, management assesses whether carrying value can be recovered by considering alternative methods of determining fair value. When it is determined that a mineral property is impaired, it is written down to its estimated fair value in accordance with the CICA Handbook Section 3063 "Impairment of Long-Lived Assets".

Management's estimates of mineral prices, mineral resources, and operating, capital and reclamation costs are subject to certain risks and uncertainties that may affect the recoverability of deferred mineral property costs.

Overall Performance

Financial results for the 8 quarters since incorporation are:

	July - Sept. Q1/11	Apr – June Q4/10	Jan – Mar. Q3/10	Oct. – Dec. Q2/10	July - Sept. Q1/10	Apr – June Q4/09	Jan – Mar. Q3/09	Oct. – Dec. Q2/09
Net Sales	$0	$0	$0	$0	$0	$0	$0	$0
Net Income (Loss)	$(403,051)	$(147,322)	$(501,885)	$(181,598)	$(300,720)	$(77,289)	$(78,564)	$(96,941)
Net Income (Loss) per share	$ (0.01)	$ (0.01)	$ (0.01)	$ (0.01)	$ (0.02)	$ (0.01)	$ (0.01)	$ (0.01)
Total assets	$8,616,034	$ 8,595,508	$ 8,645,942	$ 8,427,613	$ 4,686,361	$ 4,377,233	$3,249,000	$ 3,221,522
Total liabilities	$79,009	206,015	92,646	90,572	170,021	144,429	$ 85,282	$ 126,740

Comparison of the three months ended Sept. 30, 2010 to the three months ended Sept. 30, 2009

In the year three months ended September 30, 2010, the Company incurred expenses of $284,003 compared to expenses of $305,577 in the same period of 2009. The major factors in the decrease of $21,774 were a decrease of $39,166 in stock based compensation resulting from fewer options granted in the first quarter compared to last year, an increase of $29,159 in investor relations activities and mine visits, and an increase of $9,849 in foreign exchange due to the stronger Canadian dollar. The Company wrote off its Red Property in Nevada for an amount of $121,274; the Company earned interest of $2,226 on its cash and short term investments, resulting in a net loss for the three months ended September 30, 2010 of $403,051 or $0.01 per share. In the three months to September 30, 2009, interest of $4,858 was earned to reduce the loss to $300,719, or $0.02 per share.

During the three months to September 30, 2010, the Company spent $1,498,333 and issued 1,150,000 common shares (valued at $437,000) on its unproven mineral interests; the majority of this ($1,444,391) was incurred at its Kilgore project.

Share Capital

As at September 30, 2010, the Company had 28,335,439 common shares issued and outstanding; during the three months to September 30, 2010, 750,000 shares were issued in connection with the acquisition of the Blue Hill Creek property and 400,000 shares were issued under the terms of the joint venture on the Kilgore property. In November 2010, 20,000 shares were issued in connection with the acquisition of the Buckhorn property.

On November 4, 2010, the Company raised a total of $2,491,500 by issuing 4,530,000 units at a price of $0.55 per unit. Each unit consists of one common share and one warrant which may be exercised to purchase one additional share at a price of $0.80 for 18-months from closing.

As at September 30, 2010, there were 2,740,000 share purchase options outstanding at prices ranging from $0.20 to $0.52 with expiry dates ranging from November 2012 to August 2015. There were 1,872,270 share purchase warrants outstanding at September 30, 2010 exercisable at $0.90 to November 2, 2010 and at $1.25 to expiry on November 2, 2011.

Liquidity

The Company had working capital of $1,619,617 as at September 30, 2010. The Company has invested $1,347,740 of its cash balances in Canadian bank guaranteed investment certificates maturing in less than one year. Funds that are considered excess to current operating needs are invested in Canadian bank interest bearing short term investments that are highly liquid with maturities of up to one year; the investments are cashable at any time without penalty.

The Company is conducting an extensive drilling program on its unproven mineral properties. In November 2010, the company raised additional capital to continue with its 2010 and 2011 programs.

Financing Transactions

In, 2009, Otis completed a non-brokered private placement of up to 4,702,000 units at a price of $0.25 per unit for gross proceeds of Cdn $1,175,500. Each unit consists of one common share and one warrant, exercisable by the holder to acquire one additional common share at a price of $0.35 in year one and $0.55 in year two. Finder's fees of $10,000 cash were paid and 127,000 warrants were issued, exercisable at $0.25 for 18 months. During October and November, 2009, 4,622,000 of the warrants were exercised as well as the finder's warrants.

In November 2009, the Company completed a non-brokered private placement of 3,744,539 units at a price of $0.65 per unit, for gross proceeds of $2,433,950. Each unit consisted of one common share and one half of one share purchase warrant; each full warrant is exercisable at $0.90 in year one and at $1.25 in year two. Finders' fees of $114,863 were paid on the private placement.

On November 4, 2010, the Company raised a total of $2,491,500 by issuing 4,530,000 units at a price of $0.55 per unit. Each unit consists of one common share and one warrant which may be exercised to purchase one additional share at a price of $0.80 for 18 months from closing.

Transactions with Related Parties

During the three months ended September 30, 2010, the Company incurred management fees of $30,000 to a corporation controlled by a director and consulting fees of $8,275 for accounting services to an officer. At September 30, 2010, none of these fees remained outstanding and are included in accounts payable and accrued liabilities and $10,000 were prepaid and are included in prepaid expenses.

Conversion to International Financial Reporting Standards ("IFRS")

The Canadian Accounting Standards Board has announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date for the Company of July 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended June 30, 2011. Under IFRS, there is significantly more disclosure required. Further, while IFRS uses a conceptual framework similar to Canadian GAAP, there are significant differences in accounting policies that must be addressed. The Company is continuing a review process on these differences and expects to be ready for the conversion to IFRS in advance of January 1, 2011.

The Company's approach to the conversion to IFRS covers three phases.

Phase One: an initial general diagnostic of its accounting policies and Canadian GAAP relevant to its financial reporting requirements to determine the key differences and options with respect to acceptable accounting standards under IFRS, was completed in the first half of 2010.

Phase Two: an in-depth analysis of the impact of those areas identified under phase one, commenced in the first half of 2010.

Phase Three: the implementation of the conversion process, through the preparation of the opening balance sheet as at July 1, 2011, will be carried out in the first half of 2011.

At this point, the Company's accounting and financial reporting systems are not expected to be significantly impacted. Further, the Company has in place internal and disclosure control procedures to ensure continued effectiveness during this transition period.

Based on the review undertaken under Phase One and the work completed to date under Phase Two, the Company believes that IFRS will have limited impact on its current financial position. At the same time, IFRS will require more extensive disclosure and analysis of balances and transactions in the notes to the financial statements. The specific accounting areas the Company has focused its analysis on are outlined below together with the more salient issues under each area.

Key Area	Canadian GAAP	IFRS	Analysis and Preliminary Conclusions
Capital Assets	Capital assets are recorded at historical cost.	Capital assets can be recorded using the cost (on transition to IFRS, the then fair value can be deemed to be the cost) or revaluation models.	Capital assets will likely continue to be recorded at their historical costs due to the complexity and resources required to determine fair values on an annual basis.
	Amortization is based on their useful lives after due estimation of their residual values.	Amortization must be based on the useful lives of each significant component within Capital assets.	Based on an analysis of Capital assets' significant components and their useful lives, it is unlikely that changes to their useful lives and, therefore, amortization rates and expenses, will be required.
Unproven Mineral Interests	Exploration, evaluation and development costs directly relating to unproven mineral interests are deferred until the mineral interest in which they relate is placed into production, sold or abandoned	IFRS has limited guidance with respect to these costs and currently allows exploration and evaluation costs to be either capitalized or expensed.	The existing accounting policy is likely to be maintained.
Impairment of Long Lived Assets	Impairment tests of its long term assets are considered annually based on indications of impairment.	Impairment tests of "cash generating units" are considered annually in the presence of indications of impairment.	Assets will continue to be grouped under the Company's various exploration properties.
	Write-downs to net realizable values under an impairment test are permanent changes in the carrying value of assets.	Write downs to net realizable values under an impairment test can be reversed if the conditions of impairment cease to exist.	No impact is expected.
Stock-Based Compensation	Stock-based comp-ensation is determined using fair value models (e.g. Black-Scholes) for equity-settled awards.	Stock-based comp-ensation is determined using fair value models for all awards.	Stock-based compensation will likely accelerate.

The above comments should not be considered as a complete list of changes that will result from the transition to IFRS as the Company's analysis is still in progress and no final determinations have been made where choices of accounting policies are available. In addition, the accounting bodies responsible for issuing Canadian and IFRS accounting standards have significant ongoing projects that could impact the Company's financial statements as at June 30, 2011 and in subsequent years, including projects regarding income taxes, financial instruments and joint venture accounting. The Company is continuing to monitor the development of these projects and will assess their impact in the course of its transition process to IFRS.

Risk Factors

The reader is cautioned that the following description of risks and uncertainties is not all-inclusive as it pertains to conditions currently known to management. There can be no guarantee or assurance that other factors will or will not adversely affect the Company.

Risks Inherent in the Mining and Metals Business

The business of exploring for minerals is inherently risky. Few properties that are explored are ultimately developed into producing mines. Mineral properties are often non-productive for reasons that cannot be anticipated in advance. Title claims can impact the exploration, development, operation and sale of any natural resource project. Even after the commencement of mining operations, such operations may be subject to risks and hazards, including environmental hazards, industrial accidents, unusual or unexpected geological formations, ground control problems and flooding. The occurrence of any of the foregoing could result in damage to or destruction of mineral properties and production facilities, personal injuries, environmental damage, delays or interruption of production, increases in production costs, monetary losses, legal liability and adverse governmental action. The Company's property, business interruption and liability insurance may not provide sufficient coverage for losses related to these or other hazards. Insurance against certain risks, including certain liabilities for environmental pollution, may not be available to the Company or to other companies within the industry. In addition, insurance coverage may not continue to be available at economically feasible premiums, or at all. Any such event could have a material adverse effect on the Company.

Mineral Resources and Recovery Estimates

Disclosed resource estimates should not be interpreted as assurances of mine life or of the profitability of current or future operations. The Company estimates its mineral resources in accordance with the requirements of applicable Canadian securities regulatory authorities and established mining standards. Mineral resources are concentrations or occurrences of minerals that are judged to have reasonable prospects for economic extraction, but for which the economics of extraction cannot be assessed, whether because of insufficiency of geological information or lack of feasibility analysis, or for which economic extraction cannot be justified at the time of reporting. Consequently, mineral resources are of a higher risk are less likely to be accurately estimated or recovered than mineral reserves. The mineral reserve and resource figures are estimates based on the interpretation of limited sampling and subjective judgements regarding the grade and existence of mineralization, as well as the application of economic assumptions, including assumptions as to operating costs, foreign exchange rates and future metal prices. The sampling, interpretations or assumptions underlying any reserve or resource figure may be incorrect, and the impact on mineral resources may be material. In addition, short term operating factors relating to mineral resources, such as the need for orderly development of orebodies or the processing of new or different ores, may cause mineral resource estimates to be modified or operations to be unprofitable in any particular fiscal period. There can be no assurance that the indicated amount of minerals will be recovered or that they will be recovered at the prices assumed for purposes of estimating resources.

Financing

The Company does not currently have any operations generating cash to fund projected levels of exploration and development activity and associated overhead costs. The Company is therefore dependent upon debt and equity financing to carry out its exploration and development plans. There can be no assurance that such financing will be available to the Company or at all.

Environment

Environmental legislation affects nearly all aspects of the Company's operations. Compliance with environmental legislation can require significant expenditures and failure to comply with environmental legislation may result in the imposition of fines and penalties, clean up costs arising out of contaminated properties, damages and the loss of important permits. Exposure to these liabilities arises not only from existing operations, but from operations that have been closed or sold to third parties. There can be no assurances that the Company will be at all times in compliance with all environmental regulations or that steps to achieve compliance would not materially adversely affect the Company. Environmental laws and regulations are evolving in all jurisdictions where the Company has activities. The Company is not able to determine the specific impact that future changes in environmental laws and regulations may have on the Company's operations and activities, and its resulting financial position; however, the Company anticipates that capital expenditures and operating expenses will increase in the future as a result of the implementation of new and increasingly strident environmental regulation. Further changes in environmental laws, new information on existing environmental conditions or other events, including legal proceedings based upon such conditions or an inability to obtain necessary permits, could require increased financial resources or compliance expenditures or otherwise have a material adverse effect on the Company. Changes in environmental legislation could also have a material adverse effect on product demand, product quality and methods of production and distribution.

Legal proceedings

The nature of the Company's business may subject it to numerous regulatory investigations, claims, lawsuits, and other proceedings. The result of these legal proceedings cannot be predicted with certainty. There can be no assurances that these matters will not have a material adverse effect on the Company.

Foreign currency

The Company maintains its accounts in Canadian dollars. The Company has operations in the USA which make it subject to foreign currency fluctuations and such fluctuations may materially affect the Company's financial position and results. The Company's operating results and cash flows will be affected by changes in the Canadian Dollar exchange rate vis-à-vis the US Dollar.

As at September 30, 2010, the Company had a balance of $31,270 in US dollars and no US dollar short term investments. The Company will generally only purchase US dollars as the need arises in order to fund its exploration and development activities. Corporate expenditures are incurred primarily in Canadian dollars.

Credit

The Company is exposed to credit risk on its short term investment portfolio. The Company's investments are all rated R-1 high, the highest rating for money market investments.

Interest rate

The Company's bank accounts earn interest based on the prime rate. The Company's short term investments are discount notes that earn a fixed rate over a period of up to one year. The fair value of its short term investment portfolio is relatively unaffected by changes in short term interest rates. The Company's future interest income is exposed to changes in short term rates.

Accounting Principles

The Company's financial statements are prepared in accordance with Canadian GAAP. The acquisition, exploration, development and administration costs relating to unproven mineral interests are capitalized until the interest to which they relate is placed into production, sold or abandoned. Capitalized costs will be amortized over the useful life of the orebody following commencement of production or written off if the interest is sold or abandoned. General administration costs are expensed as incurred.

New Accounting Standards

In January 2009, the CICA issued Section 1582 "Business Combinations" to replace Section 1581. Prospective application of the standard is effective January 1, 2011, with early adoption permitted. This new standard effectively harmonizes the business combinations standard under Canadian GAAP with International Financial Reporting Standards ("IFRS"). The new standard revises guidance on the determination of the carrying amount of the assets acquired and liabilities assumed, goodwill and accounting for non-controlling interests at the time of a business combination. The CICA concurrently issued Section 1601 "Consolidated Financial Statements" and Section 1602 "Non-Controlling Interests," which replace Section 1600 "Consolidated Financial Statements."

Section 1601 provides revised guidance on the preparation of consolidated financial statements and Section 1602 addresses accounting for non-controlling interests in consolidated financial statements subsequent to a business combination. These standards are effective January 1, 2011, unless they are early adopted at the same time as Section 1582 "Business Combinations." The adoption of this standard is not expected to have a material impact on the Company's financial statements.

Additional Information

Additional information relating to the Company may be found on SEDAR at www.sedar.com.