OTIS

GOLD CORP

(an Exploration Stage Company)

Management Discussion and Analysis

For the three months ended September 30, 2011

Background

This management discussion and analysis, ("MD&A"), prepared as at December 22, 2011, 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, 2011. The MD&A should be read in conjunction with the Company's audited financial statements for the year ended June 30, 2011. 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 as Otis Capital Corp. and changed its name to Otis Gold Corp on January 14, 2009. The Company's common shares are listed on the TSX Venture Exchange (the "Exchange") under the trading symbol OOO, and on May 2, 2011, the Company began trading on the OTCQX International. ("OTCQX") under the trading symbol OGLDF. 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.

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 19 federal lode mining claims. Under this joint venture agreement, the Company could earn up to a 75% joint venture interest in the Kilgore Gold Project and the Hai and Gold Bug properties, subject only to a 2% net smelter royalty ("NSR"). Under the joint venture, the Company paid US $200,000, issued 1,300,000 common shares and completed over US $3,000,000 in exploration expenditures.

In December 2010, the Company purchased a 100% interest in the Kilgore Gold Project for 2,000,000 common shares (issued at their fair value of $1,320,000) and staged payments of US $1.75 million. The first payment of US $750,000 was made in January 2011, the second payment of US $750,000 was made in April 2011, and the final payment of US $250,000 was made in December 2011. As a result of this transacation, Otis now owns a 100% interest in the Kilgore, Hai and Gold Bug properties, and the over-riding 2% NSR has been eliminated.

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. This work outlined a NI 43-101 compliant resource containing 218,000 ounces of Indicated gold at a grade of 0.031 ounces per tonne (opt) and 269,000 ounces of Inferred gold at a grade of 0.028 opt. 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.

In March and April 2009, Otis released favourable drilling results from four core-holes drilled in November and December 2008. The four holes totaled 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 totaling 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. Additionally, 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.

The 2010 drill program consisted of approximately 7,700 metres - approximately 6,650 metres was spread amongst 35 holes, conducted in the Mine Ridge area utilizing two core rigs, and approximately 1,100 metres was spread amongst 5 holes at certain Dog Bone Ridge geophysical targets. The drill results from the Mine Ridge area showed significant gold mineralization and the deposit has increased to over 365 metres in length in a northerly direction and remains open to the south, north, northwest and east. These results continue to support a high degree of confidence concerning continuity of mineralization throughout the deposit that should result in an increase in the overall size and economic viability of the Mine Ridge deposit. At Dog Bone Ridge, the Company intercepted a 138 meter interval of anomalous gold in 1 of the 5 target holes and plans further drill testing in this area. The Company also released positive metallurgical results and a favourable environmental pre-feasibility study indicating that there are no material impediments to permitting an open pit, heap leach mine at Kilgore.

In 2011, a total of approximately 9,200 metres of drilling has been undertaken at the existing Mine Ridge deposit and what is known as the Prospect Ridge target. Drilling at Mine Ridge has been focused on final in-fill drilling at the existing deposit, as well as step-out drilling to further expand the resource. At present, the deposit remains in all directions, and the Company continues to receive positive drilling results. As well, initial drilling at Prospect Ridge has identified previously unknown gold mineralization. A potential exists that Mine Ridge and Prospect Ridge are connected.

Additional work in progress includes the preparation of a NI 43-101 Resource Estimate on the Kilgore Mine Ridge deposit, a soil sampling program targeting areas to the northwest of the Mine Ridge Deposit and to the Southeast of the initial drill intercepts at Prospect Ridge which will assist in future drill targeting and column leach metallurgical testing based on 1.5" crush material to further assess the metallurgy and leaching characteristics of the Mine Ridge deposit.

Dependent on the availability of funding, future drilling activities will be focused on expansion of the Mine Ridge deposit, additional testing of the Prospect Ridge target and initial drill testing of the Gold Ridge target. Additionally, the Company plans to implement 12 month environmental baseline studies and a scoping study to assess the economics of the Mine Ridge deposit.

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 an Inferred resource of 235,000 ounces of gold grading 0.016 ounce per tonne, 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 are adjacent to mineralized rock and 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$218,000 and has issued 6,000,000 common shares (at their estimated fair value of $2,550,000) to acquire an undivided 70% interest in BHC. In order to acquire an undivided 100% interest, the Company shall do the following:

a) on or before July 15, 2012, pay US$ 80,000 to acquire an aggregate 85% interest; and
b) 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, non-NI 43-101 compliant 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 downdip 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 undergone initial drill testing and results are being evaluated. The drilling program was designed to test multi-ounce silver chip-channel intervals obtained from shallow trenches in the fall of 2009. No material mineralized intercepts were encountered, but several of the holes were lost due to ground conditions. Additional drilling is planned to test other targets on the projects.

During the year ended June 30, 2011, 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.

Selected Financial Data

The Company is a junior mineral exploration company with mineral interests in Idaho in the United States. The Company has had no revenues to date from its exploration activities.

The following selected financial information is derived from the unaudited interim financial statements of the Company. The financial statements prior to June 2010 were prepared in accordance with Canadian GAAP; as of July 1, 2010, the financial statements have been prepared in accordance with IFRS.

	Prepared under IFRS					Prepared under Canadian GAAP		
	July - Sept. Q1/12	Apr – June Q4/11	Jan – Mar. Q3/11	Oct. – Dec. Q2/11	July - Sept. Q1/11	Apr – June Q4/10	Jan – Mar. Q3/10	Oct. – Dec. Q2/10
Net Sales	$0	$0	$0	$0	$0	$0	$0	$0
Net Income (Loss)	$(283,243)	$(203,663)	$(528,853)	$(342,759)	$(343,822)	$(147,322)	$(501,885)	$(181,598)
Net Income (Loss) per share	$ (0.01)	$ (0.01)	$ (0.01)	$ (0.01)	$ (0.01)	$ (0.01)	$ (0.01)	$ (0.01)
Total assets	$17,024,086	$16,787,307	$16,532,460	$12,406,172	$8,616,034	$ 8,595,508	$ 8,645,942	$ 8,427,613
Total liabilities	$703,987	$194,120	$64,463	$211,203	$79,009	206,015	92,646	90,572

(1) As the Company’s IFRS transition date was July 1, 2010, comparative information prior to July 1, 2010 has not been restated and is presented in accordance with Canadian GAAP.

Analysis of the three months ended Sept. 30/11 versus the three months ended Sept. 30/10

In preparing the interim financial statements for the three months ended September 30, 2011, management has amended certain accounting and valuation methods previously applied in the Canadian GAAP financial statements to comply with IFRS.

In the three months ended September 30, 2011, the Company incurred expenses of $180,641 compared with expenses of $216,747 in the same period of 2010. The $36,106 decrease was primarily due to decreases in share-based compensation of $41,566 and $26,899 for investor relations services. During the current quarter, the Company incurred a non-cash currency exchange loss of $110,710 due to a weakening Canadian dollar and the large balances due to the Canadian parent; a loss of $8,850 was incurred in the prior year. The Company also earned interest income of $8,108 to decrease the net loss in the quarter ended September 30, 2011 to $283,243 or $0.01 per share. During the 1st quarter of 2010, the Company wrote off its interest in the Red property of $121,274 and earned interest income of $2,226, resulting in a loss of $343,822 or $0.01 per share.

Share Capital

As at September 30, 2011, the Company had 42,936,282 common shares issued and outstanding; no shares were issued during the current quarter.

There are 3,335,000 share purchase options outstanding at prices ranging from $0.20 to $0.70 with expiry dates ranging from November 2012 to June 2016; no stock options were awarded during the three months ended September 30, 2011. There were 9,883,378 share purchase warrants outstanding at September 30, 2011 at prices ranging from $0.80 to $1.25 with expiry dates ranging from November 2011 to August 2012. On December 16, 2011, the Company shares closed at $0.21 on the TSX Venture Exchange.

Liquidity

The Company had working capital of $2,239,896 as at September 30, 2011. The Company has invested $2,714,775 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.

During the three months ended September 30, 2011, the Company spent $1,983,274 as part of an extensive drilling program on its Kilgore property. The Company anticipates that it may need to raise new capital to fund the full 2012 drilling program.

Financing Transactions

In November 2010, the Company completed the first tranche of a non-brokered private placement of 4,530,000 units at $0.55 for gross proceeds of $2,491,500. Each unit consisted of one common share and one share purchase warrant exercisable at $0.80 for 18 months. In March 2011, the Company completed the second tranche $253,000 for an additional 460,000 units on the same terms. Finders' fees of $148,296 were paid on the private placement.

In February 2011, the Company completed a non-brokered private placement of 5,779,843 units at $0.70 for gross proceeds of $4,045,890. Each unit consisted of one common share and one-half a share purchase warrant exercisable at $1.10 for 18 months. Finder's fees of $209,985 were paid and 131,186 finder's warrants were issued, exercisable at $1.10 for 18 months.

Transactions with Related Parties

During the three months ended September 30, 2011, the Company incurred management fees of $37,500 to a corporation controlled by a director, and consulting fees of $9,125 for accounting services to an officer. At September 30, 2011, $3,864 of these fees remained outstanding and are included in accounts payable and accrued liabilities, and $14,000 were prepaid and are included in prepaid expenses.

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, 2011, the Company had a balance of $39,123 in US dollars and US $580,412 in accounts payable and accrued expenses. The Company will purchase US dollars as the need arises in order to fund its exploration and development activities in the USA. 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.

BASIS OF PREPARATION AND FIRST-TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Company has prepared its first unaudited condensed interim financial statements for part of the period covered by the Company's first IFRS annual consolidated financial statements. IFRS presents standards and interpretations approved by the International Accounting Standards Board ("IASB"), and are comprised of IFRSs, International Accounting Standards ("IASs"), and interpretations issued by the IFRS Interpretations Committee ("IFRICs") or the former Standing Interpretations Committee ("SICs"). The Company's unaudited condensed interim financial statements as at and for the three months ended September 30, 2011 have been prepared in accordance with IAS 34 – *Interim Financial Reporting* and on the basis of IFRS standards and interpretations expected to be effective or available for early adoption as at the Company's first IFRS annual reporting date, June 30, 2012, with significant accounting policies as described in note 2 of the Company's unaudited condensed interim financial statements as at and for the three months ended September 30, 2011.

Critical accounting estimates and assumptions

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions are continuously assessed by management. The estimates and assumptions are based on historical experience and other factors, including realistic assessment of future developments. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next fiscal year are discussed below:

- The recoverability of amounts capitalized to unproven mineral interests;
- The realizable value of deferred income tax assets; and
- The assumptions used in determining the fair values of non-cash share-based compensation

New standards and interpretations not yet adopted

The following new standard and amendment to a standard have been issued but are not effective by the financial year beginning on July 1, 2011 and have not been early adopted:

- In October 2010, the IASB issued IFRS 9 – Financial Instruments. IFRS 9 is the first step in the process to replace IAS 39 – Financial Instruments: Recognition and Measurement. IFRS 9 introduces new requirements for classifying and measuring financial assets and liabilities. The adoption of this standard will not have a significant impact on the amounts and disclosures relation to financial assets and liabilities. This amendment is effective for annual periods beginning on or after January 1, 2013.

- In May 2011, the IASB issued IFRS 10 – Consolidated Financial Statements. IFRS 10 establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. IFRS 10 replaces the consolidation requirements in SIC-12 Consolidation – Special Purpose Entities and IAS 27 Consolidated and Separate Financial Statements and is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted. IFRS builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess.

- In May 2011, the IASB issued IFRS 12 – Disclosure of Interests in Other Entities. IFRS 12 is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates and unconsolidated structured entities. IFRS is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted.

Transition to IFRS

On January 1, 2011, the Canadian Accounting Standards Board replaced Canadian GAAP with IFRS for publicly accountable enterprises, with a transition date for the Company of July 1, 2010. IFRS represents standards and interpretations approved by IASB and are comprised of IFRSs, IASs, and interpretations issued by the IFRICs or the former SICs.

The IASB continues to amend and add to current IFRS standards and interpretations with several projects underway. Accordingly, the accounting policies adopted by the Company for the Company's first IFRS annual financial statements for the year ending June 30, 2012 may differ from the significant accounting policies used in preparation of the Company's unaudited condensed interim financial statements as and for the three months ended September 30, 2011. As of the date of this document, the Company does not expect any of the IFRS standard developments to have a significant impact on its 2012 condensed financial statements. The Company's unaudited condensed interim financial statements as and for the three months ended September 30, 2011 have been prepared in accordance with existing IFRS standards with restatements of comparative balance sheets as at June 30, 2011 and July 1, 2010 and statements of earnings and comprehensive income for the three months ended September 30, 2010 as previously reported and prepared in accordance with Canadian GAAP.

TRANSITION TO IFRS

RECONCILIATION OF ASSETS, LIABILITIES AND EQUITY

		As at July 1, 2010			As at September 30, 2010			As at June 30, 2011		
	Note	Canadian GAAP	Effect of Transition to IFRS	IFRS	Canadian GAAP	Effect of Transition to IFRS	IFRS	Canadian GAAP	Effect of Transition to IFRS	IFRS
ASSETS										
Current assets										
Cash		$3,458,450		$3,458,450	$ 1,644,767		$ 1,644,767	$ 4,596,565		$ 4,596,565
Amounts receivable		7,878		7,878	16,433		16,433	37,803		37,803
Prepaid expenses		48,504		48,504	37,426		37,426	65,659		65,659
		3,514,832		3,514,832	1,698,626		1,698,626	4,700,027		4,700,027
Reclamation deposits		9,119		9,119	11,924		11,924	19,219		19,219
Property and equipment		16,849		16,849	17,457		17,457	47,978		47,978
Unproven mineral interests		5,054,708		5,054,708	6,888,027		6,888,027	12,020,083		12,020,083
		$ 8,595,508		$ 8,595,508	$ 8,616,034		$ 8,616,034	$ 16,787,307		$ 16,787,307
LIABILITIES										
Current liabilities										
Accounts payable and accrued liabilities		$206,015		$206,015	$ 79,009		$ 79,009	$194,120		$194,120
SHAREHOLDERS' EQUITY										
Common shares		9,533,962		9,533,962	9,978,150		9,978,150	18,724,504		18,724,504
Share-based payment reserve		577,453	(577,453)	-	624,622	(577,453)	47,169	1,028,941	(574,501)	454,440
Deficit		(1,721,922)	577,453	(1,144,469)	(2,065,747)	577,453	(1,488,294)	(3,160,258)	574,501	(2,585,757)
		8,389,493		8,389,493	8,537,025		8,537,025	16,593,187		16,593,187
		$8,595,508		$8,595,508	$ 8,616,034		$ 8,616,034	$ 16,787,307		$ 16,787,307

TRANSITION TO IFRS

RECONCILIATION OF COMPREHENSIVE LOSS

	Note	Three months ended September 30, 2010 Canadian GAAP	Effect of Transition To IFRS	IFRS	Year ended June 30, 2011 Canadian GAAP	Effect of Transition To IFRS	IFRS
		$	$	$	$	$	$
Share-based compensation	b)	51,721	-	51,721	481,932	2,952	484,884
Professional fees		15,008		15,008	92,365		92,365
Consultants		35,887		35,887	175,607		175,607
Travel and entertainment		12,970		12,970	88,337		88,337
Regulatory costs		3,635		3,635	46,613		46,613
Investor relations		66,411		66,411	288,424		288,424
Office expenses		29,426		29,426	155,176		155,176
Property investigations		-		-	9,942		9,942
Amortization		856		856	8,462		8,462
Impairment of unproven mineral interests		121,274		121,274	121,274		121,274
Loss from operations		(337,198)		(337,198)	(1,468,132)		(1,471,084)
Exchange loss		(8,850)		(8,850)	-		-
Interest income		2,226		2,226	29,796		29,796
Loss and Comprehensive loss		$ (343,822)	$ -	$ (343,822)	$ (1,438,336)	$ 2,952	$ (1,441,288)

Changes in accounting policies

a) Share-based compensation.

IFRS 2 is effective for the Company as of January 1, 2010 and is applicable to share options and other share-based payments that are not vested at that date. The Transition rules in IFRS 1 and IFRS 2 as applied by the Company result in the following:

- Share options and other share-based payments prior to November 7, 2002 are not taken into account under IFRS 2;
- Share options and other share-based payments subsequent to November 7, 2002 are only taken into account if they have not vested as at January 1, 2010;
- No share-based payment expense is recognized for the share options and other share-based payments subsequent to November 2, 2002 that have vested before July 1, 2010. The cost that was previously recognized under Canadian GAAP for those transactions has been transferred to retained earnings (deficit).
- From July 1, 2010, all share options and other share-based payments will be expensed in accordance with the policy stated in Note 2.

Recognition of expense

Canadian GAAP – For share option awards and other share-based payments with graded vesting, the total fair value of the award is recognized on a straight-line basis over the period necessary to vest the award.

IFRS – Each tranche in an award with graded vesting is considered a separate grant with a different vesting date and fair value. Each grant is accounted for on that basis. As the Company's share option awards vest over seven quarters, this change in policy results in an acceleration of the recognition of the total fair value of the award.

Forfeitures
Canadian GAAP – Forfeitures of share option awards are recognized as they occur

IFRS – An estimate is required of the number of awards expected to vest, which is revised if subsequent information indicates that actual forfeitures are likely to differ from the estimate. The forfeiture rate was estimated at 0% for the following transactions as management's review had indicated that there were an insignificant number of share options or other share-based payments forfeited since its incorporation:

- Share options and other share-based payments subsequent to November 7, 2002 that had not vested as at January 1, 2010; and
- Share options and other share-based payments granted during the year ended June 30, 2011.

Expired unexercised share options

On transition to IFRS, the Company has elected to change its policy for the treatment of amounts recorded in share-based reserve which relate to vested share options which expire unexercised. Under IFRS, amounts recorded for expired unexercised vested share options will be transferred to deficit on the date of expiry. Previously the Company's Canadian GAAP policy was to leave such amounts in Contributed Surplus.