GEOMEGA RESOURCES INC.
INTERIM MANAGEMENT REPORT
FOR THE SIX-MONTH PERIOD ENDED NOVEMBER 30, 2010

This Management Discussion and Analysis ("MD&A") dated January 21, 2011, and provides an analysis of Geomega Resources Inc. (the "Company", "GéoMégA" or "GMA") interim financial statements as at November 30, 2010. This discussion and analysis of the financial position and results of operation should be read in conjunction with the unaudited interim financial statements for the six-month period ended November 30, 2010 and the audited financial statements for the year ended May 31, 2010 and 2009. The unaudited interim financial statements for the period ended November 30, 2010 were not reviewed by the external auditors.

Our report contains «**forward-looking statements**» not based on historical facts. Forward-looking statements express, as of the date of this report, our estimates, forecasts, projections, expectations and opinions as to future events or results. Forward-looking statements herein expressed are reasonable, but involve a number of risks and uncertainties, and there can be no assurance that such statements will prove to be accurate. Therefore, actual results and future events could differ materially from those anticipated in such statements. Factors that could cause results or events to differ materially from current expectations expressed or implied by the forward-looking statements include, but are not limited to, fluctuations in the market price of precious metals, mining industry risks, uncertainty as to calculation of mineral reserves and requirements of additional financing and the capacity of the Company to obtain financing.

The Company's shares are traded on the TSX Venture Exchange under the symbol **GMA** and 14,472,141 shares were issued as of January 21, 2011. Additional information may be available through the www.sedar.com web site, under the Company's section "Sedar filing" or at www.ressourcesgeomega.ca.

SUMMARY OF ACTIVITIES FOR THE QUARTER

- Completion of our initial public offering ("IPO") of $2,905,000$ and listing on the TSX Venture Exchange;
- Exploration expenses of $326,595 incurred on the Montviel property mainly for the setting up the exploration camp and starting the drill program. See section "**Summary of exploration activities**" below;
- Finalization of the Option and Joint Venture agreement (the "Agreement") with NioGold Mining Corp ("NioGold") on the Montviel and Pump Lake properties.

COMPANY PROFILE AND MISSION

GéoMégA is a Quebec-based exploration company focused on the discovery and development of economic deposits of 21st century strategic metals. On April 15, 2010, Quebec was voted the world's most attractive jurisdiction for mineral exploration and development by the Fraser Institute for the third year in a row. Stable government policies, experienced work force and significant exploration credits all factored into the award.

Strategic metals are those metals which are required for the economic development and national defense of a country. As society emerges from fossil energy to a more efficient eco friendly source, GeoMegA believes that the drivers of the 21st century strategic metals are the Rare Earth Elements ("REE").

These elements are critical to clean energy technologies (electric vehicles, wind power turbines, light-emitting diode light source), existing and emerging high-tech uses (cell phones, fiber optics, lasers, hard disk drives) and numerous defense applications. These elements are the foundation of the 21st century's economic sustainability and durable development.

INDUSTRY OUTLOOK

95% of the world's supply in REE comes from mines in China. Total global demand for REE is expected to increase from 124,000 metric tonnes ("mt") in 2008 to 180,000 mt by 2014[1]. The increase in global demand is mainly driven by the clean technologies. China consumes approximately 55% of global demand, leaving 45% in need of supply. Starting 2009, China has significantly reduced its exportation of REE to the rest of the world ("ROW"). 2011 predictions of approximately 30,000 mt[2] are insufficient to meet ROW demand and by all accounts, China will reduce exportations even more in the future in an attempt to secure its own needs.

Realizing the sudden supply crisis, countries around the world are scrambling to secure REE resources. Today, four elements of the REE family stand out as critical for clean energy technologies: dysprosium, neodymium, terbium and europium. Consequently prices have soared.

Rare Earth Oxide	2009	January 21, 2011	Increase
Neodymium Oxide	$ 19.12	$ 110.00	475%
Dysprosium Oxide	$ 115.67	$ 375.00	224%
Terbium Oxide	$ 361.67	$ 585.31	62%
Europium Oxide	$ 492.92	$ 593.38	20%

Prices are quoted in US$/kg on an FOB China basis[3].

Projected growth in megawatts (MW) from the World wind energy Association (WWEA[4]) are astonishing. In 2009, worldwide capacity reached 159,213 MW of wind power (equalling 2% of global electricity consumption), out of which 38,312 MW were added in 2009 alone. Based on accelerated development and further improved policies, WWEA has increased its predictions and sees a global capacity of 1,900,000 MW as possible by the year 2020. High end wind turbines need one (1) metric ton (2,200 lbs.) of neodymium for every three (3) MW of wind power.

According to a recent study conducted by JPMorgan, hybrid sales are about to take off. In 2008, there were some 480,000 total hybrid vehicles sold around the world, which represents less than 1% of global sales. By 2020, though, JPMorgan predicts that 11.28 million hybrids will be sold annually, representing over 13% of all vehicles sold.

The success of these two mass markets is heavily dependent of a steady supply of neodymium. Finding buyers for that one element should not be a problem.

[1] Roskill Consulting Group Ltd, a metal market consultant.
[2] "Critical Metals Rare Earths" presentation by John Kaiser in Vancouver January 2011
[3] Metal-page.com
[4] www.wwindea.org

RESULTS OF OPERATION

Summary of exploration activities

During the second quarter, the Company incurred $326,595 in exploration expenses on the Montviel property.

Work – Second Quarter	$	Description
Logistic and access roads	205,800	Construction of access roads
Transport, lodging and logistics	77,042	Mobilization and installation of a mining camp, artesian well, septic tanks and transport expenses.
Geology	23,069	Salaries and professional fees of geologists.
Drilling and assaying	13,175	Acquisition of a diamond saw and shelter to prepare the samples.
Permits, insurance and rights	6,755	Permits for access roads and insurance.
Office, furniture and small tools	754	Field work furnitures.
	326,595	

The work described in the table above has allowed the Company to:

- Identify drilling targets ;
- Prepare access roads to the mining camp and drilling targets ;
- Install, as of November 30, 2010, a functional mining camp (dormitory, kitchen, office, sampling-shelter, generators, artesian well and septic tanks);
- Obtain all necessary permits to start drilling.

MINERAL PROPERTIES

Montviel and Pump Lake Option

Effective September 30, 2010, the Company holds an agreement with NioGold which gives the Company an option to earn up to seventy five percent (75%) interest in the Montviel and Pump Lake properties (the "Properties") by making a cash payment of $100,000 (paid) and by issuing 1,500,000 shares (1,100,000 issued to date) of the Company over a three-year period and incurring at least $3,350,000 in exploration expenditures over four years.

Company can purchase the remaining 25% interest in the Properties by paying, before or on the seven anniversary of the agreement, an amount of $13,500,000 or, if purchased separately $9,000,000 for the Montviel property and $7,500,000 for the Pump Lake property. This third option is payable in cash or treasury common shares of the Company. NioGold elects the payment method (in cash or common shares) on half the amount while the Company select the other half. This agreement is subject to approval by regulatory authorities.

Montviel property (Option – up to 100%)

Geographically, the property is located in Montviel Township, approximately 215 km north of Val-d'Or, where services and manpower are available. The property is easily accessible via a network of logging roads, after a 60 km drive from highway 113, which connects Val d'Or and Chibougamau. The Montviel property comprises a total 159 mining claims for 8,830 ha.

Since the beginning of the year, the Company incurred $9,229 in claims renewal and $192,500 in option cost (1,100,000 common shares at $0.35 x 50% following the initial public offering).

The property sector is underlain by the Montviel carbonatite complex, a large intrusion that has only been briefly explored since its discovery in 1958 by Jowsey Mining Co. who were then exploring for base metal occurrences. Based on the limited geological work available for this sector, we know that the Montviel complex contains alkaline intrusive rocks of mainly syenitic composition as well as ultramafic rocks. The Montviel complex forms an elongated structure generally NE-SW oriented that could have a total extent of 32 km2 based on the completed geophysical surveys. The eastern portion of the complex is intruded by a carbonatite body which, as its name indicates, is an intrusive rock composed mainly of carbonate minerals. The Montviel carbonatite underwent successive episodes of alteration and replacement associated with the tectonic deformation that lead to an enrichment in rare-earth minerals, niobium, phosphorus and barite.

Planned exploration work on the Montviel property is as follow:

Work – Phase 1	Estimated cost $	Term
Geology	25,000	Fall 2010
Logistic and access roads	200,000	Fall 2010
Transport, lodging and logistics	200,000	Winter 2010-2011
Office, furniture and small tools	15,000	Winter 2010-2011
Diamond drilling – 10,000m @ 150$/m, all-inclusive	1,500,000	Winter 2010-2011
Permits, insurance and rights	7,000	Fall 2010
	1,947,000	

The program's budget was slightly higher ($58,500) than the preliminary budget of $1,888,500 detailed in the management report of the first quarter. The increase is mainly due to expenses related to the mining camp. All planned expenses are eligible to tax credits reimbursements of more than 40%.

Geological information presented herein was summarized by Kateri Marchand, Geologist, qualified person pursuant to National Instrument 43-101.

Pump Lake property (Option, up to 100%)

Geographically, the property is located approximately 110km north of Mont-Laurier, where services and manpower are available. The property is easily accessible by road from Ste-Anne-du-Lac. The Pump Lake property comprises a total 414 cells for 23,869 ha. The property is subject to a 2% NSR, of which one percent (1%) can be bought back for $1,000,000.

Since the beginning of the year, the Company incurred $10,984 in claims renewal and acquisition and $192,500 in option cost (1,100,000 common shares at $0.35 x 50% following the initial public offering).

Sydney property (100%)

Geographically, the property is located approximately 100 km North of St-Michel des Saints, where services and manpower are available. The property is easily accessible via gravel roads. The Sydney property comprises a total 200 cells for 11,594 ha. Since the beginning of the year, the Company incurred $1,255 in claims acquisition.

Oriana property (100%)

Geographically, the property is located approximately 20 km west of the town of Chapais in the Abitibi area, where services and manpower are available. The Oriana property comprises a total 270 cells for 15,014 ha.

On August 17, 2010, the Company issued 200,000 common shares at a price of $0.35 per share (attributed value of $70,000) and also paid a cash amount of $15,960, in consideration for the acquisition of the 270 claims constituting the property. During the second quarter, the Company incurred $3,232 in claims acquisition.

Émilie property (100%)

Geographically, the property is located approximately 30 km east of the town of Lebel-sur-Quevillon in the Abitibi region, where services and manpower are available. The Émilie property comprises a total 61 cells for 3,127 ha. Since the beginning of the year, the Company incurred $2,918 in claims acquisition.

MINING PROPERTIES ACCOUNTING VALUES

At the end of each quarter, mining properties are reviewed to evaluate their potential. Following this quarter analysis, no write off is expected, all properties have future working programs.

SUMMARY OF FINANCIAL ACTIVITIES

Net loss for the quarter is $443,091 (net loss of $23 for the second quarter 2009) whereas administration fees for the quarter totalled $447,516 ($23 for the second quarter 2009). Net loss for the six-month period is $493,047 (net loss of $435 for the six-month period ended November 30, 2009) whereas administration fees for the six-month period totalled $497,472 ($435 for the six-month period ended November 30, 2009). In 2009, the Company was inactive.

Analysis of Administrative expenses

Description	Quarter ended November 30		Six-month period ended November 30	
	2010	2009	**2010**	2009
	$	$	**$**	$
Stock based compensation	**364,000**	-	**364,000**	-
Salaries and fringe benefits	**26,390**	-	**46,077**	-
Professional fees	**21,697**	-	**47,303**	-
Office expenses	**13,446**	-	**16,184**	-
Trustee and registration fees	**9,598**	-	**10,448**	-
Rental expenses	**4,315**	**-**	**4,315**	**365**
Insurances, taxes and permits	**2,127**	-	**2,127**	-
Public relations and promotion	**1,761**	**-**	**2,158**	**-**
Shareholders information	**1,240**	-	**1,240**	-
Travel	**512**	-	**861**	-
Banking fees and interests	**132**	23	**257**	70
Amortization of fixed assets	**2,298**	-	**2,502**	-
	447,516	23	**497,472**	435

Observations for the quarter and the six-month period ended November 30, 2010 are the following:

- Stock-based compensation: New grant of options during the second quarter;
- Salaries and benefits starting October 1st, 2010;
- Professional fees for audit, corporate secretary and chief financial officer.

SUMMARY OF QUARTER RESULTS

	2011	
(000$ except loss/share)	**Q2**	**Q1**
Revenues	4	-
Net loss	443	50
Net loss per share – basic and diluted	0.04	0.02

Earnings are composed of interests on cashable deposits from a Canadian bank.

The variations in the quarter results are explained as follow:

2011-Q2 Stock-based compensation of $364,000 following the grant of options. Installation fees in the new office. Acquisition of fixed assets.

2011-Q1 Professional fees relative to the audit, preparation before the initial public offering (new board of directors, opening of the charter, acquisition of mining properties, etc.)

CASH FLOW SITUATION

The working capital increased by $2,319,090 during the second quarter going from $72,261 as at August 31, 2010, to $2,391,351 as at November 30, 2010. The increase is mainly due to the closing of the initial public offering totalling gross proceeds of $2,905,000 during the quarter.

The cash and investments (free cash flow) amounted to $2,243,147 as at November 30, 2010 compared to $20,030 as at August 31, 2010.

The Company is considered to be in the exploration stage, thus it is dependent on obtaining regular financing in order to continue exploration. Despite previous success in acquiring sufficient financing, there is no guarantee of obtaining any future financing.

The Company considers the cash on hand sufficient for the short term known obligations and will need in the future to obtain additional funding for its Montviel exploration program. As at September 30, 2010, the Company did not have any debt or any financial commitments in the upcoming quarters with the exception of the lease of office premises until September 30, 2013 and totalling $75,712.

As at November 30, 2010:

- 14,257,856 common shares were issued.
- 1,400,000 options were granted and can be exercised at a price of $0.35 before September 30, 2015 and October 7, 2015. Each option can be exchanged by its holder thereof for one common share of the Company.
- 4,402,145 warrants were issued, entitling their holders to subscribe for the same amount of common shares of the Company at a price of $0.55 with an expiry date ranging from January, March and April 2012.
- 415,000 broker's option were issued entitling their holders thereof to subscribe for the same amount of common shares of the Company at a price of $0.35 with an expiry date before March 31 and April 7, 2012.

Variation in share capital as at January 21, 2011 is the following:

Description	**Number**	**Amount $**
Balance May 31, 2010	4,200,001	330,002
Private placement	355,000	81,650
Initial public offering	8,300,000	2,407,000
Initial public offering – Share issue expenses		(421,175)
Acquisition of mining properties	1,300,000	455,000
Exercice of warrants	102,855	56,570
Required additional consideration – mining properties		36,000
Value of warrants exercised		12,343
Balance November 30, 2010	**14,257,856**	**2,957,390**
Exercice of warrants	89,285	49,107
Exercice of options	125,000	43,750
Value of warrants exercised		10,714
Value of options exercised		32,500
Balance January 21, 2011	**14,472,141**	**3,093,461**

On July 2, 2010, the Company issued 355,000 units at a price of $0.35 per unit for total gross $124,250. Each unit consists of one common share and one warrant. Each warrant entitles its holder to acquire one common share of the Company at a price of $0.55 until January 2, 2012. A sum of $81,650 was allocated to capital stock and a value of $42 600 was allocated to the warrants. The value of the warrants was estimated using the

Black-Scholes valuation model with volatility estimated at 100%, a risk-free interest rate of 1.4% and an estimated duration of 18 months.

On September 30 and October 7, 2010, the Company issued through a prospectus 8,300,000 units at a price of $0.35 per unit for total gross $2,905,000. Each unit consists of one common share and one-half warrant. Each warrant entitles its holder to acquire one common share of the Company at a price of $0.55 until March 31 and April 7, 2012. A sum of $2,407,000 was allocated to capital stock and a value of $498,000 was allocated to the warrants. The value of the warrants was estimated using the Black-Scholes valuation model with volatility estimated at 100%, a risk-free interest rate of 1.4% and an estimated duration of 18 months. The brokers received a remuneration of $186,829 and 415,000 Brokers' options entitling the brokers to purchase 415,000 common share of the Company at a price of $0.35 per share for a period of 18 months following the closing of the public offering. The fair value of these options ($66,400)) was estimated using the Black-Scholes stock option evaluation model with the following assumptions: estimated average duration of 1.5 years for these options, risk free interest rate of 1.7%, forecast volatility of 100% and no forecast dividend. Other issue expenses totaled $167,946.

On August 17, 2010, the Company acquired the Oriana property by issuing 200,000 common shares of the Company (attributed value of $70,000).

Under the definitive agreement relating to the Montviel and Pump Lake properties, the Company issued on September 30, 2010, 1,100,000 common shares to NioGold (attributed value of $385,000).

Following a request from regulatory authorities, an additional cash consideration of $36,000 was required for the acquisition of mineral properties on May 6, 2010.

Options

Variation in outstanding options as at January 21, 2011 is the following:

Date	**Number of options**	**Average exercise price $**
As at May 31, 2010	-	-
Granted	1,400,000	0.35
As at November 30, 2010	**1,400,000**	**0.35**
Exercised	(100,000)	0.35
Granted	140,000	0.90
As At January 21, 2011	**1,440,000**	**0.40**

On September 30, 2010 and October 7, 2010, the Company granted a total of 1,400,000 stock options that may be exercised over a period of five years, at an exercise price of $0.35 and having a fair value of $0.26. These options have been granted to directors, officers and suppliers.

On December 30, 2010, the Company granted a total of 100,000 stock options that may be exercised over a period of five years, at an exercise price of $0.90 and having a fair value of $0.67. These options have been granted to a director.

On January 13, 2011, the Company granted a total of 40,000 stock options that may be exercised over a period of five years, at an exercise price of $0.90 and having a fair value of $0.67. These options have been granted to a geological consultant.

Options granted and exercisable as at January 21, 2011:

Expiry date	Number of options	Exercisable	Price ($)
September 30, 2015	1,258,000	1,258,000	0.35
October 7, 2015	42,000	42,000	0.35
December 30, 2015	100,000	-	0.90
January 12, 2016	40,000	-	0.90
	1,440,000	1,300,000	0.40

The fair value of these options was estimated using the Black Scholes stock option evaluation model with the following assumptions:

Grant date	September 30, 2010	October 7,2010	December 30, 2010 and January 13, 2011
Number	1,358,000	42,000	140 000
Exercisable	1,358,000	42,000	-
Exercise price	$0.35	$0.35	$0.90
Risk free interest	1.7%	1.7%	1.7%
Expected volatility	100%	100%	100%
Expected life	5 year	5 years	5 years
Expected dividend	-	-	-
Vesting	Immediate	Immediate	25% per semester
Fair value per option	$0.26	$0.26	$0.67
Total fair value	$353,080	$10,920	$93,800
Granted to	Directors, officers and consultant	Directors, officers and consultant	Director and consultant

Warrants

Variation in outstanding warrants since the beginning of year is as follows:

Date	Number of warrants	Average exercise price $
As at May 30, 2010	-	-
Issued	4,505,000	0.55
Exercised	(102,855)	0.55
As at November 30, 2010	**4,402,145**	**0.55**
Exercised	(89,285)	0.55
As at January 21, 2011	**4,312,860**	**0.55**

Warrants characteristics as at January 21, 2011 are the following:

Number	Exercise price	Expiry date	Attributed value $
355,000	$0.55	January 2, 2012	42,600
3,670,360	$0.55	March 31, 2012	440,443
287,500	$0.55	April 7, 2012	34,500
4,312,860			517,543

The fair value of these warrants was estimated at $0.12 each warrant, using the Black-Scholes stock option evaluation model with the following assumptions: estimated average duration of 1.5 years for these options, risk free interest rate of 1.7%, forecast volatility of 100% and no forecast dividend.

Broker's options

During the initial public offering, the Company issued as compensation to brokers the following options:

Date of issue	Number of units options	Exercise price $	Expiry date	Carrying value $
September 30, 2010	386,250	0.35	March 31, 2012	61,800
October 7, 2010	28,750	0.35	April 7, 2012	4,600
	415,000	0.35		66,400

On January 21, 2011, no broker options were exercised.

The fair value of these options ($0.16 per option) was estimated using the Black-Scholes stock option evaluation model with the following assumptions: estimated average duration of 1.5 years for these options, risk free interest rate of 1.7%, forecast volatility of 100% and no forecast dividend.

RELATED PARTY TRANSACTIONS

During the six-month period ending November 30, 2010, in the normal course of operations, a company whose director is a shareholder has charged an amount of $17,831 ($7,351 for the period ending three November 30, 2010) for legal fees.

These transactions were measured at the exchange amount that is the amount established and accepted by the parties.

COMMITMENTS

The Company has entered into a long-term lease agreement expiring on September 30, 2013 for total lease payments of $75,712 for the rental of an office. Minimum lease payments for the next years are $12,946 in 2011, $26,409 in 2012, $27,201 in 2013 and $9,156 in 2014.

ACCOUNTING POLICIES

Accounting changes

During the period, the Company adopted a new accounting policy for fixed assets:

Fixed assets are amortized over their estimated useful life using the straight-line method and the following annual rates:

	Useful life period	Rate
Computer equipment	three years	33 1/3%
Automobile	three years	33 1/3%
Leasehold improvement	three years	33 1/3%

Accounting Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts recorded in the financial statements and notes to financial statements. Significant estimates include the recoverability of mineral properties and deferred exploration expenses and stock-based compensation. Actual results may differ from those estimates.

Off-balance sheet arrangements

During the period, the Company did not set up any off-balance sheet arrangements.

International financial reporting standards

In February 2008, Canada's Accounting Standards Board ("AcSB") confirmed January 1, 2011 as the changeover date to move financial reporting for Canadian publicly accountable enterprises to the International Financial Reporting Standards ("IFRS"). The Company followed the key events timeline proposed by the AcSB to obtain training and thorough knowledge of IFRS, finalize assessment of accounting policies with reference to IFRS and plan convergence to be ready for the changeover planned for the first quarter 2012.

The action plan is as follow:

Step 1 – Planning, training and assessment

This step, which consists mainly of understanding and assessing the impact of producing financial information which corresponds with the IFRS, was completed at the end of 2010.

The company started its planning during fall 2010, which included the creation of a responsible committee comprising the CFO and an independent member of the verification committee, and proceeded with a detailed evaluation and the elaboration of a general implementation strategy. During the fall 2010, the CFO participated in a training seminar prepared by Raymond Chabot Grant Thornton chartered accountants, focusing specifically on mining exploration companies. During that same period, he attended a training course on IFRS and mining companies prepared by the Ordre des Comptables Agréés du Québec.

Step 2 - Evaluation and elaboration of a conversion plan

a) Accounting policies

The detailed analysis of accounting policies affected by the changeover to IFRS has been completed on December 31, 2010. However, the final choice regarding the IFRS accounting policies has not yet been made (for example on tax credits and flow-through shares, see below). The company plans to finalize its choices in time for the preparation of the August 31, 2011 interim report. Moreover, many efforts will be made before then on the presentation of financial statements since IFRS ask for more disclosure of information. Based on a preliminary analysis, the following IFRS might have an impact on the financial statements of the company:

IFRS 1: Provides guidance on the general approach to be taken when first adopting IFRS. Under IFRS 1, there is now a requirement to disclose not only comparative information but also, the year of adoption, the opening balance sheet at the start of the comparative period. IFRS 1 also provides guidance concerning retrospective application and prescribes optional exemptions and exceptions. The Company has determined that its opening balance sheet of June 1, 2010 established in accordance with IFRS will be similar to the balance sheet as at May 31, 2010 established in accordance with the GAAP. As at the date hereof, the only choice the company has made is to keep its current classification of financial instruments and to not re-evaluate its immobilizations at the changeover date.

IFRS 2 Share-based payments: For grades-vesting features, this IFRS requires each instalment to be treated as a separate share option grant. However, pre-change accounting standards allow an entity the option of either using the graded vesting method or the straight-line method which recognizes equally over the average life of the grant. The Company is currently using the straight-line method for its grants. The use of the graded vesting model will not result in material impact over the complete vesting period. The use of the graded vesting model will result in the recognition of greater expenses in the first quarters of the vesting period and fewer expenses in the lasts quarters compared to the model currently in use by the Company. It's not expected to have a material impact for the Company.

IFRS 6 : As per this IFRS, the Company is required to develop an accounting policy to specifically identify which expenditures on exploration and evaluation activities will be recorded as assets. The company intends to keep its actual accounting policy which defers exploration expenses until the production phase. Expenses incurred beyond the exploration and evaluation phase will need to be considered in line with the capitalisation criteria for property, plant and equipment. As the Company's mineral properties are not in development phase, no significant impact is expected. There will be no changeover impact on the status of the financial situation or the statement of results. The company will choose to present its assets as intangible assets.

IAS 16 (International Accounting Standards) Property, plant and equipment: Under IRFS, the Company can elect to measure fixed assets using either the cost model or the revaluation model. Canadian GAAP only accepts the cost model. The Company will not select the revaluation model due to the difficulty and effort needed to determine the fair value and the ability for the company to measure using the cost model.

IAS 36 (International Accounting Standards) Impairment tests have been applied on the carrying value of projects on a quarterly basis, as required under Canadian GAAP. Although the methodology of testing impairment under IFRS is slightly different, no complications are expected on the transition to IFRS. IFRS requires reversal of impairment losses where there has been a change in estimates used to determine the recoverable amount. This standard concerns the method of depreciation of assets based on discounted cash flows.

Some issues specific to mining exploration companies, such as flow-through shares and mining exploration tax credits do not have their equivalents IFRS:

- There is currently no equivalent IFRS standard for flow-through shares. The Company has never issued flow-through shares and does not plan to do so by August 31, 2011. Therefore, no adjustment will be necessary for the changeover date. After that date, the Company will adopt accounting methods chosen by the industry.
- The Company intends to adopt IAS 20 concerning the accounting treatment of mining exploration tax credits and these will be recorded as a reduction of assets. No adjustment will be necessary for the changeover date.
- Regarding the Mining rights tax credit, the Company deducted this credit against assets. While IFRS does not provide a specific accounting treatment for this credit, the Company shall decide in the first quarter 2012 the appropriate IFRS treatment in accordance with industry.

b) Accounting, internal controls and information system

The accounting system and its internal controls, since it is still an exploration company, are simple and the Company believes to be able to adapt it under the IFRS. The main changes have been identified. For example, since the presentation of financial statements is modified significantly, a charter of account project has been created in accordance with IFRS. The IFRS convergence will not prevent the Company from pursuing its business plan or continue to certify the financial information.

c) Impact on commercial activities

As at the date of this management report, the changeover to IFRS has had no significant impact on the activities of the Company.

Step 3 – Implementation

This step comprises the implementation of all changes approved during the evaluation and elaboration of the changeover plan which will allow the preparation of the interim financial statements of August 31, 2011 (with the comparative figures of August 31, 2010) with the opening balance of June 1, 2010.

FINANCIAL INSTRUMENTS

Initially, all the financial assets and liabilities are evaluated and recognized at fair value, at the exception of the assets and liabilities arising from certain operations with related parties. The costs of transaction are recognized in earnings when they are incurred. Subsequently, financial assets and liabilities are measured and recognized as follows:

- Held-for-trading financial assets are measured at their fair value and changes in fair value are recognized in earnings. Cash and short term investments are classified as held-for-trading assets. They are classified under level 1 that is valuation based on active market price in determining fair value. Term deposits included in short term investments are designated as held for trading because the Company envisages repurchasing them, entirely or partly, before their maturing date.
- Other financial liabilities are evaluated at amortized cost using the effective interest method. The calculated interests using the effective interest method are presented in the earning statement under Interests and others. Accounts payable and accrued liabilities are classified as other financial liabilities.

Objectives and politics concerning financial risks management

The Company is exposed to different financial risks resulting from both its operations and investing activities. The management of the financial risks is done by the management of the Company. The Company does not conclude agreements for financial instruments including financial derivatives for speculation purpose.

Financial risks

The principal financial risks to which the Company is exposed as well as its politic concerning the management of the financial risks are detailed as follow:

Interest rate risk
Some investments are at fixed rates and therefore expose the Company to risk of fair value variation due to interest rate variation. However, since these investments are redeemable at any time, the risk is reduced. The other financial assets and liabilities of the Company do not represent interest risk because they are concluded without interest. The Company does not use financial derivatives to decrease its exposure to interest risk.

Liquidity risk
The management objective is to maintain sufficient cash to ensure that the Company has at its disposal sufficient sources of financing such as private financing. The Company also establishes budget and liquidity forecasts to ensure that it has to its disposal sufficient funds to meet its financial obligations. Obtaining additional funds make it possible to the Company to continue its operations and while it has been successful in doing so in the past, there can be no assurance it will be able to do so in the future.

Credit risk
Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company is subject to concentrations of credit risk through cash and investments. The Company reduces its credit risk by maintaining its cash and an important part of investments in financial instruments guaranteed by and held with a Canadian chartered bank. The Company aims at signing partnership agreements with established companies and follows closely their cash position to reduce its credit risk on accounts receivable.

Market risk
Market risk is the risk that the fair value or cash flows of the Company's financial instruments will fluctuate significantly due to changes in market prices. The Company believes that there is no significant risk at this time.

RISK AND UNCERTAINTIES

Risks inherent in the nature of mineral exploration and development

Mineral exploration and development involve several risks which experience, knowledge and careful evaluation may not be sufficient to overcome. Large capital expenditures are required in advance of anticipated revenues from operations. Many exploration programs do not result in the discovery of mineralization; moreover, mineralization discovered may not be of sufficient quantity or quality to be profitably mined. Unusual or unexpected formations, formation pressures, fires, power outages, labour disruptions, flooding, explosions, tailings impoundment failures, cave-ins, landslides and the inability to obtain adequate machinery, equipment or labour are some of the risks involved in the conduct of exploration programs and the operation of mines. The commercial viability of exploiting any precious metal deposit is dependent on a number of factors including infrastructure and governmental regulations, in particular those respecting the environment, price, taxes, and royalties. No assurance can be given that minerals of sufficient quantity, quality, size and grade will be discovered on any of the Company's properties to justify commercial operation. Numerous external factors influence and may have significant impacts on the operations of the Company and its financing needs.

Financial risks

The Company is an exploration company. The Company will periodically have to raise additional funds to continue operations, and while it has been successful in doing so in the past, there can be no assurance it will be able to do so in the future.

Tax

No assurance can be made that Canada Revenue Agency or Quebec Minister of Revenue will agree with Company’s characterization of expenditures as Canadian exploration expenses or Canadian development expenses.

Dependence on key personnel

The development of the Company’s business is and will continue to be dependent on its ability to attract and retain highly qualified management and mining personnel. The Company faces competition for personnel from other employers.

Conflicts of interest

Certain directors of the Company are also directors, officers or shareholders of other companies that are similarly engaged in the business of acquiring, developing and exploiting natural resource properties. Such associations may give rise to conflicts of interest from time to time. The directors of the Company are required by law to act honestly and in good faith of view to the best interests of the Company and to disclose any interest, which they may have un any project or opportunity of the Company. If a conflict arises at a meeting of the board of directors, any director in a conflict will disclose his interest and abstain from voting on such matter.

Environmental risks

The Company is subject to various environmental incidents that can occur during exploration work. The Company maintains an environmental management system including operational plans and practices.

MANAGEMENT’S RESPONSABILITY FOR FINANCIAL INFORMATION

The Company's financial statements are the responsibility of the Company's management, and have been approved by the board of directors. The financial statements were prepared by the Company’s management in accordance with generally accepted Canadian accounting principles. The financial statements include certain amounts based on the use of estimated and assumptions. Management has established these amounts in a reasonable manner, in order to ensure that the financial statements are presented fairly in all material respects.

(Signed) Simon Britt C.A., President

(Signed) René Lacroix CA, Chief Financial Officer

St-Lambert, January 21 2011