

## **ADVENTURE GOLD INC.**

### **MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE YEARS ENDED JULY 31, 2009 AND 2008.**

The following Management Discussion and Analysis (“MD&A”) of the operating results, financial condition and future prospects of Adventure Gold Inc. (the “Company”), current as of November 13, 2009, should be read in conjunction with the Company’s audited financial statements and notes to the audited financial statements for the years ended July 31, 2009 and 2008. Said financial statements were prepared in accordance with Canadian generally accepted accounting principles (Canadian GAAP). The reporting currency is in Canadian dollars. Unless specified as \$US, references in this MD&A to dollars are to Canadian dollars.

This MD&A contains certain statements that may be deemed “forward-looking statements”. All statements in this discussion, other than statements of historical facts, that address future exploration drilling activities and events or developments that the Company’s management expects, are forward-looking statements. Such statements are not guarantees of future performance and actual results or developments may differ materially from those expected. Factors that could cause actual results to differ materially from those in forward-looking statements include market prices, exploration successes, and continued availability of capital and financing and general economic, market or business conditions.

#### **Nature of Business**

Adventure Gold Inc. is a Canadian mineral exploration company focused on discovering high-quality gold deposits, primarily in the Abitibi greenstone belt of north-western Québec and north-eastern Ontario, one of the world’s richest gold mining districts. The Company uses advanced exploration techniques with the aim of discovering commercially exploitable deposits of minerals (primarily gold) which can either be placed into production by the Company or disposed of for a profit to companies that wish to place such deposits into commercial production. Common shares of the Company are listed for trading on the TSX-V under the symbol “AGE” since October 3<sup>rd</sup>, 2007. The Company’s head office is in Montréal, Québec.

#### **Exploration Activities**

##### *Projects and New Acquisitions*

At July 31, 2009, the Company held a portfolio of 21 properties, in the provinces of Quebec and Ontario, covering 16,957 hectares (8 properties totalling 6,030 hectares in July 2008). Most of the gold mining exploration properties owned by the company are located in the Val d’Or and Timmins regions where historical mining production totalled more than 25 and 70 million ounces of gold respectively. In 2008 and 2009, the Company acquired, by staking and map-designation, a 100% right on 15 new mining properties in the Abitibi greenstone belt. Major land positions were taken along the Casa Berardi Gold Break. These properties are further discussed under the item Abitibi Gold.

Adventure Gold will continue to evaluate and acquire new properties by ground or map staking in prospective areas. The Company’s objective with these low cost acquisition properties is to bring them to drilling stage in a near future by doing a minimum of compilation and field validation. Our priority is still to identify, evaluate and acquire other significant quality assets inside major gold mining camps in Canada in a very short term.

The Company continued its 2008-2009 exploration program near Val d’Or and Timmins which mainly consisted in drilling. During the year ended July 31, 2009, 11,720 metres were drilled on our properties. \$1,769,990 was incurred in deferred exploration expenses, of which approximately 36% was spent on the Senore property, 27% on the Lapaska property, 19% on the Pascalis-Colombiere property and 9% on the Meunier-144 property.

### *Meunier-144*

On July 8, 2008, the Company entered into a formal option agreement with a group of 13 individuals ("the optioners") in order to acquire a 100% interest in the Meunier 144 gold property located 19 kilometers west of Timmins, Ontario, by paying \$100,000, issuing 1,000,000 common shares and incurring \$2,000,000 in exploration expenses over a period of five years. In June 2009, by amendment of the agreement, the original commitment for 2009 was reduced from \$300,000 to \$150,000 and the 2012 commitment increased to \$150,000. As at July 31, 2009, the Company made a cash payment of \$50,000, issued 850,000 common shares and incurred \$156,571 (\$152,365 in 2009 and \$4,206 in 2008).

The property is also subject to a 2.5% NSR of which a 1% NSR may be purchased at any time by the Company for \$2,000,000.

The Meunier Property consists of 10 patented claims located in the western part of the prolific Timmins gold camp at the western limits of Bristol Township, 19 kilometres west of the town of Timmins. It adjoins the Timmins West Gold property and is located less than 1 kilometre west of the gold deposit where, Lake Shore Gold Corp. announced in 2007 a gold mineral resource of 1.3 million ounces at 12.3 g/t Au (uncut) in the indicated category. This property also adjoins the Thunder Creek property, also owned by Lake Shore Gold Corp., which encompasses the Rusk Zone where recent drill results returned up to 12.8 g/t Au over 83.4 meters. In addition, the Meunier-144 property hosts the Bristol Fault, a regionally extensive structure spatially related to the Timmins West gold deposit.

During the year ended July 31, 2009, the Company completed a compilation of all the historical exploration work and made a new geological model. The last exploration work on the property, done in 1996, identified Induced Polarization ("IP") anomalies which remained untested and represent quality drilling targets. Following the modelling, field validation work has been performed and a diamond drilling program totalling 1,229 metres was completed in July 2009. Adventure Gold's 3-holes drill program was designed to test at least five IP anomalies which may correspond with near surface gold mineralisation. One hole also tested the Bristol fault rock package 1.5 kilometres west of the Timmins West gold deposit. One of our objectives with this drill program was also to get new geological information from the property in order to prepare a deeper drill program, which is the next exploration step, to test the extensions of the Timmins West deposit identified 400 meters to the East of the Meunier-144 property. Drilling results, report and geological model should be completed and/or released during the next quarter.

### *Pascalis-Colombiere*

This 100% owned property by the Company consists of 33 mining titles totalling 637 hectares. It is located in the eastern portion of the Val-d'Or-Malartic gold district, which has produced more than 25 million ounces of gold to date. The property is also adjacent to the 100 % owned Beaufor North property, 1.5 kilometers east of the producing Beaufor Gold Mine, operated jointly by Richmond Mines and Louvem Mines. It has been the site of gold production from 1989 to 1993 when Cambior Inc. (now IAMGOLD) mined the New Pascalis gold deposit (Lucien Béliveau Mine). A total of 1.8 Mt of ore was extracted at a grade of 3.2 g Au/t (total of 167,000 Au oz).

The geological setting of the property appears very favourable for the identification of new high-grade gold-bearing veins and structures or bulk-style ore shoots. Past exploration work did not entirely test the numerous gold occurrences located in the N-S extensions of the former producer Lucien C. Béliveau Mine associated with dyke set or in other parallel dykes, or in the extension of ENE trending shear zones. Due to the anticipated closure of the Mine in October 1993, there was no follow-up on several drill intercepts with economic gold values. No further exploration work was completed on the property between 1993 and mid-2008 when the Company acquired the property.

Following the integration of 676 historical diamond drill holes for 77,000 meters and the elaboration of a new geological model, an exploration program including mechanical trenching and drilling was proposed in October 2008. The main objective of this exploration program was to test ENE gold structures developed within NNW diorite dykes, NE gabbro intrusive bodies and volcanic rocks.

In late 2008, mechanical trenching was carried out over a 30m<sup>2</sup> sub-cropping zone located 800 meters south of the Lucien C. Béliveau mine to uncover an ENE gold-rich shear zone. The Pascale gold Showing is characterized by several separate decimetric quartz-pyrite veins hosted in an 8-meter thick shear zone in mafic volcanics. At this early stage, the new gold zone was sampled along a NNW direction at each meter. From the 8 rock samples collected on the Pascale Showing, 3 yielded assay results ranging from 1.6 g/t Au to 12.4 g/t Au. A historical drill hole collared 75 meters north from the new showing intersected 7.4 g/t Au over 1.8 meters at a depth of less than 25 meters.

In fall 2008, three historical gold showings (Highway, No-2 and Isabella) were prospected and sampled by the Company. During a field program conducted on selected areas, 35 rock samples were analyzed, which half of them returned results between 3 g/t and 73.5 g/t Au.

In April 2009, a six holes totalling 2,010-meter drill program was initiated on Pascalis-Colombière. The drilling program completed in May 2009 has intersected significant gold values in three distinct areas. Near surface drilling, 1.2 kilometers north-west of the former producer Lucien C. Béliveau Mine, identified an important gold system at a depth of up to 150 meters and a thickness of 120 meters. The best drill intersections include:

- Hole PC-09-05 : 9.9 g/t Au over 2.4 m and 5.5 g/t Au over 3.8 m, included in a cut of 3.2 g/t Au over 14.2 m at a depth of 125 meters and 2.2 g/t Au over 11.5 m at a depth of 145 meters;
- Hole PC-09-04 : 6.1 g/t Au over 2.6 m, included in a cut of 1.7 g/t Au over 15.2 m at a depth of 8 meters, 1.0 g/t Au over 17.2 m at a depth of 40 meters and 1.0 g/t Au over 20.0 m at a depth of 90 meters;

Drill holes PC-09-01 and PC-09-02 tested the northern and southern extensions of the dykes system which hosts the mineralization of the Lucien C. Béliveau mine close to the contact with recently interpreted east-north-east shear zones and successfully identified new gold zones. The first gold bearing zone intersected by the hole PC-09-01 (6.4 g/t Au over 1.0 m, included in a cut of 1.4 g/t Au over 8.0 m at a depth of 115 meters), which is located at 800 meters to the south of Lucien C. Béliveau, is associated with an IP anomaly which can be followed for more than 800 meters 25 metres south of the Pascale showing. This zone consists of quartz, carbonates, fuschite and pyrite veins hosted in a diorite strongly deformed and altered in sericite. The drill hole PC-09-02, located 450 meters north-west of Lucien C. Béliveau, cut new gold bearing zones returning 8.3 g/t Au over 1.0 m and 8.8 g/t Au over 0.7 m between depths of 183 and 195 meters. These gold bearing zones are associated with quartz-tourmaline veins hosted in large east-north-east shear zones. These new gold bearing zones remain open laterally and at depth.

Following a new geological model of the Highway showing, drill holes PC-09-03A to PC-09-06 successfully tested, in-depth and towards the north, the interpreted gold bearing system extensions. This system has a thickness of more than 120 meters and it is characterized by zones of alteration of silica and carbonates which are generally strongly pyritized and associated with quartz-tourmaline vein networks. The mineralized system consists of several gold bearing zones strongly dipping towards the south with thicknesses of over 20 meters. The gold bearing system remains open laterally and at depth.

A diamond drilling report including the new observations, interpretation and recommendations should be completed during the next quarter. The Company believes that the recent drilling results announced are very promising and the Highway gold-bearing structures warrant further drilling along the strike and depth extensions.

During the year ended July 31, 2009, the Company incurred exploration expenditures of \$338,305 on the Pascalis-Colombière property. Most of the expenses incurred on the project during this period consist of diamond drilling work.

## *Senore*

The Senore property consists of 17 mining claims covering a surface area of 729 hectares optioned from an independent prospector (the "Optionor") in July 2008. Under the terms of the Agreement, the Company has the option to acquire a 100% interest in the Property over the next three years by: incurring work expenditures of \$400,000; paying the Optionor \$200,000 of which \$20,000 is a firm commitment payable in two payments during the first year; and issuing and delivering to the Optionor 1 million treasury common shares of which 200,000 shares are to be delivered in the first year and constitute a firm commitment. Two mineral claims are subject to a 3% NSR of which the Company shall have the right to purchase 1.5% at any time by paying the Optionor \$2,000,000. The balance of the Property is subject to a 2% NSR of which the Company shall have the right to purchase 1% at any time by paying the Optionor \$1,000,000. As at July 31, 2009, Adventure paid the Optionor an amount of \$20,000, issued 200,000 common shares and incurred \$636,418 which exceeds the minimum work expenditures as per the agreement.

The regional and local geological setting of the property appears to be very favourable for the discovery of new high-grade gold structures related to the eastern margin of the Bourlamaque Batholith, where many gold ore deposits were discovered. The property hosts four parallel gold mineralized zones within 800 meters and is located one kilometre North of the Beaufor Mine. The Resenor gold deposit, located in the southern-most zone, has a 150 metre deep shaft and underground workings. Previous work performed between the 1940s and 1980s has outlined a non NI 43-101 compliant historical gold resource of 181,400 tonnes at 8.6 g/t (Quebec Government Assessment File # GM-41895). Some of the best historical drill intersection reported in this zone were 11.7 g/t Au over 5.0 metres and 4.1 g/t Au over 5.3 metres (El Coco Explorations Ltd., 1978).

Following the compilation of all the historical exploration work and the elaboration of a new geological model, an exploration program including mechanical trenching and drilling was proposed in October 2008. The main objective of this exploration program was to test NW gold structures developed within the eastern margin of the Bourlamaque granodiorite.

Since then, 19 drill holes totalling 4,354 meters were drilled on the Senore property. The objective of this drill program was to test by shallow holes the near-surface extensions of the Resenor Gold deposit and other parallel gold mineralized zones to the North. The results confirmed that the Resenor gold veins system strikes length over 600 metres and up to 350 meters vertical (see press releases, January 22<sup>nd</sup> and February 26<sup>th</sup> 2009). The gold system remains open near surface laterally to the west (4.1 g/t Au over 3.2m incl. 11.1 g/t Au over 0.9m), to the east (11.5 g/t Au over 1.5m) and under 350 meters (8.6 gpt Au/1.8m incl. 21.1/0.6m). In addition, recent drilling has identified a new gold structure grading 8.7 g/t Au over 1.2 metres located 550 metres north of the Resenor Zone and less than 20 metres from the surface.

Gold mineralization intersected by the recent drilling is characterized by white to greyish quartz and tourmaline containing variable quantities of pyrite clusters and locally pyrrhotine and chalcopyrite. The thickness of the quartz veins in this system can reach over 3 metres. The veins are continuous within the deformation corridor where the thickness varies between 2 and 30 metres, oriented towards the north-west and on a 60° incline to the south-west. The geological context is similar to that of the Beaufor Mine gold system.

Most of the expenses incurred on the project during the year 2009 consist of diamond drilling. A diamond drilling report including the new results, observations, interpretation and recommendations should be completed during the next quarter.

## *Lapaska*

The Lapaska property (100% owned) is located in the Louvicourt Township 15 km east of Val d'Or and includes 26 claims. It covers an area of 333 hectares, along a 4 kilometers segment of the Cadillac Larder Lake Gold Break, a regionally extensive structure that is spatially related to numerous gold mines. The property is favourably situated between the past producing gold deposit Sigma II to the east (150,000 oz at 2.5 g/t Au: Placer Dome, 1997) and the Simkar gold deposit to the west (43-101 inferred resource of 105,000 oz at 5.3 g/t Au: Megastar – MDV: TSX-V, September 2008).

The 2008 drilling program identified a 40m-thick gold-bearing system in the Central Zone which has been traced along strike for over more than 600m and to a depth of 300m. The 2008 best gold-bearing intervals are: 9.7 g/t Au over 2.2m, included in a cut of 1.0 g/t Au over 48.3m and 13.2 g/t Au over 1.5m, included in a cut of 1.0 g/t Au over 50.2m. These results confirm the strong potential to discover high-grade gold zones or bulk-style low-grade zones on the property. The gold mineralization, in the Central Zone, is related to a network of quartz-carbonate-tourmaline-(pyrite) decimetric veins hosted mainly within a massive silicified dacite. During the year 2009, eleven (11) holes totalling 3,612 metres were drilled on Lapaska. Remaining drilling results from the last drilling campaign will be included in NI-43-101-compliant gold resource estimate study and released during the next quarter.

During the year ended July 31, 2009, the Company incurred \$ 481,826 in exploration expenditures on the Lapaska property, which mostly consists of diamond drilling, assaying and report preparation works.

#### *Dubuisson*

The Dubuisson property (100% owned) is located in Dubuisson Township, about 7 kilometres west of downtown Val-d'Or. It consists of 39 contiguous claims covering a surface area of about 870 hectares. It is bounded to the east by the Goldex Mine property (reserves: 1.6M ounces of gold at 2.4 g/t Au – Agnico-Eagle, 2005). This property straddles a 5-kilometre segment of the prolific Cadillac-Larder Lake Fault, a major gold-bearing structure in the Abitibi.

The regional geological setting of the property shows many similarities with former producers in the Malartic mining camp and with Osisko's Canadian Malartic deposit. Gold mineralization is associated with disseminated pyrite in diorite dykes, felsic porphyry intrusions, or sedimentary rocks. The gold system locally exceeds 20 metres in thickness and can be traced for more than 800 metres along strike. Since 1940, several companies have conducted exploration and development work on the property, including geological and geophysical surveys, more than 47,940 metres of diamond drilling, an access ramp and development of ore zones. The best reported drill intercepts are as follows: 10.3 g/t Au over 3.4 m, 13.4 g/t Au over 2.4 m, 24.2 g/t Au over 3.4 m, and 34.3 g/t Au over 4.0 m.

During fiscal year 2009, compilation work was performed by the Company in order to complete a 3D geological modelling, which will be completed soon. Most of the previous exploration work was performed around the Quebec Explorer deposit which contains an historical resource of 261,000 tonnes at 6.6 g/t Au with a true thickness of 3 metres (Pre- NI 43-101). Following the modelling, a diamond drilling program will be proposed in order to validate and define additional resources. The Company still intends to make the historical resources compliant with National Instrument 43-101 before calendar year end. However the exploration budget may be allocated to other projects if needed. During the last year, the Company had incurred \$63,517 in exploration expenses on the property.

#### *Beaufor West and North*

The Beaufor West and North properties (100% owned) are located 35 km northeast of Val-d'Or, Quebec, and adjacent to the Beaufor Mine, a producing gold mine operated jointly by Richmond Mines and Louvem Mines. The total production for the Beaufor Mine (which includes Perron and Pascalis Mines) is more than 990,000 ounces Au between 7.0 g/t Au to 8.5 g/t Au (Richmont Mines, 2008). Previous drilling work by the Company in 2008 tested the near surface south-western extension of the Beaufor Mine and intersected 5 gold-bearing structures of which 2 yielded values of 7.5 g/t Au over 1.1m and 9.6 g/t Au over 0.5m. Also in 2008, drill results on Beaufor North led to the discovery of 2 new gold structures yielding values of 35.8 g/t Au over 0.5m and 6.6 g/t Au over 0.9m near surface and 1km north of the Beaufor Mine. During the last year, 515 meters of drilling were performed on Beaufor North and no significant values were intersected. Assessment drilling reports were also prepared for both properties. During fiscal year 2009, the Company incurred \$81,725 in exploration expenses on the properties.

### *Abitibi Gold and Base Metals*

During fiscal year 2009, the Company acquired 100% rights on Abitibi Gold and Base Metals properties which consist of 15 new gold and base metals exploration properties in the north-western part of Quebec, in the Abitibi region, totalling more than 10,927 hectares. Targeted areas were selected using our in-house database and all the new properties encompass gold and/or base metals mineralization identified by drilling and/or observed on outcrops and/or observed in till. Major land positions were taken along the Casa Berardi Gold Break, Rouyn-Noranda, Temiscamingue, Amos and Desmaraisville areas. Only the Casa Berardi Gold properties are discussed in this MD&A.

These properties, totalling 5,600 hectares and 20 kilometres of the Casa Berardi Gold structure, lie in strategic locations between the Casa Berardi Gold Mine (proven and probable reserves of 956,000 ounces at 7.8 g/t Au, indicated and measured resources of 936,000 ounces at 5.9 g/t Au and inferred resources of 920,000 ounces at 6.6 g/t Au - Scott Wilson RPA, 43-101 Report, February 2009) owned by Aurizon Mines and the Discovery Gold Deposit owned by North American Palladium (indicated and measured resources of 237,075 ounces at 6.3 g/t Au and inferred resources of 294,473 ounces at 5.9 g/t Au – Innovexplo, 43-101 Report, August 2008).

#### Sinclair-Bruneau property

This property, totalling 3,500 hectares and adjacent to the property which contains the Discovery Gold Deposit less than 3 kilometres to the south-east, consists of 62 mining titles acquired by map designation and 7 acquired from prospectors (see below detail on the Bruneau property agreement). The property contains several deformation zones associated with the Casa Berardi-Cameron fault over a length of 8 km. Historical drilling work intersected gold bearing mineralization close to surface returning: 3.1 g/t Au on 4.6m and 2.4 g/t Au on 2.7m. Gold bearing mineralization observed corresponds to strongly pyritized and carbonatised zones located in contact with sheared andesite injected of quartz porphyry dykes. In addition, a network of gold anomalous quartz veins hosted in a sheared gabbro dyke, strongly altered in biotite and carbonates was followed for more than 1.5 km (MRNF - GM 56086). These typical alteration and mineralization zones in the Discovery gold system environment represent high priority drilling targets which could be tested by the winter of 2010.

#### Bell-Vezza property

The property Bell-Vezza, totalling 25 mining titles and covering a surface of 1,400 hectares, is located 5 km from the Northway-Noyon and Vezza properties owned by American Bonanza and Agnico-Eagle which concluded a joint venture agreement in 2007. These properties contain respectively 866,000 ounces at 1.5 g/t Au and 389,000 ounces at 5.5 g/t Au (Sigeom MRNF - Historical data pre - 43-101). The property was explored very little and a historical drill hole intersected 1.7 g/t Au over 1.5m in semi-massive bands of pyrite injected of quartz-ankerite veins hosted in altered and very sheared sediments and andesites. The geological environment is very similar to the Vezza and Northway-Noyon deposits. Geophysical survey could be undertaken in 2010.

#### Casagasic property

The Casagasic property, totalling 40 claims covering a surface of 700 hectares, contains the Casa Berardi – Cameron Tectonic Gold Zone over a length of 5 kilometres and is adjacent to the Casa Berardi - Lake Shore Gold East Option property owned by Aurizon Mines. Lake Shore Gold announced an important discovery in October 2008 where a drill hole intersected 8.6 g/t Au over 10.4m including 13 g/t Au over 6.5 m. The property contains a geological environment similar to the Lake Shore Gold discovery being to the same geological contact between the Taibi Sediments and Turgeon Mafic Volcanic Rocks. Little historical work was carried out on this property; however, a historical drill hole intersected 87 metres of sericite, silica and carbonate schists. Reversed circulation boreholes located very close to the southern boundary of the property have identified an important gold bearing dispersion with values reaching up to 1.6 g/t Au in the basal till at the contact with the bedrock. The source of this gold bearing trail, located on our property, represents a top priority drill target.

## Detail of the Bruneau Agreement

On August 6, 2009, the Company announced the signing of an agreement with five independent prospectors (the "Vendors") for the acquisition of a 100% interest in the Bruneau Gold Property (which consists of seven mining titles and located 45 kilometres southeast of Matagami, Quebec), in consideration for a cash payment of \$2,000 and the issuance of 100,000 common shares and 100,000 warrants at an exercise price of \$0.25 for three years following their issuance. An area of interest in this property is subject to a 2% NSR in favour of the Vendors, of which 1% can be bought back by the Company at any time by paying the Vendors \$500,000.

## Outlook

The Company anticipates completing approximately 1,200 meters of drilling on the Val d'Or area properties during the next quarter, and the total drilling program by the end of calendar year 2009. Also, during the next quarter, the Company anticipates the completion of a drilling report on the Senore, Pascalis-Colombiere and Meunier-144 properties, the incurring of field work on some new Abitibi Gold properties, which will consist of validation, prospecting, sampling and/or mapping, and the completion of the 43-101 report on Lapaska by the firm InnovExplo.

In addition, Adventure Gold intends to be pro-active in the acquisition of new mineral exploration properties in Québec and in Ontario, primarily in and around gold mining camps. Management is currently reviewing other opportunities and other projects to enhance the portfolio of the Company. The Company intends to develop exploration partnership in order to minimize the risks related to the mining exploration and to accelerate the development of its properties.

## Qualified person

The above technical information was confirmed and/or reviewed by Marco Gagnon, P.Geo., President and CEO of Adventure Gold Inc., a qualified person under NI 43-101.

## Selected Financial Data

The following selected financial data is derived from the financial statements of the Company, which were prepared in accordance with Canadian generally accepted accounting principles.

### Selected Financial Information

	Year ended July 31, 2009	Year ended July 31, 2008	173 days ended July 31, 2007
	\$	\$	\$
<b>Statement of Operations</b>			
Total operating expenses	386,289	596,013	135,105
Interest income	15,167	46,514	-
Loss before income taxes	371,122	549,499	135,105
Net loss and comprehensive loss	260,071	403,351	135,105
Basic and diluted net loss per common share	0.010	0.024	0.017
Basic and diluted weighted average number of common shares outstanding	26,267,855	16,697,165	8,087,370
<b>Statement of Mineral Exploration Expenses and Deferred Exploration Expenses</b>			
Deferred exploration expenses	1,769,990	681,702	33,329
Acquisition of mineral properties	94,838	252,375	182,456
<b>Statement of Cash Flows</b>			
Cash flows used in operating activities	289,477	440,845	91,924
Cash flows used in investing activities	1,868,813	646,580	31,970
Cash flows from financing activities	1,364,302	1,899,675	461,750
(Decrease) increase in cash and cash equivalents	(793,988)	812,250	337,856
	July 31, 2009	July 31, 2008	July 31, 2007
<b>Balance Sheet</b>			
	\$	\$	\$
Cash and cash equivalents	356,118	1,150,106	337,856
Mineral exploration properties	529,668	434,831	182,456
Deferred exploration expenses	2,467,076	698,020	24,120
Shareholders' equity	2,904,663	1,977,918	509,101
Total assets	3,460,573	2,410,197	573,341

Since its incorporation, the Company has not paid any cash dividends on its outstanding common shares. Any future dividend payment will depend on the Company's financial needs to fund its exploration programs and its future growth, and any other factor that the Board may deem necessary to consider. It is highly unlikely that any dividends will be paid in the near future.

### Results of Operations

Loss before Income taxes for the year ended July 31, 2009 is \$371,122 as compared to \$549,499 for 2008 and \$135,105 for the 173-day period ended July 31, 2007. The decrease is mostly attributable to the recognition of lower stock-based compensation (\$52,204 in 2009, \$193,293 in 2008 and \$Nil in 2007), a decrease in interest income (\$15,167 in 2009, \$46,514 in 2008 and \$Nil in 2007) and also a decrease in general and administrative expenses. The lower loss in 2007 is due to the shortness of the first fiscal year, where the Company had just been incorporated and had incurred legal and consulting fees only.

During the year, the Company filed for flow-through renunciations totalling \$1,150,600 (\$1,599,000 in 2008 and \$Nil in 2007), and recorded a recovery of future income taxes for \$111,051 (\$146,148 in 2008, \$Nil in 2007) which resulted in a reduction of net loss by the same amount).

Interest income was \$15,167 in 2009 (\$46,514 in 2008, \$Nil in 2007) and relates to the interest earned on the investment of private placements' proceeds in investment savings accounts, bankers' acceptances, GICs and treasury bills. This decrease is mostly due to a decline in interest rates of short term investments, and to a decrease in the investments portfolio as the Company advances in its exploration program.

## Quarterly information

The following selected financial data are derived from the unaudited interim financial statements of the Company.

Quarter ended	Other income	Net loss (earnings)	Basic and diluted net loss (earnings) per common share
	\$	\$	\$
31/07/2009	1,480	(51,360)	(0.002)
30/04/2009	2,062	98,145	0.003
31/01/2009	4,600	94,553	0.003
31/10/2008	7,025	118,733	0.006
31/07/2008	8,199	(14,510)	(0.001)
30/04/2008	13,703	78,556	0.004
31/01/2008	20,320	277,720	0.016
31/10/2007	4,292	61,585	0.005

Net loss was relatively steady over the last eight quarters, except for the quarter ended January 31, 2008 where the net loss increased significantly, due mostly to the recognition of stock based compensation further to the grant of options to employees and directors of the Company during the period. Also, during the quarters ended July 31, 2009 and 2008, the Company recorded a recovery of future income tax for respectively \$111,051 and \$146,148 further to flow-through expenses renunciations filed, which explains the net earnings for these quarters.

During the last four quarters, the Company realized other income consisting of interest income earned on investments in investment savings accounts, bankers' acceptances, GICs and treasury bills with maturities of up to three months.

## Liquidity and capital resources

The Company's working capital stands at \$389,471 as at July 31, 2009, as compared to \$ 1,124,963 at July 31, 2008. The decrease in working capital is attributable to the advancement of the Company in its exploration program during the year and to operating expenses incurred in the normal course of business.

The Company's principal requirements for cash for the next twelve months will be administrative expenditures, deferred exploration expenditures and cash payment commitments. At July 31, 2009, the Company had a working capital of \$389,471 including cash of \$356,118. The Company anticipates having sufficient funds to meet its flow-through commitment to spend \$322,448 by December 31, 2009 (Note 8 of financial statements), and meet its corporate and administrative expenses for a few months. However, given its limited financial resources, the Company will require additional financing, through various means including but not limited to equity financing, to secure sufficient funding for its existing commitments for exploration programs and cash payments (Note 7 of financial statements), and meet all of its general and administrative costs which are expected to be in the order of \$350,000 for the next twelve months. There is no assurance that these initiatives will be successful and there remains uncertainty as to the ability of the Company to continue operating as a going concern for the next twelve months.

## Off Balance Sheet Arrangements

As of July 31, 2009, the Company has no off balance sheet arrangements.

## Related Party Transactions

Under an agreement between the Company and Everton Resources Inc. ("Everton"), the Company reimburses the cost of the Company's portion of shared salaries and benefits, rent and office expenses paid by Everton (which shares common management). During the year, the cost of shared salaries and benefits was \$91,540 (2008 - \$70,272) and rent and office expenses were \$8,274 (2008 - \$9,978). Included in the amount due to related party is \$29,319 due to Everton (2008 - \$8,954).

On June 1, 2009, the Company signed a cost sharing agreement (effective January 1, 2009) with Everton which provides the Company with the option to pay Everton in common shares in lieu of cash. On July 2, 2009, the Company issued 255,352 common shares to Everton (valued at \$29,310) in payment of shared costs for the first half of 2009 (excluding Insider management costs which are pending the Company shareholders' approval).

These transactions were measured at the exchange amount, which is the amount established and accepted by the parties and were conducted in the normal course of business.

The amounts due to related parties are without interest.

### **Book Value of Mineral Properties**

At the end of each quarter, management reviews the carrying values of its resource properties to determine whether any write-downs are necessary. Following this analysis, during the year ended July 31, 2009, the Company recorded a write-down of \$935 (\$7,260 in 2008 and \$Nil in 2007) attributable to the O'Sullivan and Moss properties as they no longer fit the Company's development strategy.

### **Critical Accounting Policies and Estimates**

The preparation of the Company's financial statements in accordance with Canadian Generally Accepted Accounting Principles requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. The Company's significant accounting policies and estimates are fully described in note 4 to the audited financial statements for the years ended July 31, 2009 and 2008.

### **Changes in Accounting Policies**

Effective August 1, 2008, the Company adopted the new accounting standard related to "General Standards of Financial Statement Presentation" that was issued by the Canadian Institute of Chartered Accountants under section 1400. This change only addresses disclosures and has no impact on the Company's financial results. Also, the Emerging Issues Committee ("EIC") issued Abstract EIC-173, Credit Risk and the Fair Value of Financial Assets and Liabilities, and EIC-174, Mining exploration costs regarding the capitalization and impairment of exploration costs. The Company has taken into account the consensus reached in these abstracts in preparing these audited financial statements. These changes are fully described in note 3 to the audited financial statements.

### **Future Accounting and Reporting Changes**

International Financial Reporting Standards ("IFRS")

The Canadian Accounting Standards Board requires all public companies to adopt International Financial Reporting Standards ("IFRS") for interim and annual financial statements for fiscal years beginning on or after January 1, 2011. Companies will be required to provide IFRS comparative information for the previous fiscal period. The transition from Canadian GAAP to IFRS will be applicable for the Company's first quarter ended October 31, 2011. The Company is currently assessing the impact of these new accounting standards on its consolidated financial statements. During the next periods, the Company will develop its internal implementation plan to meet the guidelines of the future reporting requirements.

### **Outstanding Share Data**

Common shares and convertible securities outstanding at November 13, 2009 consist of:

Securities	Expiry date	Average exercise price	Number of securities outstanding
Common shares	-	-	31,336,495
Warrants	Up to August 12, 2012	\$0.21	3,422,828
Agent option	October 30, 2010	0.14	392,857
Options	Up to March 26, 2014	\$0.23	1,580,000

## **Subsequent events**

On August 12, 2009, in execution of the Bruneau gold property agreement, the Company made a cash payment of \$2,000 to the vendors, issued 100,000 common shares at \$0.105 and 100,000 warrants at an exercise price of \$0.25 until August 12, 2012.

On August 27, 2009, 10,000 share purchase stock options were forfeited.

On September 27, 2009, 554,528 warrants at \$0.25 expired without exercise.

## **Risk and uncertainties**

Exploration of minerals and development of mineral properties involve significant risks, many of which are outside of the Company's control. In addition to the normal and usual risks of exploration and mining, the Company often works in remote locations that lack the benefit of infrastructure and easy access.

### *Financial risk*

The Company is considered to be in the exploration stage, that it is dependant on obtaining regular financing in order to continue exploration. Despite previous success in acquiring this financing, there is no guarantee of obtaining any future financing, or that it will be available on acceptable terms.

The prices of metals fluctuate widely and are affected by many factors outside of the Company's control. The relative prices of metals and future expectations for such prices have a significant impact on the market sentiment for investment in mining and mining exploration companies.

### *Risk on the uncertainty of title*

Although the Company has taken steps to verify title to mineral properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title.

### *Environmental risk*

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.

## **Additional information and continuous disclosure**

This Management's Discussion and Analysis has been prepared as of November 13, 2009. Additional information on the Company is available through regular filings of press releases and financial statements on SEDAR ([www.sedar.com](http://www.sedar.com)).

\_\_\_\_\_  
*(Signed) Marco Gagnon*  
Chief Executive Officer

\_\_\_\_\_  
*(Signed) Khadija Abounaim*  
Chief Financial Officer