

JAYDEN RESOURCES INC.
(formerly Pinnacle Mines Ltd.)
**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND
RESULTS OF OPERATIONS**
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2011

The following Management's Discussion and Analysis ("MD&A") is intended to assist the reader to assess material changes in financial condition and results of operations of Jayden Resources Inc. ("Jayden" or the "Company") as at September 30, 2011 and for the nine month period then ended in comparison to the same period in 2010.

This MD&A should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2010 and supporting notes. These financial statements have been prepared using accounting policies consistent with IFRS as issued by the International Accounting Standards Board ("IASB").

All monetary amounts are in Canadian dollars unless otherwise specified. The effective date of this MD&A is November 14, 2011. Additional information relating to the Company is available on SEDAR at www.sedar.com.

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1. Overview

Jayden is a mineral exploration company engaged in resource exploration and project development. In this regard, the Company's plan is to acquire properties of merit and take them through the exploration phase and hopefully through feasibility and on to construction and production.

Jayden is in the advanced stage of exploration on its 80% owned Silver Coin Property. Since 2004, the Company, along with its joint venture partner Mountain Boy Minerals Ltd. ("Mountain Boy") has conducted extensive exploration as well as environmental, metallurgical and resource studies on its Silver Coin Property. In April 2007, Minefill Services calculated a NI 43-101 compliant resource on the Silver Coin Property. Subsequently, the Company conducted aggressive drill campaigns in 2007 and 2008. In December of 2009 Tetra Tech Inc completed a NI 43-101 compliant Preliminary Economic Assessment, incorporating the new drill holes and issued an update to this report on March 12, 2010.

The Company completed a drill program in September of 2010 with the objectives of confirming historical drill results, filling in undrilled portions of the mineralization, extending the mineralization to the north of the existing resource and obtaining fresh core for continued metallurgical testing. Based on this new drilling, the Company contracted Minarco Mineconsult to complete an updated NI 43-101 compliant Technical Report and Preliminary Economic Analysis with an updated resource which was issued March 4, 2011.

Jayden began a significant drill program in May 2011 with the principal objective of reducing hole spacing in the main resource area. This program was completed in September of 2011 with a total of 119 core holes drilling 18,458m. In addition to Jayden's normal core logging/QAQC and assay procedures the company also determined specific gravity for a representative sample of much of the 2011 core to bolster the company's engineering data.

Recently, the company delivered assay data for the 2011 program to Minarco-Runge for a new resource calculation.

Jayden has conducted the majority of its exploration on its properties using third party geological consultants and subcontractors for its exploration.

The Company is taking additional steps to advance the Silver Coin Property toward production. These include contracting AMEC Earth and Environmental to continue environmental baseline studies begun in 2009 by Cambria Gordon Ltd. This baseline environmental study will be part of the Company's future effort to complete an Environment Assessment and obtain permits to build and operate the project.

Metallurgical test work, including comminution testing, continues to support the Company's belief that the Silver Coin mineralization can be effectively treated using standard milling practices. During 2011 the company conducted an aggressive metallurgical test program, the results of which are currently being reviewed. However, the test work has confirmed the company's previous favourable recovery estimates and confirmed that a gravity circuit may be useful in recovering free gold and electrum, that a bulk sulphide concentrate will recover very high percentages of the gold and silver and that that concentrate can be treated by cyanide to recover over 90% of the gold and over 60% of the silver in a dore.

2. Highlights for the quarter ended September 30, 2011

- Pursuant to a July 2009 agreement with JV partner Mountain Boy Minerals Ltd., wherein Jayden had an option to 2014 to increase its ownership in Silver Coin, the Company completed over \$4,000,000 in expenditure requirements during 2010-2011 to earn an additional 10% interest in the Silver Coin, bringing the Company's ownership in the property to 80%.

- Jayden announced that 45,000,000 share purchase warrants exercisable at a price of \$0.15 per share and 22,894,033 exercisable at \$0.05 per share were exercised in full by insiders of the Company for total gross proceeds of \$7,894,702. Partial funds from this exercise were used to finance the 2011 drill program.
- Jayden entered into an asset purchase agreement with Nanika Resources Inc. ("Nanika") to acquire Nanika's 45% interest in the mineral claims INDI 9-12 which are adjacent to and form part of Silver Coin. This acquisition was a significant milestone in the consolidation of Silver Coin's ownership. Nanika had completed two drill programs on the INDI claims during 2009 and 2010, the results of which were never included in the Company's previous resource calculations. The acquisition adds known mineralization and potential additional resources to the property and facilitates ongoing and future project development as the Company advances the project towards production.

3. Results of operations for the nine months ended September 30, 2011

The following table sets forth selected consolidated information for the nine months ended September 30, 2011, 2010 and 2009.

For the nine months ended September 30,	2011	2010	2009
Financial results:			
Net (loss) for the period	\$ (1,289,023)	\$ (3,816,284)	\$ (1,479,174)
Basic and diluted gain (loss) per share	(0.00)	(0.03)	(0.01)
Balance sheet data:			
Cash and cash equivalents	2,356,134	424,549	2,581,766
Mineral properties	14,571,281	10,254,222	8,785,562
Net current assets	2,858,516	585,506	1,874,031
Shareholders' equity	17,605,612	10,986,221	11,880,909
Cash flow data:			
Exploration expenditures	(3,931,855)	(764,589)	(1,053,970)
Common share proceeds (gross)	7,898,002	4,343,815	-

Because the Company is an exploration company, it has no revenue from mining operations.

The table below sets forth selected results of operations for the Company's eight most recently completed quarters.

	Sep 30, 2011	Jun 30, 2011	Mar 30, 2011	Dec 31, 2010	Sep 30, 2010	Jun 30, 2010	Mar 30, 2010	Dec 31, 2009
Net loss	(171,801)	(442,168)	(675,054)	(891,688)	(768,591)	(2,745,086)	(302,607)	(20,712)
Basic and diluted loss per share	(0.00)	(0.00)	(0.04)	(0.01)	(0.00)	(0.02)	(0.00)	(0.00)
Write-down of interests in mineral properties	-	-	-	-	-	-	-	(6,697)
Share-based payments	-	-	-	1,631,018	-	1,631,018	701	-
Total assets	18,032,549	14,821,649	12,123,702	11,455,807	13,053,465	13,145,806	9,623,470	9,837,789
Working capital	2,858,516	990,007	816,770	585,506	1,874,031	3,302,186	375,101	765,629

Quarter ended September 30, 2011 compared to quarter ended September 30, 2010

For the three-month period ended September 30, 2011, the Company recorded a net loss of \$171,801 compared to \$768,591 in the comparable period in the prior year. The decrease in net loss from the period in the prior year is largely attributable to that period's higher professional and consulting fees as well as higher corporate administration and regulatory expenditures.

The Company started 2011 with a working capital of \$585,506 and by the end of the nine-month period ended September 30, 2011 this position had increased to \$2,858,516, a net increase of \$2,273,010 which is primarily accounted for by the share subscriptions received in the nine-month period ending September 30, 2011 of \$7,898,002. These subscriptions contributed to financing the drill program at the Silver Coin property.

3.1 Exploration projects

3.1.1 Silver Coin Property:

The Silver Coin project is located near the town of Stewart, B.C and consists of 39 claims totalling 1477 net Ha. The Company completed a new 43-101 compliant Technical Report dated March 4, 2011. The report includes an updated resource estimate incorporating the assay results of 18 holes that the company drilled during the fall of 2010 which had not previously been reported or included in resource estimates. This updated resource estimate represents an overall increase in the average gold grade of 10.9 per cent and an 11.1-per-cent increase in the number of resource ounces previously reported, from 191,300 measured ounces, 644,300 indicated ounces and 655,200 inferred ounces, to 218,410 measured ounces, 624,006 indicated ounces and 813,273 inferred ounces. The updated resource estimate incorporates a total of 732 drill holes (88,645 metres) plus 76 trenches (1,447 metres). The Silver Coin project is a joint venture with Mountain Boy Minerals Ltd. Jayden has a 80-per-cent interest.

In May of 2011, the Company began a 15,000-20,000 meter core drilling program with objectives that include upgrading a significant percentage of the inferred resource ounces to the indicated or measured classification, collecting fresh core for metallurgical testing and enhancing the understanding of the geology of the deposit. That drill program was completed in September of 2011.

The Company has been advancing metallurgical studies using a reblended composite head sample that is closer in grade (1.1g/t) to the average grade of the deposit to best simulate actual recoveries that may be achieved in a mill. Recent preliminary results include a gold recovery of 96% grading 29 g/t Au with silver recovery at 77% grading 93 g/t. The concentrate represents less than 4% of the original feed weight, greatly reducing the size of a leach circuit. With additional cleaning the final concentrate represents only about 1.5% of the original feed weight showing excellent upgrading potential, which may allow for transport offsite should the Company choose to sell the concentrate to a smelter. Test data indicate that gravity pre-treatment is effective in removing coarse gold and electrum which in turn enhances cyanide recovery of both gold and silver when leaching the concentrate. In summary, metallurgical testing shows excellent flotation recoveries to produce a very leachable concentrate. Testing initiated in 2011 is ongoing and these test results will be reported when the testing is substantially complete and final results available.

Environmental baseline studies are continuing on the site and certain improvements have been made to expand and enhance the baseline data.

This summer, the company initiated infrastructure studies to model potential locations for mine infrastructure such as buildings, roads, waste disposal and tailings. These studies also included road access to the site and delivery of electric power. These inputs will support ongoing technical and economic studies.

The Silver Coin Property is located approximately 25 kilometres by road north of Stewart, British Columbia in the Skeena Mining Division of British Columbia. Silver Coin hosts a gold-silver-zinc resource containing a 43-101 resource of a 0.3 gram gold per tonne cut off grade of 24.13 million tonnes grading 1.08 g/t gold for a total of 842,416 ounces of gold, 4.45 million ounces of silver and 91.17 million pounds of zinc in the measured and indicated categories. The estimated inferred resources comprise an additional 813,273 ounces of gold, 6.69 million ounces of silver and 128 million lbs of zinc. The resource was estimated by Minarco MineConsult of Beijing, China in a technical report dated March 4, 2011 as follows:

0.3 gt Al Cut-off	Tonnes	Au (g/t)	Ag (g/t)	Zn (%)	Au (oz)	Ag (oz)	Zn (lbs)
Measured	4,372,225	1.55	6.53	0.26	218,410	918,417	25,531,741
Indicated	19,759,025	0.98	5.57	0.15	624,006	3,537,769	65,642,277
M&I	24,131,250	1.08	5.74	0.17	842,416	4,456,186	91,174,018
Inferred	32,443,840	0.78	6.41	0.18	813,273	6,691,185	128,006,920

This updated resource estimate represents an overall increase in the average gold grade of 10.9 per cent and an 11.1-per-cent increase in the number of resource ounces previously reported, from 191,300 measured ounces, 644,300 indicated ounces and 655,200 inferred ounces, to 218,410 measured ounces, 624,006 indicated ounces and 813,273 inferred ounces. The updated resource estimate incorporates a total of 732 drill holes (88,645 meters) plus 76 trenches (1,447 meters).

The Company acquired 100% ownership in a number of "cell" mineral claims both within the perimeter of the existing claim group as well as peripheral to the existing claims. The Property now includes 39 mineral claims with a net area of approximately 1,477 hectares, made up of the existing Core Claims, the INDI Claims and the new cell claims which are located both within and peripheral to the primary claim block. Jayden owns a 80% interest in the Silver Coin Claims.

During the summer of 2011, the Company drilled 119 holes totalling 18,458m. The drill program was successful in drilling significant widths of good grade gold and silver mineralization. Highlights from the program to date include:

Hole ID	From (m)	To (m)	Interval (m)	Au (g/T)	Ag (g/T)	Au (oz.t)	Ag (oz.t)
SC11-340	157.64	168.00	10.36	2.69	4.61	0.08	0.13
SC11-341	89.57	106.00	16.43	2.67	14.25	0.08	0.42
SC11-351	93.50	150.16	56.66	1.48	4.71	0.04	0.14
SC11-351	189.67	202.69	13.02	2.74	3.76	0.08	0.11
SC11-353	171.05	174.12	3.07	18.75	11.77	0.55	0.34
SC11-354	113.37	129.87	16.50	2.11	16.58	0.06	0.48
SC11-357	91.50	94.50	3.00	24.96	14.65	0.73	0.43
SC11-358	91.50	117.00	25.50	1.85	3.37	0.05	0.10
SC11-361	58.04	66.00	7.96	25.24	34.73	0.74	1.01
SC11-363	128.00	155.02	27.02	5.72	13.88	0.17	0.40
SC11-404	64.46	80.58	16.12	7.10	10.77	0.21	0.31

The Core Claims held by the Company and Mountain Boy are the subject of a joint venture agreement that was signed in June of 2006. On 6 July 2009, the Company entered into a further agreement with Mountain Boy to acquire an additional 19% interest in the Core Claims, bringing its ownership in the Core Claims to 70% and converting Mountain Boy's interest to a carried interest. During 2011, the Company completed its required expenditure of \$4 million on the project to earn an additional 10% to bring its total to 80%. In addition, in September of 2011 the Company signed an agreement with Nanika Resources to acquire Nanika's interest in the 4 Indi claims. Subsequent agreements with Mountain Boy have consolidated the ownership in all of the Silver Coin claims at 80% Jayden and 20% Mountain Boy.

Mountain Boy was granted a first right to negotiate contracts to provide services in connection with exploration and development work on the Silver Coin Property. Since June 2006, the Company has been the operator of the Silver Coin Property, with Mountain Boy serving in advisory and contractor capacities only.

Extensive exploration and drilling has been completed on the Silver Coin Property site. Initial environmental studies and basic metallurgical and processing test work completed on the project reveal no major obstacles to advance the project to development stage.

In 2010, the Company contracted AMEC Earth and Environmental to continue the environmental studies started by Cambria Gordon Ltd. in 2009. AMEC has expanded the water sampling and hydrology program and importantly, confirmed Cambria Gordon's conclusion that No Name Lake is non-fish-bearing. To RIC standards, No Name Lake, a potential site for tailings placement, is devoid of fish and thus remains a potentially viable option for design and operation of the project. AMEC is focusing on surface hydrology studies to characterize flow rates in several critical streams on the property, surface water quality of these streams and confirmation studies of the fish-bearing status of No Name Lake. AMEC has also installed a continuously monitoring weather station on the property to establish baseline air quality and climate data for the project. Hydrology studies have continued during the 2011 field season.

The Silver Coin property covers an area of Lower-Jurassic age, intensely altered intermediate volcanic rocks. Detailed regional and property scale geologic mapping conducted by government and company-contracted geologists indicates that the area was a regional paleotopographic high with a stratovolcano centered on the nearby Mount Dilworth. The rocks are cut by a variety of intrusive rocks of both early Jurassic and Eocene age. In 1991, 102,539 tonnes at an average grade of 8.9 g/t Au and 55.50 g/t Ag was produced from the property from the high-grade Facecut Zone, located on the Big Missouri claim. This ore was mined from underground drifts and processed at the nearby Silbak Premier Mill.

The location of Silver Coin is ideal for the construction of a potential open pit mining operation. The Granduc Road passes through the property, linking Silver Coin with the deep water port at Stewart, B.C. The deposit is 5 kilometers north of the Silbak-Premier mine, which produced approximately 1.8-2.0M ounces of gold.

Prior to the Company's participation in the Silver Coin Property, a total of 422 holes were drilled with an aggregate depth of approximately 37,401 meters. This historic drilling included 293 underground drill holes with an aggregate depth of approximately 17,500 meters during the period from 1988 to 1994.

In 2004, Mountain Boy resumed active exploration on the Silver Coin Property. The Company became involved in the project in 2005 and during the period from 2004 to 2008, the Company and Mountain Boy drilled a total of 324 surface core holes with an aggregate depth of approximately 50,305 meters. There was no drilling completed on the Silver Coin Property during 2009.

Management developed an aggressive exploration and evaluation program for 2011 and the board of directors approved the program. The program includes:

- Extension drilling for resource expansion
- Exploration drilling on outlying targets
- Infill drilling for grade and resource model verification, geologic modeling, metallurgy, and engineering studies.

The Company is also continuing environmental work, metallurgical testing and numerous other field, laboratory and engineering studies in support of completing a prefeasibility study.

3.1.2 Surprise Creek Property

Located 32 km northeast of Stewart, BC, in the Bear River pass near Surprise Creek, the Company acquired 24 claims in 2003 and subsequently staked more claims adjacent to the property. The property has had very little exploration in the last 30 years and only sporadic work efforts since the early 1900s. The Company evaluated and dropped some of its claims and presently has 19 claims covering roughly 7,500 hectares. The property follows the contact zone between the Mt. Dilworth rhyolite and overlying Salmon River sedimentary formations, the same stratigraphic sequence that is host to numerous gold deposits including Eskay Creek, Snip and Premier and Big Missouri Mines. The rhyolite horizon was traced along the entire north-south length of the Surprise Creek claim group.

In July of 2006 some surface reconnaissance was carried out on the property by Company geologists. In July 2007 the Company completed a four-hole drilling program of approximately 2000 meters. The results helped the Company to understand the general geology and serve as a guide to future drilling. No work was carried out on the Surprise Creek Property in 2008 or 2009.

In May 2010, the Company optioned the Surprise Creek Property to Great Bear Resources Ltd. for consideration of \$150,000 and 700,000 shares (200,000 shares received) to be issued over 2 years. The Company has reserved a 1.0% net smelter returns royalty of the claims.

4. Liquidity and Capital Resources

The following table summarizes the Company's cash on hand, working capital and cash flow

As at September 30,	<u>2011</u>		<u>2010</u>	
Cash and equivalents	\$	2,356,134	\$	424,549
Working capital		2,858,516		585,506
Period ended September 30,	<u>2011</u>		<u>2010</u>	
Cash used in operating activities		(2,048,502)		(1,966,597)
Cash used in investing activities		(3,917,915)		(609,680)
Cash provided by financing activities		7,898,002		4,343,815
Change in cash	\$	1,931,585	\$	1,767,538

The Company is dependent on the sale of treasury shares to finance its exploration activities, property acquisition payments and general and administrative costs. The Company required additional funds in 2011 to continue its exploration program and during the nine-months ended September 30, 2011 received \$7,898,002 upon the exercise of warrants.

To maintain the Silver Coin Property in good standing no work or payments are required until 2017 with the exception of the Kansas claim which requires an annual payment of \$24. The Silver Coin, likewise, is in good standing until September 2011.

Jayden's completed its 2011 plans of reducing drill-hole spacing, preliminary metallurgical test-work, initiating mine planning and baseline environmental studies, continued surface geologic mapping, and securing adequate supplies of water and power. These items are required for the project to proceed toward feasibility.

At September 30, 2011, the Company had no loans payable.

The Company will need to continue to raise more funds in order to proceed with its exploration plans.

4.1.1. Share Capital

The Company has an authorized share capital of an unlimited number of common shares of which 183,502,268 shares were issued and outstanding at the end of September 30, 2011.

In May 2010, the Company completed a rights offering in which one right was issued for each share held, where each right entitled the holder to acquire an additional common share for \$0.05. A total of 91,576,134 shares were issued raising gross proceeds of \$4,578,807. Share issue costs of \$3,684,062 were incurred. Progress Advanced Holdings Ltd. ("Progress Advanced") agreed to provide a standby commitment under which it would purchase any common shares that were not otherwise subscribed for under the rights offering prior to the expiry time. In consideration, Progress Advanced was granted 22,894,033 warrants where each warrant entitled the company to purchase an additional common share at \$0.05 for a period of six months from the closing, subsequently extended to April 30, 2011. The fair value of these warrants was \$3,449,070 which was accounted for as part of the total share issue costs.

During the first quarter of 2011, these 22,894,033 warrants were exercised for gross proceeds of \$1,148,000. During the second and third quarter of 2011, a further 45,000,000 warrants were exercised for gross proceeds of \$7,898,002 which is recorded as share subscriptions received on the condensed consolidated interim statements of changes in equity.

The Company has no full share equivalent warrants outstanding as of September 30, 2011 (December 31, 2010 – 67,894,033). Subsequent to the quarter, shares were issued for all warrants exercised.

The Company has no shares remaining in escrow at September 30, 2011.

The Company has a stock option plan in place and on June 2, 2010, the Company granted 12,250,000 stock options to certain directors, officers and consultants of the Company. The options are exercisable for 5 years at an exercise price of \$0.20 per share. No options have been issued in the nine-month period ended September 30, 2011 but 550,000 stock options have expired.

At the end of the nine-months dated September 30, 2011, a total of 12,525,000 options were outstanding and exercisable at prices ranging from \$0.20 to \$0.40 per share. The weighted average exercise price is \$0.20 per share. The maximum number of shares subject to the plan, in the aggregate may not exceed 10% of the Company's issued shares. The Company uses the Black-Scholes option pricing model to estimate the fair value of the options.

During the nine months ended September 30, 2011 the Company recognized \$nil (2010 - \$1,631,018) of stock-based compensation expense. The Company used the Black-Scholes option pricing model to estimate the fair value of the options at the grant date using the following weighted average assumptions:

	<u>2010</u>
Risk-free interest rate	1.36%
Dividend yield	Nil
Expected volatility	146%
Expected option life	2.0 years

Option pricing models require the input of highly subjective assumptions regarding the expected volatility. Changes in assumptions can materially affect the fair value estimate, and therefore, the existing models do not necessarily provide a realistic measure of fair value of the Company's stock options and warrants at the date of the grant or thereafter.

4.1.2. Contractual commitments

- (a) During 2005, the Company entered into a Cooperation Agreement with Gold Mountain (H.K.) International Mining Co. Ltd. ("Gold Mountain") a Hong Kong based subsidiary of Zijin Mining Group Co. Ltd. ("Zijin"), a gold and copper producer in China. This Cooperation Agreement was entered as part of Gold Mountain's 2005 investment of \$1,950,000 in the Company.

Under the Cooperation Agreement, Gold Mountain and Zijin agree to offer and select as yet undetermined projects in China to the Company for joint venture. Also under the Cooperation Agreement, the Company agrees to offer Zijin a right of first refusal to participate in any projects located in China held at the time of the Cooperation Agreement. Zijin may also arrange to have suitable professionals join the Company's project team at the Company's cost.

- (b) In August 2009, the Company entered into a service agreement with the former president, whereby the Company agreed to pay a monthly fee of \$6,125 for a term of 2 years in return for transitional consulting. During the quarter this agreement terminated.

(c) The Company entered into consulting contracts providing the following services:

	Monthly Fee	Service Provided
	\$	
Baron Global Financial Canada Ltd. (June 2010)	10,000	Corporate advisor
James Andrew & Company (June 2010)	6,000	Consultant
Lawrence A. Dick Consulting Ltd. (June 2010)	3,000	Consultant
Robert Perry Consulting LLP (June 2010)	US\$10,000	Geological services
TransMax Investing (June 2010)	10,000	Management

5. Related Parties

(a) Related party expenses

The Group incurred the following material related party transactions during the respective periods:

Services provided for the nine months ended September 30, 2011	Management and advisory services	Consulting and advisory services	Rent and office expenses
	\$	\$	\$
Baron Global Financial Canada Ltd. (1)	58,500	-	31,500
Baron Asia Limited (4)	-	-	20,742
Baron Capital Ltd. (5)	-	119,572	-

Services provided for the year ended December 31, 2010	Management and advisory services	Consulting and advisory services	Rent and office expenses	Share-based payments	Share issue costs
	\$	\$	\$	\$	\$
Baron Global Financial Canada Ltd. (1)	78,000	-	42,000	239,506	-
Baron Capital Ltd. (5)	-	720,339	-	-	-
Progress Advanced Holdings Ltd. (3)	-	-	-	-	3,449,070
Baron Asia Limited (4)	-	-	52,817	-	-
Bromley Resources Ltd. (2)	-	70,000	-	-	-

(1) Mr. Herrick Lau Mong Tak and Mr. David Arthur Eaton, directors of the Company, were the vice president of corporate finance and managing director of Baron Global Financial Canada Ltd, respectively.

(2) Mr. Paul Frederick Saxton, a former director of the Company who resigned on 21 August 2009, has controlling equity interest in these related companies.

(3) On 17 February 2010, the Company entered into a rights offering standby guarantee agreement with Progress Advanced Holdings Limited for providing underwriting services. Progress Advanced Holdings Limited is an indirect shareholder of the Company. The underwriting service was paid in form of warrants of 22,894,033 units which is exercisable at C\$0.05 each for a period of six months from the closing, subsequently extended to April 30, 2011. The fair value of warrants of C\$3,449,070 was recorded as part of the share issue cost.

- (4) Ms. Letty Wan Ho Yan, a director of the Company, has indirect controlling equity interest in Baron Asia Limited.
- (5) Mr. Joseph Wan Chuen Chung, a close relative of Ms. Letty Wan Ho Yan, a director of the Company, has controlling equity interest in the related company.

According to the commercial agreements between the Company and the related companies, the transactions with Baron Global Financial Canada Ltd., Baron Asia Limited and Bromley Resources Ltd. will continue after the reporting date until the expiry of the commercial agreements. The commercial agreements for other related party transactions had been terminated during the years. The directors of the Company are of the opinion that the related party transactions were conducted on normal commercial terms and in the ordinary and usual course of the Group's business.

(b) Compensation of key management personnel

Key management personnel are the directors of the Company whose compensation included in staff costs comprised the following:

	September 30, 2011	December 31, 2010
	\$	\$
Employees' remuneration summary		
Salaries and other benefits	362,477	214,962
Share-based payments	-	951,373
	362,477	1,166,335

All related party transactions have been recorded at the exchange amount, which is the amount of consideration established and agreed to between the related parties.

6. Adoption of Accounting Standards and Pronouncements under IFRS

Future accounting changes

The following pronouncements from the IASB will become effective for financial reporting periods beginning on or after January 1, 2013 and have not yet been adopted by the Company. All of these new or revised standards permit early adoption with transitional arrangements depending upon the date of initial application.

- IFRS 9, *Financial Instruments* addresses the classification and measurement of financial assets.
- IFRS 10, *Consolidated Financial Statements* builds on existing principles and standards and identifies the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company.
- IFRS 11, *Joint Arrangements* establishes the principles for financial reporting by entities when they have an interest in arrangements that are jointly controlled.
- IFRS 12, *Disclosure of Interest in Other Entities* provides the disclosure requirements for interests held in other entities including joint arrangements, associates, special purpose entities and other off balance sheet entities.
- IFRS 13, *Fair Value Measurement* defines fair value, requires disclosure about fair value measurements and provides a framework for measuring fair value when it is required or permitted within the IFRS standards.

- IAS 19, *Employee Benefits* revises the existing standard to eliminate options to defer the recognition of gains and losses in defined benefit plans, requires remeasurements of a defined benefit plan's assets and liabilities to be presented in other comprehensive income and increases disclosure.
- IAS 27, *Separate Financial Statements* revised the existing standard which addresses the presentation of parent company financial statements that are not consolidated financial statements.
- IAS 28, *Investments in Associate and Joint Ventures* revised the existing standard and prescribes the accounting for investments and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.

The IASB also issued *Presentation of Items of Other Comprehensive Income*, an amendment to IAS 1 *Financial Statement Presentation*. The amendment addresses the presentation of other comprehensive income and requires the grouping of items within other comprehensive income that might eventually be reclassified to the profit and loss section of the income statement. The change becomes effective for financial years after July 1, 2012 with earlier adoption permitted.

Information on new and amended IFRSs that are expected to have an impact on the Group's accounting policies is provided in note 2(b) of the most recent annual consolidated financial statements as at and for the year ended December 31, 2010.

The directors are in the process of assessing the impact of other new or revised IFRSs upon initial adoption. So far, the directors anticipate that the application of these IFRSs is unlikely to have a significant impact on the Group's results and financial positions.

7. Financial instruments

(a) Categories of financial instruments

The Company's financial instruments are classified as follows:

	At September 30, 2011	At December 31, 2010
	\$	\$
Financial assets		
Available-for-sale investments	51,068	119,156
At amortized cost		
- Other receivables	-	2,883
Cash and cash equivalents	2,356,134	424,549
	<u>2,407,202</u>	<u>546,588</u>
Financial liabilities		
At amortized costs		
- Payables and accruals	(383,737)	(433,413)
- Amount due to related companies	(43,201)	(36,043)
- Amount due to a director	-	(130)
	<u>(426,938)</u>	<u>(469,586)</u>

(b) Fair value

Except for available-for-sale financial assets, the fair value of all the financial instruments of the Company approximates their carrying value because of the demand nature or short-term maturity of these instruments.

The fair value of available-for-sale financial assets is determined by prices from observable current market transactions.

(c) Financial risk management objectives and policies

The Company's financial instruments include cash, investments, trade and other receivables, and payables and accruals. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(i) Currency risk

Cash held in foreign currencies other than the Canadian dollar is subject to currency risk. The Company does not enter into derivative financial instruments to mitigate this risk but the Company does not believe its net exposure to foreign exchange risk is significant.

The following table details the Company's sensitivity to a 10% increase or decrease in the Canadian dollar against the foreign currency denominated monetary items above. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the period for a 10% change in foreign currency rates. A positive number indicates a decrease in loss for the year where the foreign currencies strengthen against the Canadian dollar. The opposite number will result if the foreign currencies depreciated against the Canadian dollar.

	Nine Months Ended September 30, 2011	Year Ended December 31, 2010
	\$	\$
	31,556	12,928

(ii) Credit risk

The Company's cash is held in large Canadian and Hong Kong financial institutions. The Company does not have any asset-backed commercial paper. At September 30, 2011 the Company's receivables consist of GST/HST receivable due from the Federal Government of Canada. Management believes that the credit risk concentration with respect to its financial instruments is minimal.

(iii) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. There is a very limited interest rate risk as the Company holds no interest bearing financial obligations or assets.

(iv) Liquidity risk

The Company has net current assets amounted to \$2,858,516 at September 30, 2011 and is exposed to liquidity risk of being able to raise sufficient funds to meet its financial obligations when they fall due. The Company's ability to continue as a going concern is dependent on management's ability to raise required funding through future equity issuances. The Company manages its liquidity risk by forecasting cash flows from operations and anticipating any investing and financing activities. Management and the Board of Directors are actively involved in the review, planning and approval of significant expenditures and commitments.

(v) Price risk

The ability of the Company to explore its mineral properties and the future profitability of the Company are directly related to the market price of precious metals. The Company monitors precious metal prices to determine the appropriate course of action to be taken by the Company.

The Company's investments are subject to ongoing fair value fluctuations from changes in equity and commodity markets.

IFRS 7 establishes a fair value hierarchy that prioritizes the input to valuation techniques used to measure fair value as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table sets forth the Company's financial assets measured at fair value by level within the fair value hierarchy.

	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Assets:				
Cash and cash equivalents	2,356,134	-	-	2,356,134
Available-for-sale investments	51,068			51,068
	<u>2,407,202</u>	<u>-</u>	<u>-</u>	<u>2,407,202</u>

8. Internal Control over Financial Reporting

The Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") of the Company, together with the Company's management, are responsible for the information disclosed in this MD&A and in the Company's other external disclosure documents. For the period ended September 30, 2011, the CEO and the CFO have designed, or caused to be designed under their supervision, the Company's disclosure controls and procedures ("DCP") to provide reasonable assurance that material information relating to the Company and its consolidated subsidiaries has been disclosed in accordance with regulatory requirements and good business practices and that the Company's DCP will enable the Company to meet its ongoing disclosure requirements.

The CEO and CFO have evaluated the effectiveness of the Company's disclosure controls and procedures and have concluded that the design and operation of the Company's DCP were effective as of September 30, 2011 and that the Company has the appropriate DCP to ensure that information used internally by management and disclosed externally is, in all material respects, complete and reliable.

The CEO and the CFO are also responsible for the design of the internal controls over financial reporting ("ICFR") within the Company in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with International Financial Reporting Standards ("IFRS"). During 2010, the Company engaged an international business advisory firm to assess the effectiveness of the Company's ICFR.

During the design and evaluation of the Company's ICFR, management identified certain non-material deficiencies, a number of which have been addressed or are in the process of being addressed in order to enhance the Company's processes and controls. The Company employs entity level and compensating controls to mitigate any deficiencies that may exist in its process controls. Management intends to continue to further enhance the Company's ICFR.

The Company's management, including its CEO and CFO, believe that any DCP and ICFR, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, they cannot provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been prevented or detected. These inherent limitations include the realities that judgments in decision making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by unauthorized override to the future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Accordingly, because of the inherent limitations in a cost effective control system, misstatements due to error or fraud may occur and not be detected.

There have been no changes in the Company's ICFR during the period ended September 30, 2011 that have materially affected, or are reasonably likely to materially affect, the Company's ICFR.

9. Critical Accounting Estimates

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Depreciation

The Group's management exercises its judgement in estimating the useful lives of the depreciable assets. The estimated useful lives reflect the management's estimate of the periods the Group intends to derive future economic benefits from the use of these assets. The Group depreciates its property, plant and equipment in accordance with the accounting policies. The carrying amount of the property, plant and equipment is disclosed in Note 9 of its interim condensed consolidated statements.

Asset retirement obligations

The Group recognises the liability for an asset retirement obligation. The relevant costs in associated with the assets retirement obligations are estimated based on the Group's interpretation of current regulatory requirements. Based on the assessment, the Group did not have any significant asset retirement obligations at the reporting dates.

Critical judgements in applying the Group's accounting policies

The following is the critical judgement, apart from those involving estimations that management have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognized in the financial statements.

Exploration and evaluation assets

When there are events or changes in the circumstances which indicate the carrying amount of the exploration and evaluation assets may not be recoverable, the Group will take into consideration of the recoverable amounts of the relevant cash generating unit ("CGU"). After taking into account the current economic environment, the management reviews the developing projects and exploration plans and confirms that there is no indicator for impairment on the exploration and evaluation assets of the Group at the reporting dates.

Impairment of available-for-sale investments

For available-for-sale investments, a significant or prolonged decline in fair value below its cost is considered to be objective evidence of impairment. Judgement is required when determining whether a decline in fair value has been significant and/or prolonged. In making this judgement, the historical data on market volatility as well as the price of the specific investment are taken into account.

10. Cautionary Statement on Forward-Looking Information

This MD&A, which contains certain forward-looking statements, are intended to provide readers with a reasonable basis for assessing the financial performance of the Company. All statements, other than statements of historical fact, are forward-looking statements. The words "believe", "expect", "anticipate", "contemplate", "target", "plan", "intends", "continue", "budget", "estimate", "may", "will", "schedule" and similar expressions identify forward looking statements. Forward-looking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable by the Company, are inherently subject to significant business, economic and competitive uncertainties and contingencies.

Known and unknown factors could cause actual results to differ materially from those projected in the forward-looking statements. Such factors include, but are not limited to, fluctuations in the currency markets such as Canadian dollar, and U.S. dollar, fluctuations in the prices of commodities, changes in government legislation, taxation, controls, regulations and political or economic developments in Canada, the United States, or other countries in which the Company carries or may carry on business in the future, risks associated with mining or development

activities, the speculative nature of exploration and development, including the risk of obtaining necessary licenses and permits, and quantities or grades of reserves. Many of these uncertainties and contingencies can affect the Company's actual results and could cause actual results to differ materially from those expressed or implied in any forward-looking statements made by, or on behalf of, the Company.

Readers are cautioned that forward-looking statements are not guarantees of future performance. There can be no assurance that such statements will prove to be accurate and actual results and future events could differ materially from those acknowledged in such statements. Specific reference is made to the Company's most recent Annual Information Form on file with Canadian provincial securities regulatory authorities for a discussion of some of the factors underlying forward-looking statements. The Company disclaims any intention or obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise, except to the extent required by applicable laws.