
Management's Discussion and Analysis

The following management's discussion and analysis of financial position and results of operations ("MD&A") of Adriana Resources Inc. (along with subsidiaries "Adriana" or the "Company") was prepared as of September 15, 2010 and should be read in conjunction with the Company's unaudited consolidated financial statements for the nine months ended July 31, 2010 (the "Quarterly Financials") and the audited consolidated financial statements and MD&A for the financial year ended October 31, 2009 (the "Audited Financials") and related notes thereto.

Included in this MD&A are matters that constitute "forward-looking" information within the meaning of Canadian securities law. See "Cautionary Statement Regarding Forward-Looking Information".

The Quarterly Financials have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") applicable to a going concern, which assumes that the Company will be able to meet its obligations and continue its operations for its next financial year. Realization values may be substantially different from carrying values as shown and the Quarterly Financials do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. See "Critical Accounting Estimates" below.

All dollar figures included therein and in the following MD&A are expressed in Canadian dollars unless otherwise indicated. Additional information about the Company has been filed electronically through the System for Electronic Document Analysis and Retrieval ("SEDAR") and is available online on the Company's website at www.adrianaresources.com and under the Company's profile at www.sedar.com. The Company's Class A common shares ("Common Shares") are listed on the TSX Venture Exchange under the symbol "ADI.V".

Overview of the Company

The Company is a Canadian publicly-traded junior exploration-stage company engaged in the exploration and development of mineral properties in Québec, Canada and the development of a port facility in Brazil. The Company's current primary focus is the further exploration and development of its Lac Otelnuik iron ore property located in the Province of Québec ("Lac Otelnuik" or the "Lac Otelnuik Property"). To date, the Company has not recorded any revenues from operations and has no source of operating cash flow. The continuation of the Company as a going concern is dependent on new funding being obtained through successful equity financings and/or the sale of assets and/or achieving strategic partnerships.

Mineral Property Interests

Labrador Trough – Lac Otelnuik Iron Ore Project, Nunavik, Québec, Canada

The Lac Otelnuik Property lies within the Labrador Trough in the Nunavik region of northern Québec, approximately 165 kilometres northwest of Schefferville. The Lac Otelnuik Property consists of 898 contiguous mineral claims totalling approximately 433 square kilometres of which 129 mineral claims are held by the Company under an option agreement pursuant to which the Company has the right to earn a 100% interest in such claims (the "Lac Otelnuik Option Agreement") and 769 mineral claims are owned by the Company. Of the latter, 185 claims were staked by the Company in 2005 and are partly or wholly within an area of common interest pursuant to the Lac Otelnuik Option Agreement.

On November 30, 2005, as amended, the Company entered into the Lac Otelnuik Option Agreement to earn a 100% interest in certain claims comprising part of the Lac Otelnuik Property. The Company's ability to exercise its option under the Lac Otelnuik Option Agreement is subject to certain conditions including (1) the payment of a combination of cash and shares and the completion of certain work commitments as set out in the Audited Financials, (2) a royalty (the "Lac Otelnuik Royalty") equal to (i) 2.5% from the sale of iron ore products mined from the claims subject to the Lac Otelnuik Option Agreement payable commencing in 2015 or earlier on commencement of commercial production with a minimum production royalty based on a certain specified pellet price and a minimum production of 10 million metric tonnes, and (ii) 2.5% net smelter returns from the sale of any other minerals mined from such claims annually; and (3) certain additional conditions. The Company has filed an application with the Quebec Superior Court for a judicial Interpretation of certain provisions of the Option Agreement relating to a portion of the Lac Otelnuik property. The clauses for which clarification is sought relate to the timing of the exercise of the option and the royalty payments. The Lac Otelnuik Royalty is subject to minimum advances of \$150,000 payable by November 30 of each year until commencement of commercial production. The Company has paid \$450,000 of its commitment to the Lac Otelnuik Royalty advances and is current on such obligations. The Company may purchase one-half of the Lac Otelnuik Royalty for \$5.5 million at any time prior to December 31, 2015 and for \$11 million thereafter.

The Lac Otelnuik Property was first recognized and mapped in 1948 with diamond drilling and certain metallurgical and economic studies being completed in the 1970's. Lac Otelnuik is similar to the taconite deposits of the Mesabi Iron Range in Northern Minnesota, where iron mining has been carried out for over 100 years. The deposit located on the Lac Otelnuik Property is a Lake Superior-type surface exposed, gently dipping iron formation of taconite that has been identified over a strike length of approximately 25 kilometres.

During the 2007 and 2008 field seasons, the Company drilled 67 diamond drill holes totalling 7,447 metres to test the 9 kilometre strike length of the South Zone of Lac Otelnuik. The results from the 2007/2008 drilling program confirm a large, flat lying iron formation over an approximate area of 22.5 square kilometres. The targeted formation remains open along strike to the northwest and southeast. The North Zone, where drilling in the 1970s outlined the presence of a significant iron formation similar to that of the South Zone, has not yet been drill tested by the Company.

On May 7, 2009, Watts, Griffis and McQuat Limited ("WGM"), an independent consulting firm, issued a National Instrument 43-101 ("NI 43-101") Mineral Resource Estimate and Technical Report ("Report") defining the following mineral resource estimate for the South Zone of Lac Otelnuik ("Mineral Resource Estimate"):

*Summary of Mineral Resource Estimate for the South Zone of Lac Otelnuik Property
(using a Davis Tube Weight Recovery ("DTWR") cut-off grade of 18%)*

Resource Classification	Tonnes (in Billions)	%Fe Head	DTWR %	% SiO ₂	%Fe DTC
Indicated	4.29	29.08	27.26	3.53	68.00
Inferred	1.97	29.24	26.55	3.51	68.12

A copy of the Report is available under the Company's website at www.adrianaresources.com or under the Company's SEDAR profile at www.sedar.com. The Report is subject to the assumptions and conditions set out therein. Due to the uncertainty of inferred mineral resources it cannot be assumed that all or any part of this resource will be upgraded to an indicated or measured resource as a result of continued exploration. To justify upgrading of the mineral resource to a mineral reserve, demonstrated economic viability is required. Mineral resources which are not mineral reserves do not have demonstrated economic viability. The estimate of mineral resources may be materially affected by environmental, permitting, legal, title, taxation, socio-political, marketing, or other relevant issues.

In 2010, the Company completed an additional 40 diamond drill holes totalling 5,680 meters on the Lac Otelnuke Property. The primary objectives of the 2010 drilling program were to expand and upgrade a portion of the previously defined inferred and indicated mineral resource to a "measured resource" category through in-fill drilling, and to complete work requirements pursuant to the Lac Otelnuke Option Agreement on a portion of the extensive 898 mining claim block. A total of 108 diamond drill holes totaling 13,258 meters have now been drilled on the South Zone of the deposit since 2007, over a strike length of 9 km and cross section width of 2.5 km. In 2011, the Company will continue to drill the North Zone of the Lac Otelnuke Property to increase mineral resources, complete geo-metallurgical sampling and testing, and continue with community relations.

Frank Condon, P. Eng, a former director of the Company and a Qualified Person as defined in NI 43-101, has reviewed and approved the technical disclosure relating to Lac Otelnuke contained in this MD&A.

In order to achieve commercial production, the Company will be required to obtain additional equity and/or debt financing and/or a strategic partner and there is no assurance that this financing and/or partnership will be obtained on favourable terms or at all. Failure to obtain such additional financing and/or strategic partnership could result in the delay or indefinite postponement of further exploration and development of Lac Otelnuke.

Labrador Trough - December Lake Iron Ore Prospect, Nunavik, Québec, Canada

The Company owns 159 mineral claims totalling approximately 74 kilometres near December Lake which is 65 kilometres from the Lac Otelnuke Property and 230 kilometres north of Schefferville, in the Nunavik region of Northern Québec. The Company has identified over 20 kilometres of untested magnetic anomalies on this property and has access to certain historical work, not NI 43-101 compliant, completed on this property.

Labrador Trough - Bedford Iron Ore Prospect, Newfoundland and Labrador, Canada

In June 2008, the Company entered into an option agreement to acquire a 100% interest in the Bedford Iron Ore Prospect, consisting of certain mineral claims in Labrador by, among other things, paying \$200,000 over the six-year option term, of which \$30,000 had been paid as of October 31, 2009. The Company has also staked additional mineral claims directly adjacent to the Bedford Labrador mineral claims. The Company has determined that it will not be able to satisfy the terms of the option agreement and accordingly the agreement was terminated as of July 17, 2010 and the Company wrote off carrying costs of \$200,183. The Company will retain the 82 claims that it owns for further evaluation.

Mustavaara Vanadium, Titanium, Iron Project, Finland

The Company was previously party to an option agreement to earn an interest in the Mustavaara Property which consists of four exploration claims measuring 356 hectares that cover a former vanadium-producing mine in Finland. At October 31, 2008, the Company took a 100% write-off of the carrying value of its interest in the project. On March 30, 2010, the Company closed the sale of its interest in the Mustavaara Property for gross proceeds of \$800,000, of which \$400,000 was paid on closing and \$400,000 is payable on September 30, 2010. A net gain of \$740,091 has been recognized.

MIE, Bear Valley and UNAD Projects, Nunavut, Canada

In May 2009, the Company transferred ownership in the claims comprising the MIE Properties (MIE, Bear Valley, UNAD and 50/50 Nunavut) to Gordon Addie and entered into a Net Smelter Return Royalty Agreement pursuant to which the Company will earn a production royalty of 1% of net smelter returns applicable to production from the MIE Properties and a specified additional area, if applicable.

Iron Ore Port Development

The Company received the Instrucao Tecnica ("IT") permit on September 14, 2010 for its deepwater iron ore port facility (the "Port Facility") in Sepetiba Bay, approximately 70 kilometres west of Rio de Janeiro in the state of Rio de Janeiro, Brazil. The Port Facility will consist of railcar receiving, stockpiling, stacker-reclaimers, a conveyor tunnel under a strait and an island, and a deepwater load-out facility able to accommodate Cape-size vessels. The location of the Port Facility is on a contiguous coast land position totalling approximately 860,000 square metres with direct access to the transportation network including the railway that services the iron ore producing area of Minas Gerias and on a land parcel on the adjacent island. The Port Facility, which will facilitate access to the seaborne market for a number of independent mining operations in the Minas Gerias area, is currently designed to have a capacity of 45 million tonnes per year.

The Company holds an effective 58.5% indirect interest in the Port Facility through a 60% owned indirect subsidiary, Brazore Holdings Ltd. ("Brazore"), which owns a 97.5% interest in Brazore Ltda. ("Brazore Brazil"), the Company's Brazilian subsidiary which owns and is developing the Port Facility.

Pursuant to a 2007 agreement (the "Brazore Transaction"), the Company transferred a 50% interest in its subsidiary, Brazore, to Athena Resources LLC ("Athena") in exchange for Athena's 93.5% interest in Brazore Brazil. Under the terms of the agreement, the Company maintained and increased its interest in Brazore by funding Brazore Brazil's plan to develop the Port Facility as follows: (1) US\$5.0 million by October 20, 2007 to maintain a 50% ownership interest, (2) US\$17.0 million by November 29, 2007 to earn a 60% interest. The US\$22 million (the "Two Tranches") has been used for the purchase of the land for the Port Facility, and initial engineering and other environmental studies. On April 1, 2009, the Company provided notice to Athena that it would not proceed with the funding of an additional US\$33 million to earn a 75% interest in Brazore. As of July 31, 2010, the Company has advanced an additional US\$8.0million in excess of the Two Tranches, which amounts have been used to fund the continued advancement of the Port Facility in Brazil.

In August 2008, the Company entered into an option agreement (the "Port Option"), as amended, with ArcelorMittal in connection with the proposed development of the Port Facility. On June 1, 2009, the parties extended the Port Option for terms of six months unless otherwise terminated by ArcelorMittal. The parties also amended the Port Option to provide for (i) ArcelorMittal to fund both a portion of the Company's monthly costs and 80% of substantial third party consulting costs incurred in connection with the permitting process of the Port Facility; and (ii) the extension of the maturity date of the \$6.45 million unsecured convertible debenture issued by the Company on September 10, 2008 to ArcelorMittal to September 10, 2012 and the deferral of 7% annual interest payments due to ArcelorMittal under this debenture to the maturity date thereof. On November 27, 2009, ArcelorMittal terminated the Port Option.

Worldlink (Canada) Resources Ltd. ("Worldlink") has a right of first refusal to access the full iron ore tonnage output through the Port Facility on reasonable commercial terms subject to a definitive agreement to be entered into between the parties. Worldlink is a China-based integrated trading and shipping company engaged in the import and export business of iron ore and other dry bulk commodities.

The Company is required to obtain various licences and permits from various governmental authorities in Brazil in order to develop the Port Facility. The Company received the critical IT permit September 14, 2010. This permit is the first major step in the permitting and development process. The Company will now begin the detailed engineering and design phase of the project while advancing toward the construction phase. A major focus will now be the pursuit of a corporate or strategic partnership to maximize the value of its investment.

Discussion of Operating and Financial Results

Reorganization

During 2009, the directors of the Company determined that a new approach was required to take the Company to the next stage of its development. Following the appointment of Allen J. Palmiere as President and Chief Executive Officer in June 2009, a corporate reorganization was initiated in order to refocus the Company's operations and reduce costs. The Company completed a move of its corporate offices from larger premises in Vancouver to smaller premises in Toronto effective November 1, 2009. In addition, general and administrative costs have been reduced through a series of employee terminations completed between August and December 2009 with severance payments being made in certain cases over a period of two years and through other administrative cost-cutting measures. In the third quarter, the Company and its co-tenant succeeded in subletting their offices in Vancouver for the remaining four-year term, with effect from August 1, 2010. Due to the current real estate market in Vancouver, the rate was considerably lower than the Company's cost. However, the sub lease has considerably reduced the Company's operating costs by \$17,000 per month. Management and support personnel have been reduced from the equivalent of 14 full-time staff and four part-time consultants previously to a total of four full-time employees and six part-time consultants.

Summary of Quarterly Results

The following sets out certain selected quarterly financial information with respect to the Company:

(\$'000's except per-share amounts)	2010			2009			2008	
	Jul 31	Apr 30	Jan 31	Oct 31	Jul 31	Apr 30	Jan 31	Oct 31
Revenues	-	-	-	-	-	-	-	-
Administrative expenses	1,424	1,590	1,832	2,843	1,616	1,300	1,094	453
Property exploration	-	3	(3)	119	94	223	78	-
Write-off of property interests	200	-	-	1,464	-	-	-	9,109
Gain on disposal of property interests	7	(747)	-	-	-	-	-	-
Other (income) expenses	595	(258)	(214)	(656)	(195)	(116)	67	(126)
Future income tax (recovery)	-	-	-	(632)	-	-	-	-
Net loss	2,226	588	1,615	3,138	1,515	1,407	1,239	9,436
Net income (loss) per share								
- basic and diluted	(\$0.03)	(\$0.01)	(\$0.02)	(\$0.04)	(\$0.02)	(\$0.02)	(\$0.02)	(\$0.14)

The Company's expenses and net loss increased on average through 2009 due to the Company's expansion, especially in Brazil, as it advanced its business plan of exploring resource properties and developing the plans for the Port Facility, and also as a result of growth in the Company's offices in Vancouver, Canada during 2009. The reduction in expenses resulting from current downsizing with the closure of the Vancouver office, the opening of a much smaller office in Toronto, the termination of a number of full-time employees in Vancouver and other administrative cost-cutting will not be fully realized until the fourth quarter of the Company's financial year ending October 31, 2010.

During the third quarter ended July 31, 2010, the Company carried out the bulk of its 2010 exploration program at Lac Oteluk, and succeeded in its efforts to sublet its long-term lease of office premises in Vancouver, but at a future cash loss of \$330,000.

In the previous two quarters, the Company had consolidated its operations in Toronto, prepared for its 2010 exploration program at Lac Oteluk, sold its interest in the Mustavaara Property and wound down its operations in Vancouver.

Results of Operations

The comparison of the 2010 and 2009 amounts for certain categories of expense is affected by certain inter-category expense reallocations performed in years previous to the current year. This practice was discontinued with effect from the fourth quarter of 2009 with the reversal in that quarter of such amounts previously reallocated during the 2009 financial year. The four individual quarters of 2009 have not been restated to reflect the aforesaid reversal, as there is no net effect on 2009's results for the year.

For the three months ended July 31, 2010 and 2009

The Company's net loss for the three months ended July 31, 2010 was \$2,226,000 compared to a net loss of \$1,515,000 for the same period in 2009, a increase of \$711,000, primarily as a result of correction of certain exchange rate fluctuations, provision for the Company's share of the future loss to be realized on the sub-letting of the Vancouver office, and the write off of carrying costs of \$200,000 for the Bedford Iron Ore Prospect.

Interest expense on the unsecured convertible debentures was \$402,000 and \$358,000 for the three months ended July 31, 2010 and 2009 respectively.

Investor relations costs decreased by \$65,000 from 2009, primarily as a result of reductions in staffing levels.

Professional and consulting costs decreased by \$22,000 with the engagement of in-house consultants to replace certain terminated employees, and with reduced legal-related costs relating to the Port Facility. Audit and tax compliance costs increased by \$21,000, with the accrual of annual audit costs through the financial year.

Rent and office expenses were \$148,000 and \$216,000 for the three months ended July 31, 2010 and 2009, respectively. The decrease of \$68,000 is a result of the Company's opening of an office in Toronto in July 2009 and the discontinuance of corporate office expense allocation to the Port Facility (an allocation of \$38,000 was made in the comparable quarter in 2009), partially offset by the elimination of Vancouver office expenses other than rental.

A loss of \$351,000 was recognized in respect of the Company's share of the future loss to be realized on the sub-letting of the Vancouver office, together with the Company's share of broker fees incurred in respect thereof.

For the three months ended July 31, 2010, salaries and benefits decreased by \$53,000 compared to the corresponding quarter of 2009. This is principally due to the elimination of Vancouver-based executive salaries, partially offset by a cessation of a 2009 quarterly reallocation of \$112,000 for salary overhead to the Port Facility and by the 2009 hiring of Toronto-based executives. Further quarter-over-quarter cost savings related to the decrease in the number of employees of the Company after 2009's reorganization will be demonstrated in the fourth quarter of 2010.

For the three months ended July 31, 2010, stock-based compensation increased by \$592,000 compared to the corresponding quarter of 2009, as a result of stock option grants to new officers of the Company in the fourth quarter of 2009 and the second quarter of 2010.

For the three months ended July 31, 2009, \$94,000 had been expensed on studies for the Mustavaara Property. The property was disposed of as of March 30, 2010 with minimal carrying costs in the intervening period.

Foreign exchange results were a loss of \$415,000 for the three months ended July 31, 2010 against a loss of \$41,000 for the corresponding period of 2009. The change in foreign exchange was mainly a

result of the correction of the calculation of foreign exchange gains and losses in the second quarter of 2010.

Non-controlling interest relates to the 40% interest in Brazore held by the minority shareholder, Athena, in the operating loss of Brazore Brazil with 2010's amount of \$171,000 reflecting the period's Canadian dollar-denominated results for Brazore.

The abandonment of the Company's interest in the Bedford Iron Ore Prospect resulted in the write-off of \$200,000 in carrying costs in the third quarter of 2010.

For the nine months ended July 31, 2010 and 2009

The Company's net loss for the nine months ended July 31 2010 was \$4,429,000 compared to a net loss of \$4,161,000 for the same period in 2009, an increase of \$268,000, primarily because of the second-quarter's gain on sale of the Mustavaara Property, the third quarter charge of \$352,000 in respect of the Vancouver office sublet and a \$137,000 foreign exchange gain, partially offset by increased stock-based compensation expense, further terminations in connection with the Company's reorganization, and legal costs associated with the review of all corporate agreements.

Interest expense on the unsecured convertible debentures was \$1,153,000 and \$1,045,000 for the nine months ended July 31, 2010 and 2009 respectively.

Investor relations costs decreased by \$153,000 from 2009, primarily as a result of the reduction in staffing levels.

Professional and consulting costs increased by \$194,000 to \$740,000, primarily as a result of engagement of in-house consultants to replace certain terminated employees. In-house legal costs were also higher, as a result of a review of all corporate contracts and completion of financings. Audit and tax compliance costs increased by \$38,000 as a result of additional costs of the 2009 audit associated with the restatement of the Company's financial statements for the 2008 financial year and the accrual of 2010 annual audit costs through the financial year.

Rent and office expenses were \$509,000 and \$465,000 for the nine months ended July 31, 2010 and 2009, respectively. The increase of \$44,000 is a result of the Company's opening of an office in Toronto in mid-2009 and the discontinuance of corporate office expense allocation to the Port Facility (an allocation of \$113,000 was made for the comparable nine months of 2009), partially offset by the elimination of Vancouver office costs other than rental.

A charge of \$351,000 was recognized in respect of the fair value of the Company's share of the future loss to be realized on the sub-letting of the Vancouver office, together with the Company's share of broker fees incurred in respect thereof.

For the nine months ended July 31, 2010, salaries and benefits increased by \$391,000 compared to the corresponding period of 2009. This is principally due to a cessation of a 2009 reallocation of \$112,000 per quarter for salary overhead to the Port Facility and to termination costs in 2010 in the amount of \$155,000, together with a strengthening of administrative staff in Brazil at the end of the 2009 quarter, partially offset by the elimination of 2009's Vancouver-based salaries. Further quarter-over-quarter cost savings related to the decrease in the number of employees of the Company after the 2009 reorganization will not be demonstrated until the fourth quarter of 2010. Prospectively, future salary and benefits costs should approximate \$350,000 per quarter at current staffing levels.

For the nine months ended July 31, 2010, the total stock-based compensation expense increased by \$243,000 from the total recorded for the corresponding period of 2009, as a result of stock option grants to new officers of the Company in the second half of 2009 and in the second and third quarter of 2010. Of

2009's total recorded expense of \$661,000, \$199,000 had been capitalized to mineral properties and the Port Facility, with \$462,000 (2010: \$904,000) being recorded as stock-based compensation.

For the nine months ended July 31, 2009, \$395,000 was expensed on metallurgical studies and consulting fees, principally for the Mustavaara Property. The property was disposed of as of March 30, 2010 with minimal carrying costs in the intervening period.

Foreign exchange results were gains of \$137,000 and \$41,000 for the nine months ended July 31, 2010 and 2009 respectively, an increase of \$96,000. The change in foreign exchange was mainly a result of 2010's lower exchange rate valuation of Brazilian current liabilities as a result of the Brazilian Reai's 5% weakening since October 2009.

Non-controlling interest relates to the 40% interest in Brazore held by the minority shareholder, Athena, in the operating loss of Brazore Brazil with 2010's amount of \$87,000 reflecting the nine months' results for Brazore.

The sale of the Company's interest in the Mustavaara Property in the second quarter of 2010 realized a net gain of \$740,000.

Liquidity and Financial Position

The Company's cash resources increased to \$2,525,000 at July 31, 2010, compared with \$2,252,000 at April 30, 2010 and \$362,000 at October 31, 2009, an increase of \$2,163,000 over the nine months, as a result of the December 2009 and February and May 2010 private placements which raised net cash (before allocating the cost of related compensation options and warrants) of \$8,177,000, of which \$3,558,000 pertains to the third quarter. As a result, the Company's working capital deficiency of \$1,117,000 as at July 31, 2010 has increased from \$862,000 as at April 30, 2010 and reduced from \$2,695,000 as at October 31, 2009. As of the date of this MD&A, the Company's cash resources are \$351,000 as a result of settlement subsequent to the quarter-end of the Company's drilling costs and interest obligations.

Included in current liabilities at July 31, 2010 and October 31, 2009 is the amount of approximately \$2.8 million (2009 - \$2.9 million at then-current exchange rates) which remains outstanding relating to the purchase of certain lands for the Port Facility, the settlement of which is determinable by third parties and the timing of which is consequentially uncertain. Also included in current liabilities at July 31, 2010 is an accrual of \$301,000, representing the fair value of the Company's share of the future net loss to be realized on the sub-letting of the Vancouver office.

During the three months ended July 31, 2010, the Company had outlays for regular operating expenses of \$1,656,000 and outlays on the 2010 exploration program at Lac Otelnuk of \$1,914,000. Receipts in the period included \$3,558,000 in proceeds from the May 2010 private placement.

During the nine months ended July 31, 2010, the Company expended \$315,000 of its cash on the Port Facility, primarily on engineering and socio-economic studies relating to the Company's new permitting application. This compares with \$2,174,000 spent in the 2009 comparative period, which mainly consisted of design and engineering consulting fees relating to the Port Facility. The Company expended \$3,156,000 on Lac Otelnuk during the nine months ended July 31, 2010 compared to \$1,039,000 in the 2009 comparative period. Cash outflows on operating activities totalled \$2,889,000 compared to \$4,252,000 in the 2009 comparative period, with the decrease being due principally to a reduction in accounts payable during 2009.

With the issuance, in calendar 2010, of certain flow-through Common Shares, the Company is obligated to incur eligible expenditures totalling \$7,001,500 by December 31, 2011, of which approximately \$3,600,000 has been incurred to July 31, 2010.

With no current source of operating revenue, the Company will have to raise additional funds to enable it to meet its operational and debt obligations and to resume its exploration and development programs beyond late-2010. As at the date hereof, the Company has limited financial resources, sufficient only to cover necessary administrative, financing and support costs. The 2010 exploration program on Lac Otelnuke, the exploration budget for which called for aggregate expenditures of approximately \$9 million, was brought to an early conclusion in August. Corporate administrative expenditures are projected at approximately \$3.5 million annually with anticipated expenditures in Brazil relating to the Port Facility totalling approximately \$100,000 per month. To finance all the above expenditures plus any additional work on the Port Facility, and resume work on Lac Otelnuke, the Company will have to raise further additional equity by way of additional financing through the issue of Common Shares.

The Company anticipates that the necessary funds will be raised through equity issuances but there can be no assurance that such financing will be available on terms acceptable to the Company in the current capital markets. See "Risks and Uncertainties".

The Company's annual commitments for base rental agreements are as follows:

	Office leases
2010	\$ 199,413
2011	281,782
2012	368,643
2013	374,004
2014	315,038
2015	189,960
2016	47,490

Included in the above lease commitments is the cost of the Company's 50% share of rental obligations for its former premises in Vancouver, now sublet to third parties at a cash loss for the remaining lease term of approximately \$330,000. Should the former co-occupant fail to meet its share of rental obligations, the Company will be further committed under the terms of the head lease to additional net outgoings representing their proportionate share of the loss at the date of default.

In connection with the development of the Port Facility, the Company has made certain conditional commitments to the local municipality to pay for certain municipal improvements. As of July 31, 2010 and October 31, 2009, the value of the contingent commitments approximated \$500,000. Settlement of the commitments is conditional on receipt by the Company of all necessary permits.

Further, the Company is a defendant in certain legal actions in Brazil pursuant to which a third party is seeking the payment of approximately \$4.2 million under a conditional agreement entered into in 2008 by the Company for the purchase of certain lands. The Company is vigorously defending itself including seeking the return of its initial payment of approximately \$1.0 million and the annulment of the agreement on the basis of misrepresentations therein. Although the ultimate outcome of these actions cannot be ascertained at this time and the results of legal proceedings cannot be predicted with certainty, it is the opinion of management of the Company that these claims are without merit and the resolution of these matters will not have a material adverse effect on the financial position of the Company.

Transactions with Related Parties

During the nine months ended July 31, 2010, the Company paid or accrued \$48,000 (2009 - \$65,000) in geological consulting fees and, in the first nine months of 2009, \$572,000 in management, advisory and consulting fees to a then-employee and to certain then-directors of the Company and to companies controlled by certain then-directors of the Company. Additionally, since July 1, 2008 until terminated effective November 1, 2009, the Company had retained the services of Hemmingsen Management Ltd., ("Hemmingsen"). Hemmingsen is a private company owned equally by the Company and Hawthorne Gold

Corp. ("Hawthorne"), which had certain directors and officers in common with the Company. Hemmingsen provided certain services to the Company on a cost recovery basis. Such arrangements have been terminated effective November 1, 2009 except for the ongoing cost of the Vancouver office lease, shared with Hawthorne, now sublet to third parties with effect from August and September 2010.

Recent Accounting Pronouncements

The following accounting standards affecting future accounting periods were issued by the Canadian Institute of Chartered Accountants ("CICA") in 2009.

Business Combinations (Section 1582)

In January 2009, the Canadian Accounting Standards Board ("AcSB") issued CICA Handbook Section 1582, Business Combinations, which replaces former guidance on business combinations. Section 1582 establishes principles and requirements of the acquisition method for business combinations and related disclosures. The Section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. The adoption of Section 1582 will affect the Company's accounting for business combinations, if any, on or after January 1, 2011.

Consolidated Financial Statements (Section 1601)

In January 2009, the AcSB issued CICA Handbook Section 1601 to establish standards for the preparation of consolidated financial statements. The Section will be applicable to the Company's interim and annual consolidated financial statements for its fiscal year beginning November 1, 2011. The Company does not expect any material impact on its financial position, operating results or disclosure on the adoption of this new Section 1601.

Non-Controlling Interests (Section 1602)

This new Section establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. Section 1602 will be applicable to any business combinations entered into on or after November 1, 2011. The Company does not expect any impact on its financial position, operating results or disclosure on the adoption of this new Section 1602.

Comprehensive Revaluation of Assets and Liabilities (Section 1625) and Equity (Section 3251)

As a result of issuing CICA Handbook Sections 1582, 1601 and 1602, CICA Handbook Section 1625, has been amended and is effective prospectively beginning on or after January 1, 2011. Section 3251, *Equity*, has been amended as a result of issuing Section 1602 and applies to entities that have adopted this Section. Adoption of this standard is not expected to have a material effect on the Company's financial statements.

Financial Instruments – Recognition and Measurement (Section 3855)

Section 3855 has been amended to clarify (i) the application of the effective interest method after a debt instrument has been impaired, and (ii) when an embedded prepayment option is separated from its host debt instrument for accounting purposes. These amendments apply to interim and annual financial statements beginning on or after January 1, 2011. The Company does not expect any significant impact on its financial position, operating results or disclosure on adopting the amended Section 3855.

International Financial Reporting Standards (“IFRS”)

In February 2008, the AcSB confirmed that publicly accountable enterprises will be required to adopt IFRS, replacing Canada’s own Generally Accepted Accounting Principles (“GAAP”), for financial years beginning on or after January 1, 2011. Accordingly, the conversion to IFRS will be applicable to the Company with its financial year beginning November 1, 2011. The transition date of November 1, 2011 for the Company will require the restatement for comparative purposes of amounts reported by the Company for the year ended October 31, 2011, with a restated balance sheet as of November 1, 2010. The adoption of IFRS will impact the Company’s accounting policies, information technology, internal controls and disclosure procedures. The transition may also impact business activities, such as foreign currency, certain contractual arrangements, debt covenants, capital requirements and compensation arrangements.

The initial key impact areas preliminarily identified by the Company which will impact financial statement presentation and disclosure include: impairment testing, capital assets and financial instruments. The Company is evaluating these areas as to the future impact of IFRS, and will be retaining a consultant in respect thereof, to ensure an orderly transition. Training sessions for staff affected will also be held once the “Phase 2 – Planning and Implementation” has commenced.

Critical Accounting Estimates

Critical accounting estimates used in the preparation of the consolidated financial statements include the Company’s estimate of the recoverable value of the Port Facility and the mineral properties, as well as the value of stock-based compensation. These estimates involve considerable judgment and are, or could be, affected by significant factors that are out of the Company’s control.

The factors affecting stock-based compensation include estimates of when stock options might be exercised and the stock price volatility. The timing for exercise of options is out of the Company’s control and will depend upon a variety of factors including the market value of the Company’s shares and financial objectives of the stock-based instrument holders. The future volatility is also uncertain and the model has its limitations.

The Company’s recoverability of the recorded values of the Port Facility and the mineral properties is based on market conditions for minerals, underlying mineral resources associated with the mineral properties and future costs that may be required for ultimate realization through operations or by sale. The Company is in an industry that is dependent on a number of factors including environmental, legal, and political risks, the existence of economically recoverable reserves, the ability of the Company and its subsidiaries to obtain necessary financing to complete the development and future profitable production or the proceeds of disposition thereof.

Internal Controls

The Company has only four full-time employees, one of whom is the CEO, supported by two part-time contract staff. As such, management of the Company is not able to design a traditional control system that relies on the segregation of duties. Within that context, management has established processes which are in place to provide them sufficient knowledge to support management representations that they have exercised reasonable diligence that (i) the unaudited interim consolidated financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the unaudited interim consolidated financial statements; and (ii) the unaudited interim financial statements fairly present all material respects the financial condition, results of the operations and cash flows of the Company, as of the date of and for the periods presented by the unaudited interim consolidated financial statements.

In contrast to the certificate required under Multilateral Instrument 52-109 Certification of Disclosure in Issuer's Annual and Interim Filings (MI 52-109), the Company utilizes the Venture Issuer Basic Certificate which does not include representations relating to the establishment and maintenance of disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR"), as defined in MI 52-109. In particular, the certifying officers filing the Certificate are not making any representations relating to the establishment and maintenance of:

i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and

ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP. The Company's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in this certificate.

Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost-effective basis DC&P and ICFR as defined in MI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

Disclosure of Outstanding Share Data

As of July 31, 2010, stock options to purchase 8,170,000 Common Shares at a weighted average price of \$0.55 were outstanding. During the third quarter of 2010, 90,000 stock options were granted to employees and 358,333 stock options were forfeited.

Additionally, the private placement of May 7, 2010 resulted in the issuance of 5,000,000 Common Shares and 2,500,000 warrants each entitling the holder to acquire one Common Share at a price per share of \$0.50. In connection with this private placement, 555,319 compensation options were issued at an exercise price of \$0.40. Each compensation option consists of one Common Share and one-half warrant. The warrants and compensation options remain outstanding as of July 31, 2010.

Subsequent to July 31, 2010, 775,000 stock options expired and 508,334 stock options vested in accordance with the terms of the Company's stock option plan.

The following details the share capital structure as of the date of this MD&A:

	Expiry date	Exercise price	Number of securities	Number of shares
Common Shares issued				87,683,266
Convertible debentures	September 10, 2011	\$ 0.90/0.99	3,944,444	
	September 10, 2012	0.90/0.99	<u>7,166,667</u>	11,111,111
Share purchase warrants	May 7 2012	\$ 0.50	<u>2,500,000</u>	2,500,000
Compensation options	May 7 2012	\$ 0.40	<u>555,319</u>	
- Common shares			<u>555,319</u>	
- Share purchase warrants		\$ 0.50	<u>277,660</u>	832,979
Options exercisable for common shares, at weighted average exercise price				
expiring in the year ended:	December 31, 2010	\$ 0.93	865,000	
	December 31, 2011	0.81	566,667	
	December 31, 2012	0.90	175,000	
	December 31, 2013	1.10	640,000	
	December 31, 2014	0.35	2,399,999	
	December 31, 2015	0.45	<u>308,334</u>	
		\$ 0.63		4,955,000
				<u>1 07,082,356</u>

Risks and Uncertainties

Investing in the Company involves risks that should be carefully considered. In addition to the risks involved should the Company be required to value its assets and liabilities other than on a going-concern basis as discussed above and below, in conducting its business, the Company is subject to a number of other risks and uncertainties, as detailed in the Company's MD&A of February 23, 2010 relating to the Audited Financials, that could have a material adverse effect on, among other things, the Company's business prospects or financial condition and could result in a delay or indefinite postponement in the development of the Company's properties and projects. See also "Cautionary Statement Regarding Forward-Looking Information".

Cautionary Statement Regarding Forward-Looking Information

This MD&A may contain "forward looking statements" that reflect the Company's current expectations and projections about its future results. Forward-looking statements are often, but not always, identified by words such as "estimate", "intend", "expect", "plan", "may", "believe", "intends", "anticipate", "likely" or other similar words which, by their very nature, are not guarantees of the Company's future operational or financial performance. Forward-looking statements included in this MD&A include statements with respect to expectations regarding the ability to raise capital and/or achieve strategic partnership, the increase and upgrade of mineral resources, the ability to achieve commercial production at the Company's mineral properties and the development of the Port Facility.

Forward-looking statements are subject to risks and uncertainties and other factors that could cause the Company's actual results, performance, prospects or opportunities to differ materially from those expressed in, or implied by, these forward-looking statements. These risks, uncertainties and factors may include, but are not limited to: unavailability of financing, failure to achieve strategic partnership, failure to

establish economic estimated resources and reserves, the grade and recovery of ore which is mined varying from estimates, capital and operating costs varying significantly from estimates, unfavourable studies regarding the Company's projects, fluctuations in the market valuation for metal prices, interest rates, commodities prices and exchange rates, delays or failures in obtaining required approvals or permits for the development of the Company's projects, inflation and other factors.

Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this MD&A or as of the date otherwise specifically indicated herein. Due to risks and uncertainties, including the risks and uncertainties identified above and elsewhere in this MD&A, actual events may differ materially from current expectations. The Company has no intention and does not assume any obligation to update publicly or otherwise revise any forward-looking statements, whether as a result of new information, future events or such other factors which affect this information including a change in beliefs, expectations or opinions of management of the Company.