

RX EXPLORATION INC.
Management Discussion and Analysis
For the Nine Months Ended March 31, 2011

This management discussion and analysis, prepared as of May 30, 2011 reviews and summarizes the activities of RX Exploration Inc. and compares the financial results for the period ended March 31, 2011 with those from March 31, 2010. The following should be read together with the unaudited financial statements for the nine months ended March 31, 2011 and related notes attached thereto, which were prepared by management in accordance with Canadian generally accepted accounting principles. The reader should also refer to the annual audited financial statements for the years ended June 30, 2010 and 2009 and the related notes attached thereto. All amounts are stated in Canadian dollars unless otherwise indicated.

Additional information related to the Company is available for view on SEDAR at www.sedar.com and at Company's website located at www.rxexploration.com.

Forward-Looking Statements

This management discussion and analysis contains certain forward-looking statements relating but not limited to the Company's expectations, intentions, plans and beliefs. Forward-looking information can often be identified by forward-looking words such as "anticipate", "believe", "expect", "goal", "plan", "intend", "estimate", "may" and "will" or similar words suggesting future outcomes, or other expectations, beliefs, plans, objectives, assumptions, intentions or statements about future events or performance. Forward-looking statements are subject to risks, uncertainties and other factors that could cause actual results to differ materially from expected results. Potential shareholders and prospective investors should be aware that these statements are subject to known and unknown risks, uncertainties and other factors that could cause actual results to differ materially from those suggested by the forward-looking statements. Shareholders are cautioned not to place undue reliance on forward-looking information. By its nature, forward-looking information involves numerous assumptions, inherent risks and uncertainties, both general and specific, that contribute to the possibility that the predictions, forecasts, projections and various future events will not occur. The Company undertakes no obligation to update publicly or otherwise revise any forward-looking information whether as a result of new information, future events or other such factors which affect this information, except as required by law.

Description of Business

The Company is engaged in mineral exploration in the state of Montana, USA and northern Ontario, Canada. At this time the Company is engaging in bulk sampling and test mining in Marysville, Montana, USA. The Company raises funds for exploration and general overhead and other expenses through the issuance of shares from treasury.

In May 2010, the Company began extracting gold and silver bearing rock from its Hard Rock mining claims in Marysville, Montana and received approximately \$368,000 (\$351,000USD) as settlement for gold and silver produced from test mining net of smelting and refining charges in the year-ending June 30, 2010. Approximately \$7,787,000 (\$7,625,000USD) was received for the nine months ended March 31, 2011 net of Metalliferous Mining License Tax of \$122,400 (\$118,876USD) and Net Smelter Royalties of \$140,880 (\$138,852USD). Test mining is a phase of the exploration and development of a mine whereby a Company is determining the quality of ore and the economic viability of extraction of that ore. Accordingly the proceeds received from test mining has not resulted in the Company being considered to be in production and therefore the Company remains in the development stage.

Effective August 4, 2010, the Company was listed on the TSX Venture Exchange. Effective October 27, 2010, the Company was listed on OTCQX International.

Drumlummon Mine – Montana (referred to as Hard Rock Claims, MT in the Financial Statements)

The Company operates the Drumlummon Mine project through its 100% owned subsidiary, Drumlummon Gold Corp.

In December, 2010, the Company closed an agreement with private arm's length owners to option from them 100% of their interest in patented mining claims (the "Hard Rock Claims") situated in Lewis and Clark County in the State of Montana. The Company holds approximately 2,320 acres including, 28 contiguous patented mining claims covering the Drumlummon Mine and adjacent unpatented mining claims. The Company has paid the sum of US\$1,200,000 to

the optionors. As additional consideration, the Company has paid to the optionors 200,000 common shares in the capital of the Company. A two percent (2%) Net Smelter Returns Royalty Agreement (“NSR”) on the Drumlummon Claims was finalized on December 22, 2010. As a result of this Agreement, ownership of the Hard Rock Claims are held by the Company’s 100% owned subsidiary, Drumlummon Ltd., a Canadian Corporation.

The Company completed a technical report on September 25, 2009 in accordance with the standards set out in National Instrument 43-101. The report was prepared by Dr. Richard C. Capps of R.C. Capps & Associates, a “qualified person” within the meaning of National Instrument 43-101. The report was publicly filed on SEDAR at www.sedar.com on November 6, 2009.

T.J. Beesley, P. Eng. prepared a NI 43-101 compliant technical report dated November 21, 2008. This report has calculated initial inferred resources of 155,518 tons containing 70,703 oz. of gold and 1,915,560 oz. of silver as summarized below:

400E Vein	Estimated Tonnage	Grade Au	Gold Au(oz/ton)	Grade Ag	Silver Ag(oz/ton)
A	67,284	0.39	26,192	12.2	820,166
B	39,740	0.53	21,097	7.3	291,053
C	48,494	0.48	23,414	16.6	804,341
Total	155,518		70,703		1,915,560

This significant zone (the “New Discovery”) was discovered in virgin rock 400 feet into the hanging wall of the Drumlummon vein between Shafts No. 1 and 2 during underground diamond drill testing of the tonnage and grade potential of the unmined “D” Block identified by prior mine operators. Resource estimates for the Drumlummon Mine have been presented by prior operators which are not in compliance with the current requirements found in NI 43-101 and accordingly cannot be reported at this time. The New Discovery is in addition to any resource anticipated by the Company based on such estimates. The area covered by these calculations has only been partially drill tested and may be increased and upgraded by further drilling, including infill drilling as required.

Dr. Capps’ report dated September 25, 2009 and Mr. Beesley’s report dated November 21, 2008 can be viewed in their entireties on the Company’s website (www.rxexploration.com) or SEDAR (www.sedar.com). By late spring 2011, the Company expects to complete an updated NI 43-101 compliant technical report to calculate additional inferred resources. The extensive previous drilling in conjunction with the current drilling program is expected to substantially increase the inferred resource.

The following includes the latest significant assay results which have been reported by the Company. (For prior drill results, please refer to the Company’s MD&A for the year).

Drill Hole	From (ft)	To (ft)	Intersection Length (ft)	Au oz/ton	Ag oz/ton
10-173	152	156	4	0.373	1.66
	190	210	20	1.688	16.90
10-174	90	92	2	0.460	25.66
10-175	181	182	0.5	2.562	191.22
	200	204	4	0.168	2.95
10-176	178	186	8	0.293	13.77
10-179	201	205	4	0.320	13.98
	213	219	6	0.297	4.00
10-191	120	126	6	0.289	2.76
10-192	200	206	6	0.169	3.52
10-193	128	132	4	0.997	6.40
	194	204	10	0.265	2.12
10-197	182	186	4	1.029	7.38
	216	236	20	0.884	6.69
	274	280	6	0.801	0.50
10-198	200	206	6	0.925	15.83

10-199	268	298	30	0.196	0.35
10-200	166	190	24	0.430	12.60

Empire Vein Intercepts to December 2010

Drill Hole SDDH	From (ft)	To (ft)	Au (oz/ton)	Ag (oz/ton)	Width (ft)	Est. True Width (ft)
10-21	226	228	0.328	0.51	2	1.4
	359	363	0.262	2.32	4	2.8
10-23	412	416	0.260	0.94	4	2.5
	450	454	0.238	1.44	4	2.5
10-24	452	456	0.132	1.11	4	2.2
10-26	495	505	0.138	1.52	10	4.5
10-27	510	516	0.594	0.63	6	2.3
10-28	364	374	0.183	1.06	10	6.4
	412	414	0.288	0.59	2	1.3
10-33	384	390	0.167	1.61	6	3.6
	400	406	0.178	0.67	6	3.6
10-36	360	366	0.101	1.08	6	4.0
10-39	335	339	0.625	17.30	4	2.8
10-40	360	366	0.336	2.33	6	4.0
10-41	406	414	0.322	1.62	8	3.5
10-42	382	386	0.689	8.27	4	2.5
10-43	430	432	0.204	0.63	2	1.0
	450	460	0.383	1.63	10	5.5
10-44	406	408	2.300	59.63	2	1.0
	448	458	0.227	1.93	10	4.5
10-45	478	488	0.193	0.68	10	4.4
10-46	520	524	0.192	0.93	4	1.7
10-47	566	576	0.184	0.61	10	3.8

Highlights from #11 Drill Station - North End of Charly Vein

Drill Hole DDH	From (ft)	To (ft)	Au (oz/ton)	Ag (oz/ton)	Width (ft)	Mine Level & Vein
11-235	238	242	0.720	56.68	4.00	740-Charly
	284	288	2.412	56.68	4.00	770-Charly
11-238	294	298	0.582	0.55	4.00	750-Charly

Highlights from #9 Drill Station - South End of Charly Vein, North End of Xmas

Drill Hole DDH	From (ft)	To (ft)	Au (oz/ton)	Ag (oz/ton)	Width (ft)	Mine Level & Vein
11-223	202	222	0.335	0.62	20.0	600-Charly
11-225	248	254	0.557	0.72	6.0	700-Charly
11-228	233	237	0.820	1.10	4.0	725-Unknown
11-229	268	272	0.551	0.82	4.0	740-Unknown
	370	374	0.158	0.66	4.0	830-Xmas
11-250	360	390	0.343	0.57	30.0	740-Xmas
Incl.	372	378	1.096	0.88	6.0	805-Xmas
11-251	372	392	0.380	1.05	20.0	775-Xmas
Incl.	374	380	0.929	2.35	6.0	775-Xmas

To convert ounces per ton to grams per tonne use 1 opt = 34.245 g/t. ("g/t": grams per tonne, "opt": ounces per ton.)

Highlights from #12 Drill Station - Into D-Block South

Drill Hole Name	From (ft)	To (ft)	Gold Au oz/ton	Silver Ag oz/ton	Width (ft)	Est True With (ft)
DDH						
12-290	122	150	0.347	2.22	28.00	22.65
Incl.	126	138	0.690	4.07	12.00	9.71
12-291	104	132	0.673	4.22	28.00	27.05
Incl.	112	126	1.072	5.69	14.00	11.33
12-293 **	226	238	1.659	2.63	12.00	5.82
12-295	82	114	0.228	0.95	32.00	30.91
12-297	144	170	0.258	1.19	26.00	13.39

** Hit fragmented rock believed to be Gob backfill in bottom 8 feet of hole

Highlights from Mar 15-30, 2011 results - D-Block South hole

Drill Hole Number	From (ft)	To (ft)	Gold Au oz/ton (opt)	Silver Ag oz/ton (opt)	Interval Width (ft)	Estimated True Width (ft)
D-Block South	(ft)	(ft)	(opt)	(opt)	(ft)	(ft)
11-298	104	140	0.322	1.10	36.00	29.10
Incl.	116	122	1.255	14.43	6.00	4.90
11-300	94	120	0.236	0.96	26.00	24.70
11-305	114	134	0.160	0.47	20.00	16.10
11-308	90	84	2.789	15.38	-6.00	3.20
11-311	106	136	0.264	1.30	30.00	26.70
Incl.	130	134	0.941	3.20	4.00	3.60

Highlights from Mar 15-30, 2011 assay results - Into D-Block

Drill Hole Number	From (ft)	To (ft)	Gold Au oz/ton (opt)	Silver Ag oz/ton (opt)	Interval Width (ft)	Estimated True Width (ft)
D-Block	(ft)	(ft)	(opt)	(opt)	(ft)	(ft)
11-249	70	104	0.221	1.53	34.00	34.00
11-281	84	100	1.595	18.22	16.00	13.30
Incl.	84	86	14.724	127.46	2.00	1.70

Assay highlights from D-Block drilling include:

Hole DDH-10-111 intersected 22 ft (6.7 meters) averaging 0.62 opt gold (21.23 g/t gold) and 1.69 opt silver (57.88 g/t silver). The estimated true width is 18.7 ft (5.7 meters).

Hole DDH-10-113 intersected 19 ft (5.8 meters) averaging 0.28 opt gold (9.69 g/t gold) and 1.65 opt silver (56.51 g/t silver). The estimated true width is 14.4 ft (4.4 meters).

Hole DDH-10-165 intersected 8 ft (2.4 meters) averaging 0.84 opt gold (28.63 g/t gold) and 7.31 opt silver (250.34 g/t silver). The estimated true width is 6 ft (1.8 meters).

To convert ounces per ton to grams per tonne use 1 opt = 34.245 g/t.
 (“g/t” means grams per tonne, “opt” means ounces per ton.)

The results suggest that there may be mineralized material from the new discovery (Charly Vein) as well as material remaining on the walls of the old workings and in unmined blocks of mineralized vein. This confirms the potential for developing very significant tonnage of high grade gold and silver over large widths in this epithermal deposit, in the vicinity of all of the old workings as well as totally undeveloped areas of the mine.

The Company’s internal underground exploration ramp at the Drumlummon Mine crossed a vein within the Charly Vein System at the 500 foot level that assayed an average of 3.13 ounces per tonne (“opt”) of Gold and 55.6 opt of Silver over a true vein width of 7.4 feet. Channel samples taken across the vein are provided in the table below. “Opt” refers to ounces per ton and “g/t” refers to grams per tonne. A cross cut was driven a further 150 feet for a drill station (Drill Station #8) in the hanging wall.

Channel Samples across Charly Vein Cross-cut		
Composite Sample Width in Inches	Gold/opt	Silver/opt
12	7.84	202.10
23	2.50	37.00
12	5.57	10.80
12	4.47	126.70
18	0.03	0.04
12	0.52	2.70
Total Width	Gold – Average	Silver - Average
7.4 ft 2.3 meters	3.13 opt 107.2 g/t	55.6 opt 1,904 g/t

Charly Vein-Xmas Vein, Drumlummon Mine

From drill station #8, a late summer 2010 26 hole, 3,779 meter (12,398 foot) underground diamond drill program has encountered the Charly Vein 30 meters (100 feet) to the southwest and 36 meters (120 feet) down dip. Highlights from this drill program include:

DDH 10-173 pierced the Charly Vein at the 660 foot level and returned 6.10 meters (20 ft) averaging 57.87 g/t gold (1.68 opt) and 597.33 g/t silver (16.9 opt). The true width of this intercept is estimated to be about 3.05 meters (10 ft); and

DDH 10-200 pierced the Charly Vein at the 640 foot level, 40 feet to the northeast of DDH 10-173, and returned 7.32 meters (24 ft) averaging 14.74 g/t gold (0.43 opt) and 432.00 g/t silver (12.60 opt). The true width of this intercept is estimated to be 5.4 meters (17.8 ft).

The 70,000 ft. underground diamond drilling program on the Charly Vein and the Xmas Vein commenced in January 2011 continued with two electric-hydraulic rigs from Drill Stations #9 (510 Level) and #11 (600 Level). The drill in #11 drill station was moved to drill station 12 on March 1, 2011 to further test the D Block and D Block South areas. Significant drill results are summarised above.

Underground drill results from Stations #7, #9 and #11 have intersected both the Charly and Xmas veins over a total strike length of 980 feet (298 metres). The northern end of the Charly vein has been traced for a total down-dip extent of about 304 ft. (92 metres). The Xmas vein, further south, has a down-dip extent of 355 ft. (108 metres). Both veins remain open at depth and along strike. Continued underground drilling from station #9 will fill in the remaining gaps between and within the veins.

Drill hole 11-250 intersected a thick interval of the Xmas Vein measuring 30 feet (9.1 metres) with an estimated true width of 25.7 feet (7.8 metres). The hole averaged 0.343 opt gold (11.76 g/t) and 0.57 opt silver (19.9 g/t). This included a 6 ft. (1.8 metre) (estimated true width of 5.1 feet or 1.6 metres) interval averaging 1.096 opt gold (37.58 g/t) and 0.88 opt silver (30.3 g/t). This represents the widest interval intersected to date in the Xmas Vein.

Drilling from Station 9 also intersected a previously unknown high-grade vein situated in the hanging wall of the Charly Vein. RX geologists are currently unclear whether it is an entirely new vein or a splay off of the Charly Vein. Further drilling is required to delineate it. Drill holes 228 and 229 each intersected 4 ft (1.2 meters) of this unknown vein and averaged 0.82 opt (28.11 g/t) and 0.55 (18.9 g/t) opt gold, respectively.

Additional results will be released as they become available.

D-Block, Drumlummon Mine

Two headings were driven from the main internal exploration ramp to intersect the D-block (114.3 meters or 375 feet west of the Charly) on the 450 level and on the 500 level. A by-pass drift around a caved area on the old 500 level was driven to provide ventilation and a second escape-way to the 400 level from the lower levels for exploration drillers, geologists and development miners working below.

A total of 1,571.6 meters (5,155 feet) in development headings has been driven below the 400 level as of December 31, 2010. The accompanying chart summarizes the development headings and distances of each to December 31, 2010.

The D-Block mineralization has now been confirmed to a strike length of 150 feet (45.7 meters). The mineralization averages about 20 feet wide (6.1 meters) between the 400 and 450 levels. The zone remains open for expansion down dip as well as to the south.

Additional drilling results from D-Block are pending.

The accompanying chart summarizes the development headings and distances of each to March 31, 2011.

Total Length of Development Headings below 400' Level as of March 31, 2011.

Heading	Total to Date		Heading	Total to Date	
	(Feet)	(Meters)		(Feet)	(Meters)
Main Internal Exploration Ramp	1,845.00	562.5	Charly north raise	30	9.1
D-Block Ramp	295	89.9	D-block drifting	535	163.1
X-cuts for drill stations	533	162.5	500 level Escape-way	57	17.4
#1 Charly North	337	102.7	#1 Charly 530 North	320	97.6
#1 Charly South	262	79.9	#1 Charly 530 South	173	52.7
#1 Charly South Raise	30	9.1	Vent Raise	66	20.1
#1 Charly South Sub North	74.5	22.7	#1 Charly 570	50	15.2
#1 Charly South Sub South	102.5	31.2	External Decline	445	135.7
Total Length of Development Headings below 400' Level as of December 31, 2010				5,155.00	1,571.60

Subsequent Events

Significant mine progress since the end of Q3 included the following:

Drilling continued with the two contracted electric hydraulic core drills, completing the programs in drill Station #9 and #12. The drills were moved northward to drill station #10 (570 level) to further test the Charly vein at depth, and to Drill station #13 on the 600 level to test the Empire vein and the northerly extension of the Drumlummon vein.

Underground development included the connection of the external and internal ramps to provide a second access into and escapeway from the mine (now referred to as the Gunsinger Decline). Completion of the connection by the contractor (New Millennium Mining & Contracting) concluded the contract and the company is proceeding with their own forces.

A program of silling out those areas proposed to be mined in the test mining program was initiated on the Charly 570 level and the 600 level of Empire vein. Cross-cuts were advanced from the hanging wall side of the D Block area on both the 500 level and the 400 level. These access points will enable drifting on mineralized material identified in the core drilling from Drill station #12 highlighted above.

A mill lease for the Phillipsburg Mill (also leased in 2010) was signed. The lease is on a month by month basis until the end of 2011. Test milling at Phillipsburg resumed on May 16, 2011.

The technical details contained in this Management Discussion and Analysis report have been reviewed by L. Joseph Bardswich, P.Eng. (Mining) (Ontario).

Drumlummon Mine (Montana) – Placer Claims (referred to as the Placer Claims in the Financial Statements)

The Company has entered into an agreement with Spruce Ridge Resources Ltd. ("Spruce Ridge") whereby a jointly owned company was formed to acquire about 350 to 400 acres of patented mining claims covering an overall length of about 5 miles (the "JV Property"), which are adjacent to the Drumlummon Mine.

The JV Property contains tailings from the Drumlummon Mine, which according to historical information, contain substantial recoverable amounts of gold and silver. Historical resource estimates cannot be given as they are not in compliance with current NI 43-101 standards and accordingly cannot be relied upon. In addition, the JV Property contains the concrete foundations of a previous 1,000 ton per day mill. The foundations are in excellent condition and may be appropriate for use in the reconstruction of a mill should a production decision be supported by a feasibility study for the JV Property and/or the Drumlummon Mine.

Pursuant to the Joint Venture Agreement, Spruce Ridge earned its 50% working interest in the Joint Venture Property by subscribing to a private placement of the Company in the amount of CDN \$3,000,000 consisting of a total of 7,500,000 units at a price of CDN \$0.40 per unit. Each unit consisted of one common share and one share purchase warrant. Each warrant entitles the holder to purchase one additional common share at CDN \$0.60 per share until December 31, 2011. The Company was responsible for payment of all cash and share payments required to acquire the JV Property with the exception of all reserved royalties on the tailings and placers. Each party will pay its proportionate share of future exploration and development costs. If either party elects not to participate in a program of expenditures, a standard dilution clause will apply.

The Company and Spruce Ridge have formed Marysville Mining and Milling LLC ("MMM") to own the Placer Claims. By completing the \$3,000,000 private placement into the Company, Spruce Ridge earned its 50% working interest in the JV Property and 50% ownership of MMM which completed the purchase of the JV Property. RX purchased outright the JV Property from the arm's length vendors in July 2008 for the sum of US \$625,000 plus 350,000 common shares of the Company which was subject to a hold period which expired July 2, 2009 and transferred the property to the JV. The vendors, who are the same principals from whom the Company acquired the Drumlummon Mine, will retain a 2% NSR on tailings and 3% gross royalty on placer mineralization. The JV Property includes all appurtenant water rights.

Spruce Ridge and the Company have entered into an agreement regarding the management and operation of MMM, which was reduced to writing as an operating agreement under Montana law.

By further judgment of the Montana First Judicial District Court, Lewis and Clark County, except with respect to a right-of-way of the Burlington Northern Santa Fe Railway Company ("BNSF"), the Company secured a judicial order quieting title to the JV Property. The Company through its Montana legal counsel is continuing its discussions with BNSF to enable BNSF to determine the extent, if any, of BNSF's right-of-way over the JV Property. The Company does not believe the right-of-way, if it has not lapsed, would have any negative impact on the Company's operations.

Drumlummon Mine (Montana) – Bald Butte Property

In April, 2010, the Company entered into an agreement to acquire a package of mineral claims immediately adjacent to the south-west boundary of the current Drumlummon Gold Project holdings, Marysville, Montana. This acquisition will increase the Company's ground position significantly at Drumlummon and is comprised of 22 patented claims and 50 federal claims covering about 1,000 acres (405 hectares).

The package of mineral claims acquired is called the Bald Butte Property. Historic gold and silver production of approximately 100,000 ounces is reported to have occurred from five different veins on the Bald Butte Property between 1882 and 1942. The Company plans to examine the potential relationship between gold occurrences on the Drumlummon and on the Bald Butte property. The Company has completed its initial drill program the assay results of which are pending.

The property has recently been explored for molybdenum by a previous operator and a considerable amount of drill core remains from recent molybdenum drilling which was not assayed for gold or silver. RX plans to re-assay some of this core for gold and silver as part of its investigation of the property. RX may also look for a joint venture partner to develop the molybdenum potential while retaining rights to the gold and silver.

The total purchase price of the Bald Butte property will be US\$5,000,000 if the acquisition is fully completed, plus a 2% net smelter royalty. The purchase price is to be paid in annual installments over the next 35 years, with RX being required to pay US\$55,000 this year and annual payments rising to \$150,000 at year five and thereafter. The Company paid US\$55,000 on April 21, 2010. The Company has issued 200,000 common shares to the optionors on October 25, 2010 in accordance with the option agreement.

Goulet (Goulais) River – Sault Ste. Marie, Ontario (referred to as Van Koughnet Township (Goulet/Goulais River) Claims, ON in the Financial Statements)

Settlement Property Agreement

Arbitration proceedings with the optionor in regard to the dispute between the Company and the optionors resulted in a Settlement Agreement dated November 29, 2010 with its former private arms' length joint venture partners to settle and restructure their unpatented mining claim holdings in Van Koughnet Township, Ontario. The claims consisted of two properties, the Sill Lake silver-lead prospect and the Goulet (Goulais) River copper prospect.

Pursuant to the Settlement Agreement, the Sill Lake claims were transferred to Argentium Resources Inc., a private arms' length Canadian company, and the Goulet (Goulais) River claims were transferred to the Company's 100% owned subsidiary, RX Mining Corp.

At closing, the Company was paid the sum of \$100,000 and was given a secured debenture containing a promise to pay the further sum of \$1,901,300 in three years, secured by the Sill Lake claims. The debenture is due November 29, 2013. The Company also received 1,000,000 common shares of Argentium Resources Inc.

Veekay Lake Mining Claims

The Company entered into an option agreement dated October 21, 2005 with Wabassi River Resources Inc. ("Wabassi"), an arm's length company, to acquire an undivided 50% interest in eight (8) unpatented mining claims (totaling 108 claim units) in the Thunder Bay Mining Division, in the Province of Ontario (the "Claims").

In order to maintain the option in good standing, the Company paid Wabassi the sum of \$5,500 and is required to incur first year mining expenditures of not less than \$150,000 (of which it has expended \$99,500 to date), incur further

mining expenditures of not less than \$200,000. Thereafter, the Company may elect to earn its 50% interest by paying Wabassi the sum of \$150,000 and incurring further mining expenditures of not less than \$1,150,000. In the alternative, the Company may elect to convert its interest to 10% of the shares of a new company to be created to explore and develop the Claims.

The Claims are subject to a royalty interest equal to a two percent (2%) NSR royalty. The Company may, at any time, repurchase a one percent (1%) NSR for the purchase price of \$1,500,000.

The Company received notice from the optionor that the Company is in default under the option, which position the Company rejects. The Company is considering all of its legal remedies to enforce the terms of the option and compliance on the part of the optionor.

The Company commissioned a technical report in accordance with the standards set out in National Instrument 43-101. The report is published and filed on the SEDAR website at www.sedar.com.

Selected Annual Information

The following table sets forth a summary of the financial results for the years ended June 30, 2010, 2009 and 2008:

Years ended June 30 (Cdn \$)	2010	2009	2008
Interest income	1,767	6,917	25,518
Net loss	4,738,892	721,711	766,694
Basic Income (Loss) per share	0.055	0.014	0.027
Total assets	20,852,812	11,365,771	8,118,722

Results of Operations

Net loss for nine months ended was \$1,852,880 or \$0.013 per share versus \$1,389,548 or \$0.018 per share in the previous year. Higher office and general and professional and consulting fees accounted for the increase in expenses over the corresponding period last year

Total expenses excluding extraordinary items for the nine months ended March 31, 2011 amounted to \$1,925,463 compared to \$1,389,548 for the nine months ended March 31, 2010.

The Company received settlement for the gold and silver concentrate produced from test mining. The proceeds are netted in the current year in deferred exploration. The total settlement net of MML Tax and Net Smelter Royalties for the nine months ended March 31, 2011 was \$7,787,000 (\$7,625,000 USD). Sales of gold and silver concentrate plus the exercising of warrants funded the Company's mining exploration and development operations.

The Company earned \$72,583 in GIC interest for the nine months ended March 31, 2011 (March 31, 2010 – Nil).

Expenses incurred during the period consist of:

- Office and general expenses \$1,038,860 (2010 – \$331,484)
- Professional and consulting fees of \$784,102 (2010 – \$331,484)
- Marketing expenses \$246,071 (2010 – \$Nil)
- Director fees \$202,500 (2010 – \$Nil)
- Stock based compensation Nil (2010 - \$725,466)

Fixed Assets

The following is a list of the fixed assets held by the Company as of March 31, 2011:

Fixed Asset	Cost	Accumulated Amortization	Net
	\$	\$	\$
Water plant	463,143.36	(38,595.58)	424,547.78
Shop building	64,564.68	(5,380.39)	59,184.29
Exploration equipment	610,278.77	(66,873.86)	543,404.91
Terra Source software	45,601.78	(11,400.45)	34,201.33
Total Building & Equipment	1,183,588.59	(122,250.28)	1,061,338.31

Deferred Development Costs

As of March 31, 2011, the Company had \$21,055,547 in mining claims and deferred expenditures compared with \$14,458,182 as of June 30, 2010. The \$6,597,365 attributable to the nine months ended March 31, 2011 was mainly attributable to test mining, milling, rehabilitation, underground diamond drilling at the Drumlummon Mine in Montana. The Company expended a total of \$14,384,475 in mining, milling, exploration and development. Netted in current year additions is proceeds of \$7,787,114 (\$7,624,995 USD) for gold and silver produced from test mining. Included in the prior year balance is \$564,071 representing the fair value of 2,275,000 options issued during the prior year to individuals who work on mining claims.

For the nine month period ended March 31, 2011, the Company shipped ore to the mill which resulted in the Company receiving \$7,787,114 (net of Metalliferous Mining License Tax and accrued net smelter royalties) from the processing of 5,104.9 oz. of Gold and 92,868.5 oz. of Silver.

Following is a breakdown of components of capitalized expenditures related to the Drumlummon Mine, Placer Claims and Bald Butte property for the nine months ended March 31, 2011 and 2010:

CAPITALIZED EXPENDITURES	March 31, 2011		March 31, 2010	
	\$	\$	\$	\$
Drumlummon Mine:				
Legal		49,276		3,199
Purchase & Options		243,408		2,436,072
FV of Options Granted				
Claims		23,576		17,052
Settlements	(7,787,112)			
Milling: Lease	805,039			
Supervision	87,474			
Trucking	403,289			
Utilities	87,933			
Payroll	338,038			
Operations	<u>344,332</u>			
Sub-total Milling Costs		(5,721,009)		
Development Costs:				
Payroll & Project Supervision	923,502		750,690	
Assays/Geological	134,178		37,803	
Operations	758,902		4,110	
Drilling	1,539,309		-	
Rehabilitation	1,538,898		307,934	
Insurance	52,372		23,529	
Exploration	3,851,451		1,333,773	
Utilities	194,580			
General Costs			11,872	
Supplies	<u>387,982</u>	9,381,174	<u>30,000</u>	2,499,712
External Ramp		1,926,873		
Mine Electrical-power line		392,278		
Amortization		122,251		
Capital Equipment Rental		25,567		
Restoration Bonds				
Total Drumlummon Mine		6,443,394		2,763,035
Placer Claims:				
Purchase & Options				
Legal		1,844		823
Bald Butte:				
Purchase & Options		134,000		
Expenses		10,573		
Legal		2,313		
Restoration Bonds		7,712		

General and Administration Expenses

Following is a breakdown of components of expenses for the nine months ended March 31, 2011 and 2010:

	2011	2010	Change
General & Admin Expenses	\$	\$	\$
Interest and Finance Charges	4,758	1,011	3,746
Office, Administrative & Other Exp	206,335	93,440	112,895
Legal	194,570	17,215	177,356
Professional Services	589,532	315,384	274,148
Director Fees	202,500	0	202,500
Travel	336,073	42,864	293,208
Marketing	246,071	0	246,071
Filing and Regulatory	123,825	27,016	96,810
Web site	13,129	6,359	6,770
Foreign Exchange (gain) loss	108,668	160,794	(52,126)
Interest and Other Income	(72,583)	0	(72,583)

Office, Administrative and Other Expenses includes rent, office supplies, office equipment repairs & maintenance, telephone and reflected the significant increase in activities of the Company. In addition, two office employees were hired whose payroll is included in Office, Administrative and Other Expenses.

Substantial increases in Professional Services, Travel and Marketing are primarily the result of the increased business and financial activities of the Company along with the activities of fully-owned subsidiaries.

The Company completed a corporate restructuring effective July 1, 2010.

During the period the total professional services required by the Company increased due to warrant exercises, regulatory and permitting issues, service contracts, securities regulatory filings, management activities, the corporate restructure and all other related activities.

The results of these increased expenditures led directly to the exercise of the warrants and the resultant \$18,923,000 addition to capital.

Summary of Quarterly Results

QUARTER ENDED	31-Mar 2011	31-Dec 2010	30-Sep 2010	30-Jun 2010
Total assets	37,299,403	36,863,740	20,213,634	20,852,812
Deferred exploration and development expenditures	21,055,547	17,013,989	14,199,902	14,458,182
Working capital	13,903,646	17,715,062	3,962,381	4,464,158
Shareholders' equity	36,104,695	35,862,544	19,111,093	19,654,108
Net loss	(572,894)	(604,866)	(675,120)	(3,349,344)
Loss per share	-0.004	-0.004	-0.006	-0.05
QUARTER ENDED	31-Mar 2010	31-Dec 2009	30-Sep 2009	30-Jun 2009
Total assets	16,453,566	13,465,904	11,912,555	11,365,711
Deferred exploration and development expenditures	13,247,809	11,396,275	10,612,941	10,080,534
Working capital	2,879,546	1,658,032	659,915	550,733
Shareholders' equity	15,701,372	13,031,824	11,276,399	10,631,267
Net loss	(485,324)	(211,303)	(692,919)	(303,361)
Loss per share	-0.006	-0.003	-0.01	-0.005

Third Quarter Review

For the third quarter ended March 31, 2011 the Company reported a net loss of \$572,894 or \$0.004 per share compared to a loss of \$485,324 or \$0.006 per share for the third quarter ended March 31, 2010.

Expenses incurred during the period consist of:

- Office and general expenses \$333,640 (2010 – \$138,483)
- Professional and consulting fees of \$240,142 (2010 – \$135,593)
- Marketing expenses \$88,402 (2010 – \$Nil)
- Director fees \$43,250 (2010 – \$Nil)
- Stock based compensation Nil (2010 - \$223,466)

Deferred Development Costs

Following is a breakdown of components of capitalized expenditures related to the Drumlummon Mine, Placer Claims and Bald Butte property for the three months ended March 31, 2011 and 2010:

Deferred Development Costs	March 31, 2011		March 31, 2010	
	\$	\$	\$	\$
Drumlummon Mine				
Legal		5,327		2,235
Purchase & Options				
FV of Options Granted				
Claims				
Settlements	(1,278,896)			
Milling: Lease				
Supervision	28,934			
Trucking	799			
Utilities	13,317			
Payroll	26,839			
Operations	<u>8,076</u>	(1,200,932)		
Development costs:				
Payroll & Project supervision	338,894		297,173	
Assays/Geological	44,580		3,051	
Operations	365,534			
Drilling	575,463			
Rehabilitation	280,399			
Insurance			8,310	
Supplies	191,967			
Utilities	96,815			
General			9,872	
Exploration	<u>1,461,147</u>	3,354,799	<u>1,040,206</u>	<u>1,358,613</u>
External Ramp		1,572,904		
Mine Electrical-Power line		234,650		
Amortization		48,973		
Capital Equipment Rental		<u>25,567</u>		
Restoration Bonds				
Total Drumlummon Mine		4,041,287		1,360,848
Placer Claims:				
Purchase & Options				
Legal		3		
Bald Butte:				
Purchase & Options				
Expenses				
Legal				
Restoration Bonds				

General and Administration Expenses

Following is a breakdown of components of expenses for the three months ended March 31, 2011 and 2010:

General & Admin Expenses	2011	2010	Change
Interest and Finance Charges	993	311	682
Office, Administrative & Other Exp.	64,949	31,973	32,975
Legal	52,467	12,247	40,219
Professional Services	187,675	123,345	64,330
Director Fees	43,250	0	43,250
Travel	128,902	15,517	113,385
Marketing	88,402	0	88,402
Filing and Regulatory	33,146	4,375	28,770
Web site	5,764	3,524	2,240
Foreign Exchange (gain) loss	11,487	70,565	(59,078)
Interest and Other Income	(44,138)	0	(44,138)

Office, Administrative and Other Expenses includes rent, office supplies, office equipment repairs & maintenance, telephone and reflected the significant increase in activities of the Company. In addition, two office employees were hired whose payroll is included in Office, Administrative and Other Expenses.

Substantial increases in Professional Services, Travel and Marketing are primarily the result of the increased business and financial activities of the Company along with the activities of fully-owned subsidiaries.

The Company completed a corporate restructuring effective July 1, 2010.

During the period the total Professional Services required by the Company increased due to warrant exercises, regulatory and permitting issues, service contracts, securities regulatory filings, management activities, the corporate restructure and all other related activities.

The results of these increased expenditures led directly to the exercise of the warrants and the resultant \$793,000 addition to capital.

Liquidity

As at March 31, 2011, the Company had a working capital surplus (current assets less current liabilities) of \$13,903,646 (Mar 31, 2010 - \$2,879,546), cash, short-term investments and current receivables of \$15,073,401 (Mar 31, 2010 - \$2,960,696) and current liabilities of \$1,169,755 (Mar 31, 2010 - \$314,431).

As at March 31, 2011 the Company had no contractual commitments or lease agreements other than as disclosed herein or in relation to its ongoing obligations to consultants and contractors employed in its ongoing operations at the Drumlummon Mine in Montana and in its ongoing corporate operations.

Capital Resources

Resources available to the Company to raise exploration and development funds are the equity markets, joint venture arrangements with other mineral resource companies and proceeds from the sale of gold and silver concentrate obtained from test mining. The Company's primary capital assets are interests in mineral projects, which are discussed in detail in the section, Overview of Performance. The Company has entered into several agreements, which provide for further expenditures, option payments and exploration expenses to be incurred. Some of these commitments relate to option agreements and the Company is not committed to completing these expenditures.

The Company anticipates that it will not require additional capital over the next 12 months.

On May 30, 2011, the Company had on hand the sum of US \$796,754 and CDN \$9,662,287 in cash. The Company has received approximately \$22,000,000 from the exercise of warrants since July 1, 2010.

The Company in the past has relied upon private placement subscriptions to satisfy its funding requirements and may continue to do so in the future. There are no assurances that capital requirements will be met by this means in the future and the Company is mindful of the current challenges in the capital markets and the economy in general. The company expects to continue to receive funds from the sale of gold and silver obtained from the continuing test mining at the Drumlummon mine.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Transactions with Related Parties

Transactions with related parties are incurred in the normal course of business and are measured at the exchange amount, which is the consideration established and agreed to by the respective parties. Related party transactions not disclosed elsewhere are summarized below:

Included in mining claims and deferred exploration and development expenditures are for Jan-Mar 2011 - \$3,120 (Jan-Mar 2010 - \$Nil) and for Jul 2010-Mar 2011 - \$3,120 (Jul 2009-Mar 2010 - \$Nil) of fees paid to the Company's legal counsel who is a director of the Company.

Included in accounts payable and accrued liabilities is \$129,922 (Mar 31, 2010 - \$52,000) due to the Company's legal counsel who is a director of the Company, \$Nil (Mar 31, 2010 - \$20,000) due to a company controlled by directors of the Company, \$Nil (Mar 31, 2010 - \$Nil) due to directors of the Company for director fees and \$4,041 (Mar 31, 2010 - \$2,500) due to a company controlled by a director of the Company.

Included in capital stock is \$41,573 (Mar 31, 2010 - \$9,153) of share issuance costs for fees paid to the Company's legal counsel who is a director of the Company.

Included in professional and consulting fees are for Jan-Mar 2011 - \$16,568 (Jan-Mar 2010 - \$Nil) and for Jul 2010-Mar 2011 - \$80,831 (Jul 2009-Mar 2010 - \$4,522) of fees paid to the Company's legal counsel who is a director of the Company, Jan-Mar 2011 - \$60,000 (Jan-Mar 2010 - \$60,000) and for Jul 2010-Mar 2011 - \$240,000 (Jul 2009-Mar 2010 - \$180,000) in management fees to a company controlled by directors of the Company and for Jan-Mar 2011 - \$7,500 (Jan-Mar 2010 - \$Nil) and for Jul 2010-Mar 2011 - \$15,000 (Jul 2009-Mar 2010 - \$7,500) of fees paid to a company controlled by a director of the Company and for Jan-Mar 2011 - \$43,250 (Jan-Mar 2010 - \$Nil) and for Jul 2010-Mar 2011 - \$202,500 (Jan-Mar 2010 - \$Nil) of fees paid to directors of the Company for director fees.

Included in office and general is for Jan-Mar 2011 - \$Nil (Jan-Mar 2010 - \$11,416) and for Jul 2010-Mar 2011 - \$10,386 (Jul 2009-Mar 2010 - \$34,919) of fees paid to a company controlled by directors of the Company, related to rent and office expenses, and for Jan-Mar 2011 - \$1,900 (Jan-Mar 2010 - \$7,182) for Jul 2010-Mar 2011 - \$11,232 (Jul 2009-Mar 2010 - \$12,132) of fees paid to a company controlled by a director of the Company.

Commitments and Contingencies

Pursuant to the flow through share issuance in a prior year the company renounced to its investors certain expenditures in accordance with the look-back rules under the Income Tax Act ("the Act"). As a result, the Company was committed to incurring approximately \$1,861,000 of Canadian Exploration Expenditures prior to December 31, 2009. The Company did not incur the required amount of Canadian Exploration Expenditures by December 31, 2009 and, as a result, has incurred a Part XII.6 tax in the approximate amount of \$75,000. In addition, the qualification of the eligibility of the Canadian Exploration Expenditures, including amounts funded to and then expended by the optionors of the Van Koughnet Townships claims, which were renounced in relation to the flow through share issuance are in the normal course of business subject to review by the Canada Revenue Agency ("CRA"). If these expenditures were denied by the CRA under review the Company would incur penalties and would be required to amend certain of its tax filings with its flow through share investors.

Proposed transactions

There are no proposed transactions other than described herein.

Critical Accounting Estimates

This item is not applicable as the Company is a venture issuer.

Adoption of New Accounting Standards

Effective July 1, 2009, the Company adopted the following new Canadian Institute of Chartered Accounts ("CICA") standards:

CICA Handbook Section 3064 - Goodwill and Intangible Assets ("CICA 3064")

CICA 3064, replaces CICA Handbook Section 3062, Goodwill and Intangible Assets, and CICA Handbook Section 3450, Research and Development Costs, establishes standards for the recognition, measurement and disclosure of goodwill and intangible assets.

CICA Handbook Section 3862 - Financial Instruments – Disclosures ("CICA 3862")

CICA 3862, was amended to require disclosure about the inputs used in making fair value measurements, including their classification within a hierarchy that prioritizes their significance. The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3 – Inputs that are not based on observable market data.

The adoption of these standards had no impact on the Company's consolidated financial statements.

Financial Instruments and Other Instruments

Financial Instruments

The Company follows the recommendations of CICA Handbook Section 3855, Financial Instruments – Recognition and measurement. Section 3855 provides that all financial instruments are to be recorded initially at fair value. In subsequent periods, all financial instruments are measured based on the classification adopted for the financial instrument: held-to-maturity, loans and receivables, held for trading, available-for-sale or other liability.

Financial assets

Held for trading assets are measured at fair value with the change in the fair value recognized in net income during the period.

Held-to-maturity assets are measured at amortized cost using the effective interest rate method.

Loans and receivables are measured at amortized cost using the effective interest rate method.

Available-for-sale assets are measured at fair value with the changes in fair value recorded in other comprehensive income.

Financial liabilities

Held for trading liabilities are measured at fair value with the change in the fair value recognized in net loss during the period.

Other liabilities are measured at amortized cost using the effective interest rate method.

The Company has classified its financial instruments as follows:

<u>Financial Instrument</u>	<u>Classification</u>
Cash	Held for trading
Short-term investment	Held for trading
Amounts receivable	Loans and receivables
Due from agents	Loans and receivables
Loan receivable	Loans and receivables
Reclamation bonds	Loans and receivable
Accounts payable and accrued liabilities	Other liabilities

Transaction costs are expensed as incurred for financial instruments classified as held for trading. For other financial instruments, transaction costs are expensed on initial recognition. The Company accounts for regular purchases and sales of financial assets using trade date accounting.

Stock-Based Compensation and Other Stock-Based Payments

The Company accounts for stock options granted to directors, officers, and employees using the fair value method of accounting and for non-employees using the fair value of the equity instruments issued or the value of the services, whichever is more reliably measurable. Stock based compensation cost for directors, officers, and employees is accrued and charged to operations, with an offsetting credit to contributed surplus, over the vesting periods. Stock-based compensation cost for non-employees is measured at the earliest date at which performance is complete or the options vested, and is expensed over the service period with an offsetting credit to contributed surplus. If in the event that vested stock options expire without being exercised, previously recognized compensation costs associated with such rewards are not reversed. If and when the stock options are exercised, the applicable amounts of contributed surplus are transferred to share capital. The Company has not incorporated an estimated forfeiture rate for stock options that will not vest; rather the Company accounts for actual forfeitures as they occur.

Mining Properties and Deferred Exploration Costs

All direct costs related to the acquisition and exploration and development of specific properties are capitalized as incurred. If a property is brought into production, these costs will be amortized against the income generated from the property. If a property is abandoned, sold or impaired, an appropriate charge will be made. Discretionary option payments arising on the acquisition of mining properties are only recognized when paid. Amounts received from other parties to earn an interest in the Company's mining properties are applied as a reduction of the mining property and deferred exploration and development costs, except for administrative reimbursements which are credited to operations.

Revenue from properties earned during the development stage (prior to commercial production) and are deducted from capitalized costs.

The amounts shown for mining claims and related deferred costs represent costs incurred to date, less amounts less amounts expensed and reimbursements, and do not necessarily reflect present or future values of the particular properties. The recoverability of these costs is dependent upon discovery of economically recoverable reserves and future production or proceeds from the disposition thereof.

The Company reviews the carrying value of a mineral exploration property when events or changes in circumstances indicate that the carrying value may not be recoverable. If the carrying value of the property exceeds its fair value, the property will be written down to fair value with the provision charged against operations in the year. An impairment is also recorded when management determines that it will discontinue exploration or development on a property or when exploration rights or permits expire. The amount shown for deferred exploration expenses, represents costs incurred to date net of write-downs, if any, and is not intended to reflect present or future values. Management considers the guidance in EIC-174, Mining Exploration Costs, when determining whether or not its mining properties are impaired.

Ownership in mineral properties involves certain risks due to the difficulties in determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mineral interests. The Company has investigated the ownership of its mineral properties and, to the best of its knowledge, ownership of its interests are in good standing.

Plant and Equipment

Plant and equipment are stated at cost, less accumulated amortization. Amortization is recorded using the straight line method based on units-of-production of the life of the proven and probable estimated resource of the related mining claims and deferred exploration and development expenditures. The Company monitors the recoverability of its plant and equipment and software whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. If such cash flows are less than the carrying value, the impairment charge to be recognized equals the amount by which the carrying amount of the asset exceeds the fair value of the asset. Fair value is generally measured equal to the estimated future discounted net cash flows from the assets.

Restoration Liabilities

The Company recognizes the fair value of restoration liabilities related to statutory, contractual or legal obligations associated with the retirement of mining claims in the year in which it is incurred when a reasonable estimate of fair value can be made, in which case the carrying amount of the related mining claim is increased by the same amount as the restoration liability. The Company's estimates of such costs could change as a result of changes in regulatory requirements and assumptions regarding the amount and timing of the future expenditures.

Foreign Currency Translation

The Company's wholly-owned subsidiaries, Drumlummon Gold Mine LLC, Drumlummon Gold Corp., Drumlummon Ltd., and RX Mining Corp., are treated as integrated foreign operations. Monetary assets and liabilities denominated in foreign currencies are translated to Canadian dollars at exchange rates in effect at the balance sheet date. Non-monetary assets and liabilities are translated at rates of exchange at each transaction date. Revenue and expenses are translated at the rate of exchange at each transaction date. Gains or losses on translation are included in income.

Income Taxes

The Company follows the asset and liability method of accounting for income taxes. Under this method, future income tax assets and liabilities are determined based on temporary differences between financial reporting and tax bases of assets and liabilities, as well as for the benefit of losses available to be carried forward to future years for tax purposes. Future income tax assets and liabilities are measured using enacted tax rates or substantively enacted tax rates and laws that will be in effect when the differences are expected to reverse. Future income tax assets are recorded in the financial statements if realization is considered more likely than not.

Flow Through Shares

Canadian tax legislation permits a company to issue flow-through shares whereby the deduction for tax purposes relating to qualified resource expenditures is claimed by the investors rather than the Company. Recording these expenditures for accounting purposes gives rise to taxable temporary differences. The Emerging Issues Committee of the Canadian Institute of Chartered Accountants issued EIC-146 under which the Company is required to recognize the future income tax liability upon filing renunciation documents with the tax authorities and to treat it as a cost of issuing the flow-through shares.

Share Issuance Costs

Costs incurred in connection with the issuance of capital stock and share purchase warrants are netted against the proceeds received.

Loss Per Share

Basic loss per share is calculated based on the weighted average number of shares outstanding. The treasury stock method is used to compute the dilutive effect of options, warrants and similar instruments.

Valuation of Equity Instruments in Private Placements

The Company has adopted a relative fair value method with respect to the measurement of shares and warrants issued as private placement units. Warrants attached to units are valued based on relating the fair value of the warrants using the black-scholes method and the share price at the time of the financing.

Basis of Presentation

The consolidated financial statements include the accounts of RX Exploration Inc. and its wholly-owned subsidiaries, Drumlummon Gold Mine LLC, Drumlummon Gold Corp., Drumlummon Ltd., and RX Mining Corp (the "Company").

A portion of the Company's exploration activities are conducted jointly with others. Expenditures on properties reflect the Company's proportionate interest in mineral properties. The consolidated financial statements include the Company's proportionate share of assets and liabilities in its 50% owned joint venture, Marysville Mining and Milling LLC ("MMM"). Currently, MMM only owns the Placer Claims (See note 4(c) to the Financial Statements) and does not have any other assets, liabilities, commitments or contingencies.

Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Areas requiring significant estimates by management are valuation of options and warrants, economic useful life of depreciable assets for purposes of calculating amortization, impairment and valuation of mining claims and deferred exploration and development expenditures, and valuation allowance for future income taxes. Actual results could differ from those estimates, and the difference could be material.

International Financial Reporting Standards – IFRS Changeover Plan

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five-year transitional period. In February 2008, the AcSB announced that 2011 is the transition date for publicly listed companies to use IFRS, replacing Canadian GAAP. The effective date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of July 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended June 30, 2011.

During 2010, the Company commenced a high-level preliminary assessment and identification of the standards that affect its financial statements, business and system processes. However the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time. During 2011, the Company plans on advancing through the detailed assessments of the higher priority areas, which were identified in the preliminary assessment. These detailed assessments will be designed to determine the effect on business activities including information technology and data systems, internal controls over financial reporting and, finally, disclosure controls and procedures. The Company has begun its detailed assessment of its future obligations under IFRS.

Controls and Procedures

Management is responsible for the design of internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements in accordance with accounting principles generally accepted in Canada. Based on a review of its internal control procedures at the end of the period covered by this MD&A, management believes its internal controls and procedures, for the nature and size of the entity, are effective in providing reasonable assurance that financial information is recorded, processed, summarized and reported in a timely manner.

Management is also responsible for the design and effectiveness of disclosure controls and procedures to provide reasonable assurance that material information related to the Company, is made known to the Company's certifying officers. Management has evaluated the effectiveness of the Company's disclosure controls and procedures and has concluded that these controls and procedures are effective, for the nature and size of the entity, in providing reasonable assurance that material information relating to the Company is made known to them by others within the Company.

Other MD&A Requirements

During the nine months ended March 31, 2011 and the subsequent period to date, management of the Company focused its efforts, along with its joint venture partners, on the development of the Drumlummon Mine.

Disclosure of Outstanding Share Data

The Company's authorized share capital consists of unlimited common shares without par value.

Issued and outstanding: March 31, 2011 – 160,042,605

Issued and outstanding: May 30, 2011 (date of this report) – 160,438,980 – 96,375 common shares issued from exercise of warrants and 200,000 common shares issued from the exercise of stock options.

Warrants outstanding: March 31, 2011 – 19,453,887

Warrants outstanding: May 30, 2011 – 14,607,512 – 96,375 warrants were exercised and 4,750,000 warrants expired subsequent to March 31, 2011.

Options outstanding: March 31, 2011 – 7,795,000

Options outstanding: May 30, 2011 – 7,695,000 - 200,000 options were issued and 300,000 options were exercised