

MEDITERRANEAN RESOURCES LTD.

Management's Discussion And Analysis Of Financial Position And Results Of Operations For The Nine Months Ended September 30, 2011

Containing information up to and including November 10, 2011

Mediterranean Resources Ltd. ("Mediterranean" or the "Company") is listed on The Toronto Stock Exchange ("TSX") under the trading symbol "MNR", on the Frankfurt Stock Exchange under "MHM1" and on the OTC under "MNRUF". The Company is in the business of exploring mineral properties, including the Yusufeli mineral properties in Turkey.

This management discussion and analysis ("MD&A") of the consolidated operating results and financial condition of the Company for the nine months ended September 30, 2011 is prepared in accordance with International Financial Reporting Standards ("IFRS") and should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2010 which have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). A reconciliation of the previously disclosed comparative periods' financial statements prepared in accordance with Canadian generally accepted accounting principles ("Cdn GAAP") to IFRS is set out in note 13 of the condensed interim consolidated financial statements ("Financial Statements"). This MD&A is intended to help the reader understand the condensed consolidated financial statements of the Company.

Management is responsible for the preparation and integrity of the financial statements, including the maintenance of appropriate information systems, procedures and internal controls and to ensure that information used internally or disclosed externally, including the financial statements and MD&A, is complete and reliable. The Company's board of directors follows recommended corporate governance guidelines for public companies to ensure transparency and accountability to shareholders. The board's audit committee meets with management quarterly to review the financial statements including the MD&A and to discuss other financial, operating and internal control matters.

Readers should use the information contained in this report in conjunction with all other disclosure documents including those filed on SEDAR (www.SEDAR.com). Additional information relating to the Mediterranean can be found on the company's website www.medresources.ca

All dollar amounts referred to in this discussion and analysis are expressed in Canadian dollars except where indicated otherwise.

The date of this MD&A is November 10, 2011.

Forward looking statements

Except for statements of historical fact, certain information contained herein constitutes forward-looking statements. Forward looking statements are usually identified by the use of certain terminology, including "will", "believes", "may", "expects", "should", "seeks", "anticipates" or "intends" or by discussions of strategy or intentions. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause our actual results or achievements to be materially different from any future results or achievements expressed or implied by such forward-looking statements. Forward-looking statements are statements that are not historical facts, and include but are not limited to, estimates and their underlying assumptions; statements regarding plans, objectives and expectations with respect to the effectiveness of the Company's business model; future operations, products and services; the impact of regulatory initiatives on the Company's operations; the size of and opportunities related to the markets for the Company's products; general industry and macroeconomic growth rates; expectations related to possible joint and/or strategic ventures and statements regarding future performance.

Forward-looking statements used in this discussion are subject to various risks and uncertainties, most of which are difficult to predict and generally beyond the control of the Company. If risks or uncertainties materialize, or if underlying assumptions prove incorrect, the Company's actual results may vary materially from those expected, estimated or projected. Forward looking statements in this document are not a prediction of future events or circumstances, and those future events or circumstances may not occur. Given these uncertainties, users of the information included herein, including investors and prospective investors are cautioned not to place undue reliance on such forward-looking statements.

MEDITERRANEAN RESOURCES LTD.

Management's Discussion And Analysis Of Financial Position And Results Of Operations For The Nine Months Ended September 30, 2011

Containing information up to and including November 10, 2011

It is the Company's policies that all forward-looking statements are based on the Company's beliefs and assumptions which are based on information available at the time these assumptions are made. The forward looking statements contained herein are as of August 10, 2011 and are subject to change after this date, and the Company assumes no obligation to publicly update or revise the statements to reflect new events or circumstances, except as may be required pursuant to applicable laws. Although management believes that the expectations represented by such forward-looking information or statements are reasonable, there is significant risk that the forward-looking information or statements may not be achieved, and the underlying assumptions thereto will not prove to be accurate. Forward-looking information or statements in this MD&A include, but are not limited to, information or statements concerning our expectations for: accuracy of the Preliminary Assessment report and development potential of its mineral properties in Turkey, as well as satisfactory resolution of the Company's contingent liabilities.

Forward-looking statements included or incorporated by reference in this document include statements with respect to the assumptions and estimates used in the Company's NI 43-101 compliant resource estimate updated in April 2009; "fatal flaw" analysis which concluded that there are no known impediments to the Environmental Impact Assessment permitting process; and preliminary economic assessment.

Table of Contents

Overall Performance	3
Selected Financial Information	4
Results of operations	5
Mineral Properties	6
Liquidity	7
Commitments and contingencies	7
Equity Resources	7
Subsequent Event	8
Significant Accounting Judgments and Estimates	9
Off-balance sheet arrangements	9
Proposed transactions	9
Future accounting pronouncements	9
Risk Factors	10
Related Party Transactions	12
Financial instruments and risk management	14
Evaluation of Disclosure Controls and Procedures	15
Internal Control over Financial Reporting	16
Policies & Conversion to International Financial Reporting Standards	16

MEDITERRANEAN RESOURCES LTD.

Management's Discussion And Analysis Of Financial Position And Results Of Operations For The Nine Months Ended September 30, 2011

Containing information up to and including November 10, 2011

Overall Performance

The Company is in the business of exploring mineral properties and is currently focused on the 100 square kilometre Yusufeli Property in north-eastern Turkey. Within the properties, two deposits: Corak and Tac, host an NI 43-101 compliant resource estimate, upgraded in April 2009, which established an indicated resource of 49.5 million tonnes. There are also substantial base metal credits in the Corak and Tac deposits which are included in these Au equivalent resource estimates. The Company has a 100% interest in the Taç and Çorak deposits.

Yusufeli Property Indicated and Inferred Mineral Resource¹ (Grades Capped)

Category	Deposit	TONNES (millions)	In-Situ Grade							Contained Metal				
			Au (g/t)	Cu (%)	Ag (g/t)	Pb (%)	Zn (%)	NSR ² (\$)	Au Eq ³ (g/t)	AU (M. Oz)	Cu (M. lbs)	Ag (M. Oz)	Pb (M. lbs)	Zn (M. lbs)
Indicated	Corak	25.70	0.76	-	1.57	0.25	0.60	27.19	1.26	0.63	-	1.30	141.00	340.34
	Tac	23.80	1.24	0.12	-	-	-	31.79	1.39	0.95	64.00	-	-	-
	Total	49.50	0.99	0.12	1.57	0.25	0.60	29.40	1.32	1.58	64.00	1.30	141.00	340.34
Inferred	Corak	7.80	0.53	-	1.42	0.20	0.48	20.00	0.93	0.13	-	0.35	34.76	82.00
	Tac	3.20	1.56	0.14	-	-	-	39.39	1.72	0.16	9.81	-	-	-
	Total	11.00	0.83	0.14	1.42	0.20	0.48	25.64	1.16	0.29	9.81	0.35	34.76	82.00

Intensive metallurgical tests for the two deposits had been finalized and the results from these tests had been incorporated into a Preliminary Assessment ("PA" – formerly known as a Preliminary Economic Assessment) to determine the appropriate process design criteria and processing flow-sheets. The Company now plans to update the NI 43-101 compliant technical report outlining the PA in the third quarter of 2011.

On June 14, 2010, the Company published the results of its Preliminary Assessment prepared by SRK Consulting of Vancouver. A summary of the Preliminary Assessment on measured, indicated and inferred resources at Corak and Tac deposits is as follows:

- Undiscounted pre-tax Net Cash Flow of US\$343 M and US\$233 M, using one year and two year historic metals prices respectively
- Net Present Value (before tax and interest) of US\$251 M and US\$165 M using one year and two year historic metals prices respectively
- In-pit, contained Indicated resources of 13.7 Mt, 856,000 oz gold, 97 Mlb of zinc, and 30 Mlb of copper and 38 Mlb of lead. In-pit Inferred resources total 0.7 Mt, 48,000 oz gold, 6 Mlb of zinc, and 2 Mlb of copper and 2 Mlb of lead using metal prices of US\$1,000/oz gold, US\$2.75/lb copper, US\$0.85/lb lead, \$0.90/lb zinc and US\$16.00/oz silver for the base case optimization
- Two stage mining with Corak pit being exploited first followed by the Tac deposit
- Initial Capital Expenditure of \$125 M (including a 25% contingency)
- Projected mine life of 7.2 years and average annual production over mine life 94,500 oz Au.
- Extensive unexplored territory

The Company is in the process of converting three of its ten exploration licences into operating licences, bringing the number of operating licences from four to seven. The technical reports supporting the conversion applications had been submitted in December 2010 and approvals for these conversions are expected to be received during 2011.

The Company intends to initiate an Environmental Impact Assessment (EIA) in mid-2011. In 2010, a "fatal flaw" analysis was prepared by consultants who concluded that there are no known impediments to the EIA permitting process.

MEDITERRANEAN RESOURCES LTD.

Management's Discussion And Analysis Of Financial Position And Results Of Operations For The Nine Months Ended September 30, 2011

Containing information up to and including November 10, 2011

Issues relating to management had been resolved in March 2011 and the Company is now in a position to revive its exploration program and has targeted the summer of 2011 for a drilling campaign.

In mid-June 2011, the company announced that it had formulated a drilling campaign for its Çorak and Taç deposits over the coming months. These deposits were previously the subject of a NI43-101 Technical Report (the results of which are shown below) in May 2008. The drilling campaign has taken precedence over the previously announced drilling at the Celtik part of the project.

As mentioned, the Company recently published the results of its Preliminary Assessment. As a result of this assessment the Company has decided to carry out additional drilling at Çorak and Taç with a view to publishing a new NI 43-101 Technical Report on these deposits.

The targets at Çorak are primarily areas of the existing deposit where insufficient drilling was done in the past. The campaign on this deposit will consist of four 200-metre holes and one 150-metre hole.

The target for a three/four-hole campaign at Taç is the part of the deposit that was identified by SRK as potentially high-grade and yet was not included within the resource estimate and required further infill drilling.

The Company also intends in coming months to undertake a study of the geological structure of the Tac and Corak deposits utilising an independent structural geologist.

The Company has sufficient confidence in the funding to carry out the assessment and drilling work described above during the Company's fourth quarter. In February 2011, the Company closed a private placement of 15,000,000 units at \$0.10 per unit for gross proceeds of \$1,500,000. In March and June 2011, 5,612,080 warrants were exercised at an average price of \$0.14 per warrant for total proceeds of \$771,608 (see "Capital Resources" section).

Selected Financial Information

The following table sets out selected consolidated financial information for the last three completed fiscal years:

	As at or for the year ended		
	December 31,		2008
	2010	2009	
	IFRS	GAAP	GAAP
Revenues	\$ -	\$ -	\$ -
Corporate general and administrative expenses	1,094,546	1,251,016	1,759,363
Restructuring costs	-	-	-
Net loss of the year	1,152,359	1,262,728	1,133,482
Loss per share – basic and diluted	0.01	0.01	0.01
Total assets	17,788,566	17,957,623	19,449,444
Long-term liabilities	-	-	-
Shareholders' equity	17,522,161	17,616,113	18,816,135
Cash dividends declared per share	-	-	-

MEDITERRANEAN RESOURCES LTD.

Management's Discussion And Analysis Of Financial Position And Results Of Operations For The Nine Months Ended September 30, 2011

Containing information up to and including November 10, 2011

Summary of Quarterly Results

The following tables set out selected results of operations for each of the eight most recently completed quarters:

Quarter ended		Revenues	Loss	Loss per share Basic	Loss per share Diluted*
2011 Quarter 3	IFRS	\$ -	\$ -	\$ 0.00	\$ 0.00
2011 Quarter 2	IFRS	\$ -	\$ (585,376)	\$ 0.00	\$ 0.00
2011 Quarter 1	IFRS	\$ -	\$ (265,115)	\$ 0.00	\$ 0.00
2010 Quarter 4	IFRS	\$ -	\$ (322,104)	\$ 0.00	\$ 0.00
2010 Quarter 3	IFRS	\$ -	\$ (232,960)	\$ 0.00	\$ 0.00
2010 Quarter 2	IFRS	\$ -	\$ (286,792)	\$ 0.00	\$ 0.00
2010 Quarter 1	IFRS	\$ -	\$ (310,503)	\$ 0.00	\$ 0.00
2009 Quarter 4	GAAP	\$ -	\$ (320,996)	\$ 0.00	\$ 0.00

*Diluted loss per share equals basic loss per share as options and warrants are anti-dilutive.

- 2011 Quarter 2 net loss increased by \$320,261 due mostly to more share-based compensation of \$254,627 in quarter 2 from the issue of stock options and more professional fees of \$64,171 in quarter 2 (\$52,860 from legal fees resulting from the change in management in quarter 2 including fees pertaining to the defence from a lawsuit by a former officer and director of the Company; and \$11,311 from accounting fees resulting from additional work required in the adoption of IFRS earlier in 2011).
- 2010 Quarter 4 net loss increased by \$97,463 due mostly to (a) more compensation expense of \$20,400 from overtime paid to a former officer and director of the Company; (b) more professional fees of \$25,883 from \$39,510 audit fees, offset by a decrease in legal fees of \$13,627; (c) \$21,876 licences written off; and (d) \$28,669 increase in loss on foreign exchange from holding foreign currency.

Results of operations

Nine months ended September 30, 2011 compared to nine months ended September 30, 2010

For the nine months ended September 30, 2011, the Company recorded a loss of \$1,052,016 compared to a loss of \$830,256, in 2010, an increase of \$221,760. This increase in loss was mainly the result of: a net increase in corporate general and administrative ("G&A") expenses of \$275,879 (from \$812,471 in 2010 to \$1,088,350 in 2011), offset by a write-off of accounts payable in 2011 of \$52,260 relating to amounts accrued in previous years that are no longer payable.

The net increase of \$275,879 in corporate G&A expenses was due mainly to increases in (a) share-based compensation of \$286,206 due to more options vested and granted in 2011 than in 2010; and (b) professional fees of \$174,365 due to (1) an increase of \$147,864 in legal services rendered in 2011 to respond to an attempted change in management by a group of concerned shareholders and to defend against a lawsuit from a previous officer and director of the Company; and (2) an increase of \$26,501 in audit and accounting services to switch in 2011 to the use of accounting standards from GAAP to IFRS.

The net increase in corporate G&A expenses was offset mainly by (c) a net decrease in salaries and benefits \$121,955 due to the change in top management in March 2011 and (d) a net decrease in communications of \$51,936 due to not engaging an investor relations consultant in 2011.

MEDITERRANEAN RESOURCES LTD.

Management's Discussion And Analysis Of Financial Position And Results Of Operations For The Nine Months Ended September 30, 2011

Containing information up to and including November 10, 2011

Three months ended September 30, 2011 compared to three months ended September 30, 2010

For the three months ended September 30, 2011, the Company recorded a loss of \$201,525 compared to a loss of \$232,961 in 2010, a decrease of \$31,436.

This decrease in loss was mainly the result of: a net decrease in corporate general and administrative ("G&A") expenses of \$45,708 (from \$244,126 in 2010 to \$198,418 in 2011) due mainly to decreases in (a) salaries and benefits of \$45,024 due to the change in top management in March 2011; and (b) a decrease in communications of \$17,962 due to not engaging an investor relations consultant in 2011. The net decrease in corporate G&A expenses was offset mainly by increases in professional fees of \$21,349 due to increased legal expenses rendered in 2011 to defend against a lawsuit from a previous officer and director of the Company.

The net decrease in corporate G&A expenses was offset mainly by an increase in foreign exchange loss of \$15,499 due to the strengthening of the Canadian dollar in the latter part of 2011 relative to the same period in 2010.

Mineral Properties

Turkey – Yusufeli properties

	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS
	BALANCE	Nine months	Three months	BALANCE	Nine months	BALANCE
	January 1,	ended	ended	December 31,	ended	September 30,
	2010	September 30,	December 31,	December 31,	September 30,	September 30,
	2010	2010	2010	2010	2011	2011
Acquisition costs	\$ 1,378,515	\$ -	\$ -	\$ 1,378,515	\$ -	\$ 1,378,515
Exploration costs						
Assaying and sampling	1,824,700	24,489	9	1,849,198	15,945	1,865,143
Drilling	5,165,407	153,296	-	5,318,703	-	5,318,703
Environmental baseline studies	312,636	28,091	-	340,727	-	340,727
Geological consulting	1,023,384	171,667	26,889	1,221,940	89,085	1,311,025
Metallurgy	206,612	163,920	21,848	392,380	2,706	395,086
Field costs	1,167,926	51,896	7,774	1,227,596	48,982	1,276,578
Geophysics	84,066	-	-	84,066	-	84,066
Wages	2,010,644	224,433	60,176	2,295,253	177,743	2,472,996
Road construction	215,180	22,611	-	237,791	-	237,791
	12,010,555	840,403	116,696	12,967,654	334,461	13,302,115
Project supervision, transportation and travel, office and administrative costs						
Office and administrative	1,445,017	176,940	62,707	1,684,664	128,335	1,812,999
Project supervision	270,206	58,635	19,545	348,386	19,545	367,931
Transportation and travel	433,749	121,340	-	555,089	-	555,089
	2,148,972	356,915	82,252	2,588,139	147,880	2,736,019
Licences, permits and fees	495,812	46,215	92,089	634,116	193,275	827,391
	14,655,339	1,243,533	291,037	16,189,909	675,616	16,865,525
	16,033,854	1,243,533	291,037	17,568,424	675,616	18,244,040
Licences written off	-	(20,420)	(18,700)	(39,120)	-	(39,120)
Total expenditures	\$ 16,033,854	\$ 1,223,113	\$ 272,337	\$ 17,529,304	\$ 675,616	\$ 18,204,920

To September 30, 2011, the Company had invested in mineral properties a total of \$18,204,920 (2010 – \$17,256,967) of which \$1,378,515 was paid in the form of shares of the Company issued pursuant to the option agreement relating to the Yusufeli properties. These properties are held by our sole subsidiary, Akdeniz Resources Madencilik A.S., a Turkish company.

MEDITERRANEAN RESOURCES LTD.

Management's Discussion And Analysis Of Financial Position And Results Of Operations For The Nine Months Ended September 30, 2011

Containing information up to and including November 10, 2011

During the first three months of 2011, the Company had to deal with issues relating to financing and management, and as a result, did not pursue an active exploration program in 2011 relative to the same period the year before. The recent February 2011 financing and the exercise of warrants in March and June 2011 allowed the Company to resume its exploration program with the drilling campaign targeted for the summer of 2011.

During the nine months ended September 30, 2011, the Company incurred a total of \$675,616 (2010 - \$1,243,533) in expenditures relating to its Turkish properties, comprising \$334,461 (2010 - \$840,403) on assaying, drilling, geological consulting, metallurgy, environmental baseline studies, wages and related costs; \$193,275 (2010 - \$46,215) on licensing, permits and legal fees and \$147,880 (2010 - \$356,915) in project supervision, transportation and travel, and office and administrative costs.

The result for the period was a decrease in expenditures of \$567,917 in 2011 versus 2010. This decrease in expenditures was mainly a result of less work done in 2011 than in 2010: \$505,942 less in assaying, drilling, geological consulting, metallurgy, environmental baseline studies, wages and related costs in 2011; \$209,035 less in project supervision, transportation and travel, and office and administrative costs in 2011. Both these decreases in expenditures in 2011 were offset by an increase in licensing, permits and legal fees of \$147,060 in 2011.

Liquidity

The Company had working capital of \$681,893 as at September 30, 2011 compared to working capital deficit of \$73,050 as at December 31, 2010, an increase of \$754,943; mainly due to cash raised of \$1,385,442 in a private placement in February 2011 and \$771,608 in the exercise of warrants in March and June 2011, less cash used in operating activities of \$799,963 and investing in mineral properties of \$673,253.

During the nine months ended September 30, 2011, total assets increased by \$1,322,107: from \$17,788,566 at December 31, 2010 to \$19,110,673 at September 30, 2011. Exploration expenditures increased by \$675,616: from \$17,529,304 as at December 31, 2010 to \$18,204,920 as at September 30, 2011 (see "Mineral Properties" section).

Commitments and contingencies

(a) Operating lease commitment

The Company leases office premises with a lease term of 5 years. The Company's commitment for future minimum payments in respect of the operating lease contract is as follows:

	September 30, 2011	September 30, 2010
Not later than one year	\$ 48,096	\$ 46,537
Later than one year and no later than five years	129,592	177,688
	\$ 177,688	\$ 224,225

(b) Claim against the Company

On March 28, 2011, the Company's former President and Chief Executive Officer and director, Dr. Peter Guest, filed a notice of civil claim against the Company with respect to the termination of his employment agreement. Subsequent to September 30, 2011, the Company was served with a \$312,000 Garnishing Order Before Judgment related to the civil claim by Peter Guest. The Company has filed a counter claim against Mr. Guest and will be bringing an application to have the Garnishing Order set aside. The financial effect of these events is not determinable at this time and no cost allowance has been recorded during the nine months ended September 30, 2011.

MEDITERRANEAN RESOURCES LTD.

Management's Discussion And Analysis Of Financial Position And Results Of Operations For The Nine Months Ended September 30, 2011

Containing information up to and including November 10, 2011

Share Capital Resources

Common shares issued and outstanding on a fully diluted basis, as at November 10, 2011	Number of Common Shares
Common shares, issued and outstanding	121,956,328
Warrants outstanding	3,402,500
Stock options outstanding	4,415,000
	<u>129,773,828</u>

The Company's authorized capital consists of an unlimited number of common shares without par value. At September 30, 2011, the Company had 121,956,328 (December 31, 2010 - 101,344,248) issued and outstanding common shares.

In February 2011, the Company completed a non-brokered private placement for 15,000,000 units at \$0.10 per unit. Each unit consists of one common share and one-half of one warrant of the Company. Each whole warrant is exercisable to February 8, 2012 to purchase one common share of the Company at \$0.14 per share. As the issue price of each unit was less than the market price of the Company's shares on the day of issue, the full issue price of each unit was allocated to share capital. Share issue costs of \$160,329 were incurred, which included \$45,771 attributable to 1,050,000 agent warrants issued. The fair value of these warrants was allocated to the reserve for warrants. A further 7,500,000 warrants were issued from this private placement which is exercisable to February 8, 2012 to purchase one common share of the Company at \$0.14 per share.

During the nine months ended September 30, 2011, a total of 5,612,080 warrants were exercised at an average price of \$0.14 per warrant for total proceeds of \$771,608. During the same period, 2,700,000 options were granted to directors, employees and consultants of the Company, while 1,140,000 options expired without being exercised and 3,545,000 options were cancelled.

At September 30, 2011, the Company had 3,402,500 warrants (December 31, 2010 - 464,580) outstanding with a weighted-average exercise price of \$0.14 per warrant expiring in between February and May 2012; and the Company had 4,315,000 options (December 31, 2010 - 6,300,000) outstanding with weighted-average exercise price of \$0.21 per option expiring between December 2011 to June 2016. In October 2011, 100,000 stock options were granted to JNS Capital Corp., a consultant of the Company, exercisable at \$0.19 per share until October 2016.

At November 10, 2011, the Company had 121,956,328 shares outstanding and 129,773,828 shares outstanding on a fully diluted basis.

Subsequent Event

In October 1, 2011, 100,000 stock options were granted to JNS Capital Corp., a consultant of the Company, exercisable at \$0.19 per share until October 2016.

On October 27, 2011, J. Nichols resigned as director of the Company and on October 31, 2011 A. Gostevskikh was appointed director of the Company.

On November 4, 2011, the Company was served with a Garnishing Order Before Judgment related to the civil claim by Peter Guest, the former President, CEO and director of the Company. The amount of the order (\$312,000) was paid into court and will be held in trust subject to resolution of the disputed claim. The Company has filed a counter claim against Mr. Guest and will be bringing an application to have the Garnishing Order set aside (Note 9).

MEDITERRANEAN RESOURCES LTD.

Management's Discussion And Analysis Of Financial Position And Results Of Operations For The Nine Months Ended September 30, 2011

Containing information up to and including November 10, 2011

Significant Accounting Judgments and Estimates

The preparation of the interim condensed consolidated interim financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. The condensed consolidated interim financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the condensed consolidated interim financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and may affect both the period of revision and future periods.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the statement of financial position date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following: the recoverability of amounts receivable and prepayments which are included in the condensed consolidated interim statement of financial position; the carrying value and recoverable amount of exploration and evaluation assets; the estimated useful lives of property, plant and equipment which are included in the condensed consolidated interim statement of financial position and the related depreciation included in the condensed consolidated interim statements of operations and comprehensive loss for the period ended September 30, 2011; and the inputs used in accounting for share-based compensation expense in the condensed consolidated interim statements of operations and comprehensive loss.

Off-balance sheet arrangements

The Company did not enter into any off-balance sheet arrangements during the period.

Proposed transactions

The Company does not currently have any proposed transactions approved by the Board of Directors. All current transactions are fully disclosed in the consolidated financial statements for the nine months ended September 30, 2011.

Future accounting pronouncements

Certain new accounting standards and interpretations have been published that are not mandatory for the September 30, 2011 reporting period. The following standards are assessed not to have any impact on the Company's financial statements: IFRS 9, *Financial Instruments*: effective for accounting periods commencing on or after January 1, 2013; Amendments to IFRS 7 *Financial Instruments: Disclosure for amendments enhancing disclosures about transfers of financial assets* – effective for annual periods beginning on or after July 1, 2011; and Amendments to IAS 12 *Income Taxes: Limited scope amendment (recovery of underlying assets)* – effective for annual periods beginning on or after January 1, 2012.

At the date of authorization of these financial statements, the IASB had issued a number of new and revised standards, the impact on the Company's condensed consolidated financial statements from the adoption of which, has not yet been determined by management. The new and revised pronouncements are as follows:

IFRS 9 Financial Instruments

In November 2009, the IASB issued and subsequently revised in October 2010, IFRS 9 Financial Instruments ("IFRS 9") as a first phase in its ongoing project to replace IAS 39. IFRS 9's approach is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used,

MEDITERRANEAN RESOURCES LTD.

Management's Discussion And Analysis Of Financial Position And Results Of Operations For The Nine Months Ended September 30, 2011

Containing information up to and including November 10, 2011

replacing the multiple impairment methods in IAS 39. The standard also adds guidance on the classification and measurement of financial liabilities.

IFRS 13 Fair Value Measurement

In May 2011, the IASB issued IFRS 13 Fair Value Measurement ("IFRS 13") which is to be applied prospectively and is effective for annual periods beginning on or after January 1, 2013 with earlier application permitted. IFRS 13 defines fair value, provides a framework for measuring fair value and includes disclosure requirements for fair value measurements. IFRS 13 will be applied in most cases when another IFRS requires or permits fair value measurement.

The Company is currently assessing what impact the application of these standards or amendments will have on the condensed consolidated financial statements of the Company.

Other pronouncements

In May 2011, the IASB issued IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities. The Company does not believe the changes resulting from these new standards are relevant to its financial statements.

In June 2011, the IASB issued amendments to IFRS 7 Financial Instruments: Disclosures, IAS 1 Presentation of Financial Statements and IAS 19 Employee Benefits. The Company does not believe the changes resulting from these amendments are relevant to its financial statements.

Risk Factors

The Company is engaged in the exploration for mineral deposits. These activities involve significant risks which even with careful evaluation, experience and knowledge may not, in some cases, be eliminated. The Company's success depends on a number of factors, many of which are beyond its control. The primary risk factors affecting the Company include inherent risks in the mining industry, metal price fluctuations and operating in foreign countries and currencies.

(a) Inherent risks within the mining industry

The commercial viability of any mineral deposit depends on many factors, not all of which are within the control of management. Some of the factors that will affect the financial viability of a given mineral deposit include its size, grade and proximity to infrastructure. Government regulation, taxes, royalties, land tenure and use, environmental protection and reclamation and closure obligations could also have a profound impact on the economic viability of a mineral deposit.

Mining activities also involve risks such as unexpected or unusual geological operating conditions, floods, fires, earthquakes, other natural or environmental occurrences and political and social instability. It is not always possible to obtain insurance against all such risks and the Company may decide not to insure against certain risks as a result of high premiums or for other reasons. The Company does not currently maintain insurance against political or environmental risks. Should any uninsured liabilities arise, they could result in increased costs, reductions in profitability, and a decline in the value of the Company's securities.

There is no assurance at this time that the Company's current mineral properties will be economically viable for development and production.

MEDITERRANEAN RESOURCES LTD.

Management's Discussion And Analysis Of Financial Position And Results Of Operations For The Nine Months Ended September 30, 2011

Containing information up to and including November 10, 2011

(b) Prices for gold and base metals

Metals prices are subject to volatile price fluctuations and may have a direct impact on the future commercial viability of the Company's exploration properties. Price volatility results from a variety of factors, including global consumption and demand for metals, international economic and political trends, fluctuations in the US dollar and other currencies, interest rates, and inflation. The Company has not hedged any of its potential future gold sales.

(c) Foreign currency risks

The Company uses the Canadian dollar as its measurement and reporting currency, and therefore fluctuations in exchange rates between the Canadian dollar and other currencies may affect the results of operations and financial position of the Company. The Company does not currently have any foreign currency or commercial risk hedges in place.

The Company raises the majority of its equity financings in Canadian dollars while expenditures related to foreign operations are predominately incurred in US dollars. Fluctuations in the exchange rates between the Canadian dollar, US dollar and Turkish New Lira may impact the Company's financial condition.

(d) Risks Associated with Foreign Operations

The Company's investments in foreign countries such as Turkey carry certain risks associated with different political, business, social and economic environments. The Company is currently evaluating gold and base metal properties in Turkey and elsewhere in the Mediterranean region, but will undertake new investments only when it is satisfied that the risks and uncertainties of operating in different cultural, economic and political environments are manageable and reasonable relative to the expected benefits.

Title to mineral properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyance and regulatory characteristics of property rights in certain foreign countries.

Future government, political, legal or regulatory changes in the foreign jurisdictions in which the Company currently operates or plans to operate could affect many aspects of the Company's business, including title to properties and assets, environmental protection requirements, labor relations, taxation, currency convertibility, repatriation of profits or capital, the ability to import necessary materials or services, or the ability to export produced materials.

MEDITERRANEAN RESOURCES LTD.**Management's Discussion And Analysis Of Financial Position And Results Of Operations
For The Nine Months Ended September 30, 2011**

Containing information up to and including November 10, 2011

Related Party Transactions**(a) Management transactions**

for the nine months ended September 30, 2011

	Short-term employee benefits	Post- employment benefits	Other long-term benefits	Termination benefits	Share- based payments	Total
Dr. Peter Guest						
Former President and CEO	\$ 93,322	\$ -	\$ -	\$ -	\$ -	\$ 93,322
Pacific Opportunity Capital Ltd. (i)	\$ 12,000	\$ -	\$ -	\$ -	\$ -	\$ 12,000
Fehr and Associates (ii)	\$ 32,809	\$ -	\$ -	\$ -	\$ 12,496	\$ 45,305
Ibrahim Güney						
Former general manager and former director of subsidiary	\$ 96,953	\$ -	\$ -	\$ 6,749	\$ -	\$ 103,702

for the nine months ended September 30, 2010

	Short-term employee benefits	Post- employment benefits	Other long-term benefits	Termination benefits	Share- based payments	Total
Dr. Peter Guest						
Former President and CEO	\$ 299,868	\$ -	\$ -	\$ -	\$ -	\$ 299,868
Pacific Opportunity Capital Ltd. (i)	\$ 36,000	\$ -	\$ -	\$ -	\$ -	\$ 36,000
Ibrahim Güney						
General manager and director of subsidiary	\$ 98,332	\$ -	\$ -	\$ -	\$ -	\$ 98,332

Notes:

- (i) Pacific Opportunity Capital Ltd., a company related by the former Chief Financial Officer, Winnie Wong, who is Vice-President, Client Services of Pacific Opportunity Capital Ltd.
- (ii) Fehr & Associates, a private company controlled by the current Chief Financial Officer ("CFO"), Ann Fehr. At September 30, 2011, \$4,480 (2010 - \$Nil) in fees owed to Fehr & Associates was included in accounts payable and accrued liabilities.

MEDITERRANEAN RESOURCES LTD.**Management's Discussion And Analysis Of Financial Position And Results Of Operations
For The Nine Months Ended September 30, 2011**

Containing information up to and including November 10, 2011

(b) Directors transactions

During the nine months ended September 30, 2011 and 2010, the following expenses related to directors were recognized:

	2011	2010
Directors fees (iii)	\$ 86,664	\$ 12,750
Share-based payments (iv)	267,884	-
	\$ 354,548	\$ 12,750

Notes:

(iii) Details of directors fees

	2011	2010
Clarke, John	\$ 28,492	\$ 4,500
Ecclestone, Christopher	36,710	-
Morris, Bryan (former director)	2,250	4,500
Nichols, Jeffrey	7,212	-
Sener, Kerim	6,000	-
Shanahan, John	6,000	-
Strathy, Philip (former director)	-	3,750
	\$ 86,664	\$ 12,750

(iv) Comprised of options granted pursuant to the Company's stock option plan.

	Number of Options	Fair value per option	Total fair value	Share-based payments	
				2011	2010
Clarke, John					
June 29, 2011 (c)	400,000	\$ 0.13	\$ 49,982	\$ 49,982	\$ -
Ecclestone, Christopher					
January 27, 2011 (a)	400,000	\$ 0.09	\$ 35,137	32,208	-
June 29, 2011 (c)	300,000	\$ 0.13	\$ 37,487	37,487	-
				69,695	-
Nichols, Jeffrey					
February 21, 2011 (b)	200,000	\$ 0.13	\$ 26,893	23,252	-
June 29, 2011 (c)	200,000	\$ 0.13	\$ 24,991	24,991	-
				48,243	-
Sener, Kerim					
June 29, 2011 (c)	400,000	\$ 0.13	\$ 49,982	49,982	-
Shanahan, John					
June 29, 2011 (c)	400,000	\$ 0.13	\$ 49,982	49,982	-
				\$ 267,884	\$ -

Notes:

- (a) Options granted on January 27, 2011 with a fair value of \$0.09 per option, calculated using the Black-Scholes option pricing model. 25% of these options vested immediately on grant date and 25% every four months thereafter until January 2012.
- (b) Options granted on February 21, 2011 with a fair value of \$0.13, calculated using the Black-Scholes option pricing model. 25% of these options vested immediately on grant date and 25% every four months thereafter until February 2012.
- (c) Options granted on June 29, 2011 with a fair value of \$0.13, calculated using the Black-Scholes option pricing model. All of these options vested immediately on grant date.

MEDITERRANEAN RESOURCES LTD.

Management's Discussion And Analysis Of Financial Position And Results Of Operations For The Nine Months Ended September 30, 2011

Containing information up to and including November 10, 2011

At September 30, 2011 and 2010, the following loans were receivable from a director and former director, respectively:

	2011	2010
John Clarke	\$ -	\$ 13,000
Dr. Peter Guest	-	14,610
	\$ -	\$ 27,610

These loans were non-interest bearing and repayable within two years. They were repaid in full during the year ended December 31, 2010.

(c) Other related party transactions

(i) Legisterra Consulting Ltd.

A director of Legisterra Consulting Ltd., Nursel Atar, is a director of the Company's subsidiary. For the nine months ended September 30, 2011, \$9,752 (2010 - \$Nil) rental expense and \$23,668 (2010 - \$Nil) legal expense from Legisterra Consulting Ltd. were incurred. These expenses were capitalised to exploration and evaluation assets.

(ii) Fehr and Associates

For the nine months ended September 30, 2011, in addition to the fees incurred for CFO and IFRS conversion services (see Part (a) Management transactions), \$7,200 (2010 - \$Nil) rental income (included as a recovery of rental expense) was received from Fehr and Associates, a private company controlled by the Chief Financial Officer of the Company, Ann Fehr.

iii) Cimarron Mineral Corp.

For the nine months ended September 30, 2011, \$3,150 (2010 - \$Nil) rental income (included as a recovery of rental expense) was received from Cimarron Mineral Corp., a public corporation whose Chief Financial Officer is also the current Chief Financial Officer of the Company, Ann Fehr.

(iv) 494361 BC Ltd.

494361 BC Ltd. is owned by a close family member of the Company's former President and CEO. For the six months ended June 30, 2011, \$1,750 (2010 - \$2,700) rental income (included as a recovery of rental expense) was received from 494361 BC Ltd.

Financial instruments and risk management

The fair values of the Company's accounts receivable and accounts payables approximate their carrying values because of the short-term nature of these instruments.

The Company's financial instruments are exposed to certain financial risks, including currency risk, credit risk, liquidity risk, interest risk and commodity price risk.

(a) Currency risk

The Company's property interests in Turkey make it subject to foreign currency fluctuations and inflationary pressures which may adversely affect the Company's financial position, results of operations and cash flows. The Company is affected by changes in exchange rates between the Canadian Dollar and foreign functional currencies. The Company does not invest in foreign currency contracts to mitigate the risks.

MEDITERRANEAN RESOURCES LTD.

Management's Discussion And Analysis Of Financial Position And Results Of Operations For The Nine Months Ended September 30, 2011

Containing information up to and including November 10, 2011

The Company holds most of its funds in Canadian Dollars and funds the majority of its Turkish Lira exploration expenditure in US Dollars. A 5% change in the Turkish Lira exchange rate relative to the Canadian dollar would change the Company's net income by \$11,380, while a 5% change in the US dollar relative to the Canadian dollar would change the Company's net income by \$2,490.

(b) Credit risk

The Company's cash is held in large Canadian financial institutions. The Company's accounts receivable consist primarily of harmonized sales tax due from the federal government of Canada and value-added tax due from the government of Turkey.

(c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure.

(d) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company's financial instruments consist of cash and deposits, and accounts payable and accrued liabilities. The Company's exposure to interest rate risk is minimal due to the short term maturity of its investments.

(f) Classification of Financial instruments

IFRS 7 *'Financial Instruments: Disclosures'* establishes a fair value hierarchy that prioritizes the input to valuation techniques used to measure fair value as follows:

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

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

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

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

at September 30, 2011	Level 1	Level 2	Level 3
Cash and cash equivalents	\$ 169,924	\$ -	\$ -
Short-term investments	601,658		
	\$ 771,582	\$ -	\$ -

Evaluation of Disclosure Controls and Procedures

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported to senior management, including the Company's Chief Executive Officer and Chief Financial Officer, on a timely basis so that appropriate decisions can be made regarding public disclosure. Management of the Company, with the participation of the Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures as at September 30, 2011, as required by Canadian securities law. Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer have concluded that, as of September 30, 2011, the disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed in the Company's annual filings and interim filings (as such terms are defined under Multilateral Instrument 52-

MEDITERRANEAN RESOURCES LTD.

Management's Discussion And Analysis Of Financial Position And Results Of Operations For The Nine Months Ended September 30, 2011

Containing information up to and including November 10, 2011

109 Certification of Disclosure in Issuer's Annual and Interim Filings) and other reports filed or submitted under Canadian securities laws were recorded, processed, summarized and reported within the time period specified by those laws and that material information was accumulated and communicated to management of the Company, including the Chief Executive Officer and the Chief Financial Officer, as appropriate to allow for accurate disclosure to be made on a timely basis.

Internal Control over Financial Reporting

Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with International Financial Reporting Standards ("IFRS"). The Chief Executive Officer and Chief Financial Officer have concluded that there has been no change in the Company's internal control over financial reporting during the nine months ended September 30, 2011 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting. As of September 30, 2011, the Company's internal control over financial reporting was effective.

Policies & Conversion to International Financial Reporting Standards

On February 13, 2008, the Canadian Accounting Standards Board ("AcSB") confirmed the mandatory change-over date to International Financial Reporting Standards ("IFRS") for Canadian profit-oriented publicly accountable entities ("PAE's") such as the Company.

As stated in Note 2 of the Financial Statements, these are the Company's third condensed consolidated interim financial statements prepared in accordance with IFRS.

The Company adopted IFRS in accordance with IFRS 1, First-time Adoption of International Financial Reporting Standards ("IFRS 1). The first date at which IFRS was applied was January 1, 2010 ("Transition Date"). IFRS 1 provides for certain mandatory exceptions and optional exemptions for first-time adopters of IFRS. IFRS 1 requires that the same policies are applied for all periods presented in the first IFRS financial statements and that those policies comply with IFRS in effect as at the end of the first IFRS annual reporting period. Accordingly, the opening IFRS statement of financial position, 2010 comparatives and current year financial statements have been prepared using the same policies. The previously presented 2010 Canadian GAAP financial information has been reconciled to the IFRS information as part of this transition in Note 13 in accordance with the requirements of IFRS 1. Further, the policies applied have been done so on a full retrospective basis unless an alternative treatment is permitted or required by an IFRS 1 election or exception. These are discussed below.

After a detailed assessment of its accounting system, the Company reached the following conclusions with regard to the new reporting requirements for IFRS:

a) **Business Combinations**

IFRS 1 indicates that a first-time adopter may elect not to apply IFRS 3 *Business Combination* retrospectively to business combinations that occurred before the date of transition to IFRS. The Company will take advantage of this election and will apply IFRS 3 to business combinations that occurred on or after January 1, 2010. There is no adjustment required to the December 31, 2009 financial statements on the transition date.

b) **Exploration and Evaluation Assets**

The requirements for Exploration and Evaluation assets (previously classified as Mineral Properties) under IFRS 6 are consistent with Canadian GAAP. Therefore no adjustments were required.

MEDITERRANEAN RESOURCES LTD.

Management's Discussion And Analysis Of Financial Position And Results Of Operations For The Nine Months Ended September 30, 2011

Containing information up to and including November 10, 2011

c) Plant, Property and Equipment

The Company has elected to apply IFRS 16's cost model of accounting for Plant, Property and Equipment (previously classified as Leasehold Improvements and Equipment), which is consistent with the Company's previous method of accounting. IFRS requires assets comprised of significant components to be depreciated on a component basis. However, as the Company's assets do not have significant components, no adjustment was required. IFRS also requires that the method of depreciation, useful life and residual value of items of Plant, property and Equipment be assessed at least annually. It was concluded that the estimates currently used by the Company are appropriate.

d) Translation of a foreign operation

IFRS 21 requires the functional currency of each entity within a group to be assessed individually. It was concluded that the functional currency of both the Company and its subsidiary is Canadian Dollars. The translation of the subsidiary's financial records, which are maintained in Turkish Lira, is therefore consistent with the method used under Canadian GAAP, and therefore no adjustment was required.

e) Share based payments

The method of accounting for share-based compensation arising from options awarded to employees required by IFRS 2 is different to that adopted by the Company under Canadian GAAP. However, IFRS 1 permits a first-time adopter to apply IFRS 2 only to equity instruments that were granted on or before November 7, 2002, or to equity instruments that were granted subsequent to November 7, 2002 and vested before the later of the date of transition to IFRS and January 1, 2005. The Company elected to apply this exemption and therefore, no adjustment was required at transition date. However, an adjustment was required for share-based compensation recognised during the year ended December 31, 2010.

f) Financial Instruments

The requirements Financial Instruments under IFRS 6 are consistent with the Company's accounting treatment under Canadian GAAP. Therefore no adjustments were required.

g) Estimates

In accordance with IFRS 1, an entity's estimates under IFRS at the date of transition to IFRS must be consistent with estimates made for the same date under previous GAAP unless those estimates were in error. The Company's IFRS estimates as at the Transition Date are consistent with its Canadian GAAP estimates as at that date.

Reconciliations of Canadian GAAP to IFRS

IFRS 1 requires an entity to reconcile equity and comprehensive income for prior periods presented under Canadian GAAP to IFRSs as of the same date. In addition, an explanation is required for any material adjustments to cash flows to the extent that they exist. The analysis which follows represents the reconciliations from Canadian GAAP to IFRS for the respective periods noted:

MEDITERRANEAN RESOURCES LTD.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS FOR THE SIX MONTHS ENDED JUNE 30, 2011

CONTAINING INFORMATION UP TO AND INCLUDING AUGUST 10, 2011

Reconciliation of Assets, Liabilities and Equity

	Note	September 30, 2010		
		Canadian GAAP	Effect of transition to IFRS	IFRS
ASSETS				
Current assets				
Cash		\$ 89,893	\$ -	\$ 89,893
Short-term investments		222,514	-	222,514
HST and VAT receivable		77,413	-	77,413
Prepaid expenses and deposits		240,611	-	240,611
		630,431	-	630,431
Exploration and evaluation assets				
Plant, property and equipment		17,256,967	-	17,256,967
Loans receivable from related parties		82,745	-	82,745
		27,610	-	27,610
		17,367,322	-	17,367,322
TOTAL ASSETS		\$ 17,997,753	\$ -	\$ 17,997,753
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities		\$ 118,048	\$ -	\$ 118,048
Due to related parties		37,303	-	37,303
		155,351	-	155,351
SHAREHOLDERS' EQUITY				
Share capital		19,058,571	-	19,058,571
Reserves	(a),(b)	6,368,937	6,903	6,375,840
Deficit	(a)	(7,585,106)	(6,903)	(7,592,009)
		17,842,402	-	17,842,402
TOTAL LIABILITIES AND EQUITY		\$ 17,997,753	\$ -	\$ 17,997,753

Reconciliation of Operations and Comprehensive Loss

	Note	Three months ended September 30, 2010			Nine months ended September 30, 2010		
		Canadian GAAP	Effect of transition to IFRS	IFRS	Canadian GAAP	Effect of transition to IFRS	IFRS
EXPENSES							
Communications		\$ 20,389	\$ -	\$ 20,389	\$ 79,787	\$ -	\$ 79,787
Consulting		10,102	-	10,102	25,852	-	25,852
Office, insurance and sundry		27,038	-	27,038	98,837	-	98,837
Professional fees		28,627	-	28,627	44,636	-	44,636
Rent		20,639	-	20,639	55,828	-	55,828
Regulatory and transfer agent fees		7,141	-	7,141	32,887	-	32,887
Salaries and benefits		127,052	-	127,052	405,117	-	405,117
Share-based compensation	(a)	7,455	(4,351)	3,104	25,024	6,903	31,927
Travel		934	-	934	40,300	-	40,300
less: Recovery of expenses		(900)	-	(900)	(2,700)	-	(2,700)
		248,477	(4,351)	244,126	805,568	6,903	812,471
OTHER EXPENSES (INCOME)							
Interest income		(929)	-	(929)	(3,210)	-	(3,210)
Foreign exchange loss		(10,237)	-	(10,237)	(1,468)	-	(1,468)
Loss on disposal of leasehold improvements		-	-	-	5,218	-	5,218
Write-off of licences		-	-	-	17,244	-	17,244
		(11,166)	-	(11,166)	17,784	-	17,784
NET LOSS AND COMPREHENSIVE LOSS		\$ 237,311	\$ (4,351)	\$ 232,960	\$ 823,352	\$ 6,903	\$ 830,255

MEDITERRANEAN RESOURCES LTD.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS
FOR THE SIX MONTHS ENDED JUNE 30, 2011

CONTAINING INFORMATION UP TO AND INCLUDING AUGUST 10, 2011

Reconciliation of Cash Flows

	Note	Nine months ended September 30, 2010		
		Canadian GAAP	Effect of transition to IFRS	IFRS
CASH PROVIDED BY (USED FOR)				
OPERATING ACTIVITIES				
Net loss for the period	(a)	\$ (823,352)	\$ (6,903)	\$ (830,255)
Items not requiring (providing) cash:				
Depreciation		9,267	-	9,267
Accrued interest income		(2,552)	-	(2,552)
Share-based compensation	(a)	25,024	6,903	31,927
Licences written off		17,244	-	17,244
Foreign exchange loss		(1,468)	-	(1,468)
Loss on disposal of leasehold improvements		5,218	-	5,218
Net changes in non-cash operating working capital		(156,014)	-	(156,014)
CASH FROM OPERATING ACTIVITIES		(926,633)	-	(926,633)
FINANCING ACTIVITIES				
Proceeds from issue of shares		1,130,000	-	1,130,000
Share issue costs		(105,383)	-	(105,383)
CASH FROM FINANCING ACTIVITIES		1,024,617	-	1,024,617
INVESTING ACTIVITIES				
Purchase of short-term investments		(1,514,000)	-	(1,514,000)
Proceeds from redemptions of short-term investments		2,313,662	-	2,313,662
Investment in exploration and evaluation assets		(1,396,608)	-	(1,396,608)
Acquisition of plant, property and equipment		(8,409)	-	(8,409)
Loans receivable from related parties		79,595	-	79,595
CASH FROM INVESTING ACTIVITIES		(525,760)	-	(525,760)
Foreign exchange loss on cash held in foreign currency		1,447	-	1,447
DECREASE IN CASH		(426,329)	-	(426,329)
CASH, BEGINNING OF PERIOD		516,222	-	516,222
CASH, END OF PERIOD		\$ 89,893	\$ -	\$ 89,893

Notes on GAAP - IFRS Reconciliations

(a) Previously, under Canadian GAAP, the Company used the straight-line method of calculating vested options and the share-based compensation arising therefrom. Under this method, the fair value of share-based awards with graded vesting was calculated as one grant and the resulting fair value was recognised on a straight-line basis over the vesting period.

However, IFRS requires that each tranche of an award with different vesting dates be considered a separate grant for the calculation of fair value, and the resulting fair value is recognised over the vesting period of the respective tranche using the graded vesting method.

As all options outstanding at January 1, 2010 were vested, no adjustment was required at this date. However, adjustments were required for the options granted and the share-based compensation recognized during the year ended December 31, 2010.

(b) IFRS requires an entity to present, for each component of equity, a reconciliation between the carrying amount at the beginning and end of the period, separately disclosing each change. The Company examined its contributed surplus account and concluded that as at the January 1, 2010 transition date and the comparative dates of June 30, 2010 and December 31, 2010, part of the contributed surplus relates to "Equity settled employee benefit reserve", part to "Reserves for agent warrants" and part to "Reserves for convertible debt". As a result, the Company has made a reclassification in the statement of financial position where the previous contributed surplus has been classified as reserves; and in the statement of changes in equity section where the previous contributed surplus has been reclassified into the described reserve accounts.