

Management Discussion and Analysis of Unaudited Interim Consolidated Financial Statements
For the three and nine month periods ended June 30, 2010

Macusani Yellowcake Inc.

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MACUSANI YELLOWCAKE INC.
MANAGEMENT DISCUSSION & ANALYSIS
For the three and nine month periods ended June 30, 2010

This Management Discussion and Analysis ("MD&A") of Macusani Yellowcake Inc. ("Macusani" or the "Company") is dated August 25, 2010 and provides an analysis of the Company's performance and financial condition for the three and nine month periods ended June 30, 2010, as well as an analysis of future prospects. The Board of Directors carries out its responsibility for review of this disclosure principally through its audit committee.

This MD&A should be read in conjunction with the Company's unaudited interim consolidated financial statements for the three and nine months ended June 30, 2010, including the related note disclosure. The Company's unaudited interim financial statements are presented on a consolidated basis with its 99.5% owned subsidiary Global Gold SAC (a Peruvian company), and are prepared in accordance with Canadian generally accepted accounting principles. All dollar figures included therein and in the following discussion and analysis are quoted in Canadian dollars unless otherwise specified. Additional information relevant to the Company's activities can be found on SEDAR at www.sedar.com or the Company's website at www.macusaniiyellowcake.com.

This MD&A may contain forward-looking statements that are based on the Company's expectations, estimates and projections regarding its business and the economic environment in which it operates. These statements speak only as of the date on which they are made, are not guarantees of future performance, and involve risks and uncertainties that are difficult to control or predict. Examples of some of the specific risks associated with the operations of the Company are set out below under "Risk Factors". Actual outcomes and results may differ materially from those expressed in these forward-looking statements and readers should not place undue reliance on such statements.

OVERALL PERFORMANCE

Principal Business and Corporate History

Macusani Yellowcake Inc. is an Ontario corporation formed by amalgamation on October 31, 2007. A predecessor corporation (Macusani Yellowcake Inc. ("Old Macusani")) commenced operations in November 2006. The other predecessor corporation (Silver Net Equities Corp.) was classified as a Capital Pool Company under TSX Venture Exchange policies.

The Company, through a subsidiary company, holds interests in various mineral property claims and concessions located in southeastern Peru. The Company is in the process of exploring its mineral properties and has not yet determined the quantum of mineral reserves. Consequently, the Company considers itself to be an exploration stage company.

Amalgamation

Old Macusani entered into an agreement (the "Agreement") with Silver Net Equities Corp. ("Silver Net") dated September 14, 2007 under which Old Macusani and Silver Net agreed to amalgamate to form one entity ("Amalco").

On October 31, 2007, pursuant to the Agreement, Old Macusani amalgamated with Silver Net with each shareholder of Old Macusani receiving one common share of Amalco for each share held, and each shareholder of Silver Net receiving 0.55 common shares of Amalco for each share held. Completion of the transaction constituted Silver Net's qualifying transaction under TSX Venture Exchange policies. The shareholders of Old Macusani held the majority of the

outstanding shares of Amalco following the transaction, and accordingly, the transaction has been accounted for as a reverse takeover. Since Silver Net's operations do not constitute an economic unit, the transaction has been accounted for as a capital transaction.

The companies were amalgamated under the name Macusani Yellowcake Inc. and on November 13, 2007, the common shares of the amalgamated company began trading on the TSX Venture Exchange under the trading symbol "YEL".

DEVELOPMENTS DURING THE THREE AND NINE MONTHS ENDED JUNE 30, 2010

During the 9 months ended June 30, 2010, the activity of the Company focused on the valuation and development of the Peruvian properties and assets of Ram Resources Limited ("Ram"), an Australian listed corporation, and their integration with Macusani's properties located on the Macusani Plateau, as well as on updating the NI 43-101 resource report on Colibri 2 and 3 that had been completed and filed on SEDAR on the 14th of April 2010.

General exploration activities

Ground radiometric survey continued in the areas of Colibri I-V, Corachapi and Kihitian.

The four properties purchased from Ram, namely Corachapi, Taipipira and Taipicorani are located on the north-western zone of the Macusani Eastern Plateau whilst Kihitian is located on the north-eastern corner of the plateau.

Corachapi displays a geological resource drilled by Ram and an in-situ JORC geological resource as per the report put together by SRK Consulting ("SRK") of Perth, Australia in 2008. This resource calculation has not been adopted by the Company. The Mineral Corporation has made a preliminary estimation of Corachapi's geological resource, but in order to bring it to NI 43-101 standards, more work has been requested in terms of quality control. During this period the Company has implemented the recommendations of The Mineral Corporation, which included the analysis of almost 4,000 metres of drilled core in Corachapi, and the associated QA-QC protocols. The core has been analysed at CIMM Peru, prepared in Juliaca and assayed by ICP-MS techniques in Lima.

In addition to the verification work requested by the Mineral Corporation consisting of 17 twin boreholes the company drilled the extensions along strike, north and south, of the western mineralisation, previously drilled by Contact as well as various platforms within the eastern limb of the radiometric anomaly at Corachapi. Two metallurgical boreholes and two specific gravity boreholes have also been drilled.

Various results of the drilling program in both Colibri 2 and 3 and Corachapi have been published during this period, including an excellent intersection of high-grade uranium mineralization over a long interval of 47.0 metres with a weighted average of 0.202% U₃O₈ (154.20 feet grading 4.04 pounds of U₃O₈ per ton).

In Kihitian the entire exposure of 1,000 metres of existing adits, excavated by IPEN during the 1980s has been sampled and submitted to CIMM Peru for assays. These underground sampling results have been reported and displayed some spectacular results, uranium grades of up to

11.2% U₃O₈ (224 lbs/ton). The objective of this underground sampling program was to enable The Mineral Corporation to complete a preliminary evaluation and define a geological resource as well as to provide a number of drill targets to be followed up in the coming year. In the same concession, Kihitian, the ground radiometric survey continued and at the end of June 2010 the survey had covered more than half of the property.

New access roads have been built within the Corachapi and Kihitian concessions for future drilling programs.

In April 2010, the Company published a NI 43-101 resource report by the Mineral Corporation on the Colibri 2 and 3 properties. At a 75 ppm cut-off grade, the indicated resources contained 2,095,658 lbs of U₃O₈ and the indicated resources contained 14,492,321 lbs of U₃O₈.

A preliminary economic assessment report ("PEA") on this resource was completed by GBM Minerals Engineering Consultants as described in the following section

Subsequent to these reports and the June 30, 2010 quarter end, the Mineral Corporation updated the NI 43-101 resource report (see press release dated August 3, 2010), which resulted in a 158% increase in the U₃O₈ contained in the indicated resources at a 75 ppm cut-off grade to 5,407,000 lbs and in the indicated resources increased by 4.5% to 15,147,000 lbs.

Preliminary economic assessment study

GBM Minerals Engineering Consultants ("GBM") based in London, UK, a company specialized in building processing plants visited the Company's tenements during September and October 2009. The objective of the visit was to understand the engineering aspects of the Colibri 2 and 3 project as well as the adjacent tenements (Corachapi and Kihitian). At GBM's recommendation, followed by Wardell Armstrong as mining consultants, a series of boreholes for specific gravities, rock mechanics and further metallurgical studies have been delineated and the drilling of these boreholes started shortly after the visit. The final objective of GBM and Wardell Armstrong's studies was to produce an economic assessment study. The study has been finalised and published on SEDAR on the 26th of April 2010.

The PEA was prepared by GBM Minerals Engineering Consultants Limited. The PEA supports a robust, positive investment return at a \$65 per lb long term U₃O₈ price. The pre-tax internal rate of return ("IRR") is estimated at 20.7% and the pre-tax net present value ("NPV") using a 13% discount rate was calculated at \$64.1 million on a 100% equity basis with a payback period of 5.32 years from the start of the two-year construction period (3.32 years from the start of mining). Initial capital costs are estimated at \$147.9 million (including a contingency of \$20.4 million) and total capital costs are estimated at \$162.2 million including the initial capital costs and \$14.3 million of sustaining capital. Total operating costs for the project are estimated at \$250 million or \$21.65 per pound of U₃O₈ (equivalent) produced.

The study assumes an open pit/heap leach operation that would produce an average of 1.17 million lbs of U₃O₈ (equivalent) per year for ten years from 3.0 million tonnes of mineralized material per year (plus 0.3 million tonnes of waste) assuming a head grade of 200 ppm (0.02% or 0.40 lbs/short ton) and a uranium recovery rate of 89%. The uranium would be recovered from the leach solution using a continuous fixed bed ion exchange plant (or "CFIX").

Preliminary Economic Assessment Highlights: Colibri 2 and 3 Deposit

The key parameters and results are shown below:

Total U3O8 produced (1)	11.7 million pounds
Average head grade (U3O8)	200 ppm or 0.020%
Strip ratio (waste:mineralized material)	0.1:1
Average annual production U3O8	1.17 million pounds
Uranium recovery rate	89%
Life of Mine	10 years

IRR (pre-tax)	20.7%
NPV at 13% (pre-tax)	\$64.14 million
Payback period (2)	5.32 years
Direct unit cash costs	\$21.65/lb U3O8
Initial capital costs (3)	\$147.9 million
- including contingency of:	\$20.4 million
Total capital costs (4)	\$162.2 million

Long term uranium price	\$65 per lb U3O8
Long term diesel price	\$0.70/litre
Long term sulphuric acid price	\$100/tonne

Notes: (1) U3O8 grade and annual throughput are derived from preliminary pit optimization information developed by Wardell Armstrong International Ltd. NI 43-101 compliant mineral resources were calculated by The Mineral Corporation and filed on SEDAR
(2) Includes two-year construction period. Payback from start of mining is estimated at 3.32 years.
(3) Calculated to an accuracy of -15% to +25%.
(4) Includes sustaining capital of \$14.3 million.

The Colibri 2 and 3 properties are well located in the vicinity of a major trans-continental highway, with adequate fresh water supplies and available electrical power. The PEA takes into account the high altitude location of the project at approximately 4,330 metres (14,200 feet) above sea level which would result approximately 30% reduction in the efficiency of certain electrical and diesel equipment.

The PEA assumes that uranium mineralized material would be mined in a shallow open pit at a rate of 3.0 million tonnes per year using blasting and front end loaders. The limited overburden and shallow nature of the pit would result in a very low stripping ratio of waste-to-mineralized material at 0.1:1 or 300,000 tonnes of waste per annum.

The run-of-mine mineralized material would be delivered to a crushing plant adjacent to the pit then carried by conveyor belt to a series of 12 heap leach cells. The mineralized material would be stacked on the cell pads and would be irrigated with a diluted sulphuric acid solution. The resulting pregnant solution would be collected in a pond then pumped to a holding tank in a continuous fixed bed ion exchange plant ("CFIX" plant) located 1.5 kilometres from the mine. The CFIX plant is composed of a series of vessels loaded with a cationic resin which has a high affinity for uranyl sulphate where the pregnant solution is concentrated. The concentrate solution

is then reacted with hydrogen peroxide to precipitate out the uranium as uranyl peroxide which is thickened and dried to produce saleable yellowcake.

The PEA is preliminary in nature and incorporates inferred mineral resources that require additional geologic work to have economic considerations applied to them. There is no certainty that the reserves development, production and economic forecasts on which this PEA is based will be realized. Mineral resources that are not mineral reserves do not have demonstrated economic viability.

Metallurgy

The previous metallurgical studies on both bottle roll and column leach tests have exhibited positive recoveries of the uranium in the 80-90 percentages. More bottle roll tests are taking place in order to characterize metallurgically all the drilling platforms of the Colibri 2 and 3 tenements as well as the areas of Corachapi and Kihitian.

Metallurgical studies of SX (solvent extraction) and IX (ion exchange) are taking place on the pregnant leaching solutions obtained to date from Colibri 2 and 3 and both types show very positive partial results on the concentration of the uranium as a final yellowcake precipitate from the acid leaching solutions. The Company expects that the results of the metallurgical testing will be available during the next quarter.

SELECTED ANNUAL INFORMATION

The following selected financial data for the Company's two most recently completed financial periods are derived from the audited financial statements of the Company which were prepared in accordance with Canadian generally accepted accounting principles.

For the fiscal periods ended September 30,	2009	2008
	\$	\$
Net revenues	5,559	61,230
Loss before discontinued operations and extraordinary items	1,825,374	1,982,499
Loss before discontinued operations and extraordinary items, per share basic and diluted	0.05	0.08
Net loss	1,825,374	1,982,499
Net loss, per share basic and diluted	0.05	0.08
Total assets	8,390,064	5,176,906
Total long-term liabilities	Nil	Nil
Cash dividends	Nil	Nil

Project Expenditures

Exploration expenditures during the three months ended June 30, 2010 were \$768,881, a decrease of \$563,054 from \$1,331,935 for the three months ended June 30, 2009. Exploration expenditures during the nine months ended June 30, 2010 were \$2,096,270, a decrease of \$94,472 from \$2,190,742 for the nine months ended June 31, 2009.

Macusani East Project

The majority of the property expenditures incurred thus far during and the nine months ended June 30, 2010, were incurred on the Macusani East project. Drilling costs during the quarter totaled \$106,942, an increase of \$39,587 from the drilling expenses of \$67,355 incurred during the quarter ended June 30, 2009. Drilling costs of \$357,717 were incurred during the nine months ended June 30, 2010 a decrease of \$19,679 from the drilling expenses of \$377,396 incurred during the nine months ended June 30, 2009. The decrease is due to a less aggressive drilling program on the Colibri I and V properties than the 2009 drilling program on the Colibri II and III properties, the objective of the drilling mostly technical.

The Company spent \$129,601 and \$522,036 on geological expenses during the three and nine months ended June 30, 2010, a decrease of \$84,058 over the three month period and an increase of \$109,943 over the nine month period ended June 30, 2009. The increase is related to the costs incurred to date of the preliminary economic assessment discussed previously.

The Company incurred geochemical expenses of \$42,198 for the three month period ended June 30, 2010. Geochemical expenses for the nine month periods ended June 30, 2010 were \$219,475. Sampling costs for the three months ended June 30, 2010 were \$28,629 and \$176,197 for the nine month period ended June 30, 2010. These increases are due to the preliminary work performed before expanding the areas drilled on the Macusani plateau.

Travel costs to and from the plateau accounted for \$33,939 and \$241,149 of total project expenditures during the three and nine month periods ended June 30, 2010. These amounts represent decreases of \$17,050 and \$15,334 when compared to travel expenses of \$50,989 and \$256,483 for the three and nine month periods ended June 30, 2009, as a result of a more diversified travel pattern. The remaining property expenditures for the three and nine month periods ended June 30, 2010 relate to project administration.

Corachapi Project

During the three and nine month periods ended June 30, 2010, the Company incurred drilling expenditures of \$123,361, sampling expenditures of \$122,168 and geological expenditures of \$69,073 and \$150,342 respectively, as the Company attempts to bring historical resource data associated with the Corachapi project into compliance with NI 43-101 standards. There were no such charges during the three and nine month periods ended June 30, 2009.

Kihitian Project

During the three months ended June 30, 2010 the Company commenced sampling of existing adits on the Kihitian property and continued ground radiometric surveying. Expenditures of \$58,702 were incurred. There were no such charges during the three and nine month periods ended June 30, 2009.

General and Administrative Operating Activities

The Company has no revenue or operating cash other than interest income. As a result of its activities, the Company continues to incur net losses.

During the three months ended June 30, 2010, the Company's net loss was \$545,614 compared to a net loss of \$368,043 for the three months ended June 30, 2009. The Company's net losses for the nine month periods ended June 30, 2010 and 2009 were \$1,930,971 and \$1,145,405 respectively.

During the three month period ended June 30, 2010, total expenses increased by \$178,316 to \$548,103, when compared to total expenses of \$369,787 of the three month period ended June 30, 2009. Total expenses incurred during the nine months ended June 30, 2010 were \$1,935,747, an increase of \$785,474 from the total expenses of \$1,150,273 incurred during the nine months ended June 30, 2009.

The categories of significant fluctuations were advertising and promotion expenses, consulting fees, investor relations and marketing fees, professional fees, stock-based compensation and expensed exploration costs of \$196,980 on non-uraniferous properties.

The Company incurred advertising and promotion expenses of \$20,078 during the three month period ended June 30, 2010, an increase of \$13,003 from the three month period ended June 30, 2009. These expenses totaled \$78,689, during the nine month period ended June 30, 2010, an increase of \$55,000 from the same period ended June 30, 2009. The increase is due to the Company's efforts to expand their global presence by advertising in international mining publications, as well as undertaking improvements to the Company's website.

Consulting fees increased by \$33,300 from \$132,201 for the three months ended June 30, 2009 to \$165,501 for the same period ended June 30, 2010, largely offset by a reduction in professional accounting fees due to a change of service provider. Consulting fees increased by \$47,757 from \$410,565 for the nine months ended June 30, 2009 to \$458,322 for the nine months ended June 30, 2010. The increase was due to several one-time bonus payments to key consultants during December 2009 and the above mentioned offset in professional fees.

During the three months ended June 30, 2010, investor relations and marketing expenses increased to \$37,033 from \$13,139 for the three months ended June 30, 2009, a change of \$23,894. Investor relations and marketing expenses for the nine months ended June 30, 2010 were \$107,163, an increase of \$56,814 over expenses of \$50,349 for the nine months ended June 30, 2009. The increase was due to a new agreement for the provision of investor relations services entered into during early calendar 2010 as well as a one-time charge from an external investor relations consultant.

The three month period ended June 30, 2010 saw a decrease of \$79,838 in professional fees over the three months ended June 30, 2009. Professional fees incurred during the three months ended June 30, 2010 were \$40,250, while the same expenses for the three months ended June 30, 2009 were \$120,088. There was a decrease of \$116,580 in professional fees incurred during the nine months ended June 30, 2010. Professional fees incurred during the nine months ended June 30, 2010 were \$179,922 compared to \$296,502 for the same period ended June 30, 2009. The decrease was due to lower accounting and legal fees charged to the Company during the three and nine months ended June 30, 2010.

During the three and nine months ended June 30, 2010, stock-based compensation was \$32,970 and \$759,407 respectively. Stock-based compensation for the three months ended June 30, 2010 decreased by \$23,894 from \$58,228 for the three months ended June 30, 2009. Stock-based compensation for the nine months ended June 30, 2010 increased by \$528,987 from \$230,420 for the nine months ended June 30, 2009. The increased amounts of stock-based compensation was due to the multiple grants of stock options to directors, officers, employees and consultants during the periods ended June 30, 2010, as discussed in more detail in the "Liquidity and Capital Resources" section of this MD&A.

SELECTED QUARTERLY INFORMATION

The following table shows selected financial information related to the Company for the eight most recent fiscal quarters. The information contained in this table should be read in conjunction with the Company's financial statements.

Fiscal Year For the quarters ended	2,010			2,009				2,008
	June 2,010	Mar 2,010	Dec 2,009	Sep 2,009	Jun 2,009	Mar 2,009	Dec 2,008	Sep 2,008
	\$	\$	\$	\$	\$	\$	\$	\$
Net revenues	2,489	1,847	440	691	1,744	2,347	777	13,726
Loss before discontinued operations and extraordinary items	545,614	1,035,313	350,044	679,969	368,043	493,993	283,369	251,724
Loss before discontinued operations and extraordinary items, per share basic and diluted	0	0	0	0	0	0	0	0
Net loss	545,614	1,035,313	350,044	679,969	368,043	493,993	283,369	251,724
Net loss, per share basic and diluted	0	0	0	0	0	0	0	0

Factors Affecting Quarterly Results

Fluctuations in quarterly results are caused by issuance of stock option compensation, administrative costs and fees related to new property acquisitions, business combinations, and levels of exploration activities.

LIQUIDITY AND CAPITAL RESOURCES

The Company had \$524,105 in working capital as at June 30, 2010 compared to \$1,252,226 at June 30, 2009. As at June 30, 2010, the Company held cash and cash equivalents of \$811,628 versus \$1,419,748 as at June 30, 2009. The Company was able to strengthen its cash and working capital positions through three separate private placements during the year ended September 30, 2009, as well as two additional private placements completed during the nine months ended June 30, 2010 in order to meet ongoing exploration funding requirements.

The Company has prepared its detailed administration and project exploration budgets through to December 31, 2010. Based on these budgets, as well as management's expectations, the Company will seek further funding in order to sustain its operations through fiscal 2010.

The Company is dependent on obtaining future financing for the exploration and development of its mineral properties and for any new projects. In light of the current economic conditions, there is no assurance that such financing will be available when required, or under favourable terms.

Share Capital

As at August 25, 2010, the Company's share position consisted of:

Shares outstanding (i)	59,881,284
Options outstanding (ii)	8,390,000
Warrants (iii)	11,826,428

(i) Shares outstanding

- a) During the nine months ended June 30, 2010, the Company issued 14,150,000 common shares (pursuant to private placements) for cash proceeds of \$2,830,000.
- b) During the nine months ended June 30, 2010, the Company issued 4,000,000 units (pursuant to a private placement) for gross proceeds of \$1,000,000. Each unit consists of one common share and 0.69 of one warrant. Each whole warrant entitles the holder to acquire one common share at a price of \$0.30 per share at any time prior to January 8, 2012 (the "expiry date").

(ii) Options outstanding

Option Price	Number of Options	Expiry Date
\$0.35	100,000	December 20, 2010
\$0.35	100,000	March 01, 2011
\$0.35	25,000	June 09, 2011
\$0.35	1,200,000	January 30, 2012
\$0.35	200,000	February 7, 2012
\$0.35	1,177,000	May 29, 2012
\$0.35	250,000	October 10, 2012
\$0.35	45,000	November 20, 2012
\$0.25	1,913,000	February 16, 2014
\$0.25	1,850,000	December 15, 2014

\$0.25	630,000	March 3, 2015
\$0.25	500,000 ⁽¹⁾	March 3, 2012
\$0.25	250,000	March 15, 2012
\$0.26	150,000	March 26, 2015

⁽¹⁾ These options vest as to one-quarter on each of the three, six, nine and twelve month anniversaries of the date of grant.

During the three and nine months ended June 30, 2010, the Company:

- a) Granted 1,850,000 stock options to directors, officers, employees, and consultants, all of which vest immediately. Each option entitles the holder to purchase one share of the Company's common stock at a price of \$0.25 per share until December 15, 2014.

The fair value of stock options to directors, officers, employees, and consultants was estimated at the grant date based on the Black-Scholes pricing model, using the following weighted average assumptions:

Expected dividend yield	Nil
Risk-free interest rate	2.60%
Expected life	5.0 years
Expected volatility	144%

- b) Granted 630,000 stock options to a director, officer, employees, and consultants, all of which vest immediately. Each option entitles the holder to purchase one share of the Company's common stock at a price of \$0.25 per share until March 3, 2015.

The fair value of stock options to the director, officer, employees, and consultants was estimated at the grant date based on the Black-Scholes pricing model, using the following weighted average assumptions:

Expected dividend yield	Nil
Risk-free interest rate	0.70%
Expected life	5.0 years
Expected volatility	128%

- c) Granted 500,000 stock options to a consultant which shall vest as to one-quarter on each of the three, six, nine and twelve month anniversaries of the date of grant. Each option entitles the holder to purchase one share of the Company's common stock at a price of \$0.25 per share until March 3, 2012.

The fair value of stock options to the consultant was estimated at the grant date based on the Black-Scholes pricing model, using the following weighted average assumptions:

Expected dividend yield	Nil
Risk-free interest rate	0.70%
Expected life	2.0 years
Expected volatility	128%

- d) Granted 250,000 stock options to a consultant, all of which vest immediately. Each option entitles the holder to purchase one share of the Company's common stock at a price of \$0.25 per share until March 15, 2012.

The fair value of stock options to the consultant was estimated at the grant date based on the Black-Scholes pricing model, using the following weighted average assumptions:

Expected dividend yield	Nil
Risk-free interest rate	0.78%
Expected life	2.0 years
Expected volatility	127%

- e) Granted 150,000 stock options to employees and consultants, all of which vest immediately. Each option entitles the holder to purchase one share of the Company's common stock at a price of \$0.26 per share until March 26, 2015.

The fair value of stock options to the consultant was estimated at the grant date based on the Black-Scholes pricing model, using the following weighted average assumptions:

Expected dividend yield	Nil
Risk-free interest rate	0.96%
Expected life	5.0 years
Expected volatility	127%

Stock option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore, the existing models do not necessarily provide a reliable measure of the fair value of the Company's stock options.

(iii) Warrants outstanding

As at June 30, 2010, the following warrants were issued and outstanding:

- a) 4,571,428 warrants entitling the holder to purchase one common share at \$0.35 per share at any time prior to October 23, 2010 (the "expiry date").
- b) 4,495,000 warrants entitling the holder to purchase one common share at \$0.30 per share at any time prior to May 22, 2011 (the "expiry date").
- c) 2,760,000 warrants entitling the holder to purchase one common share at \$0.30 per share at any time prior to January 8, 2012 (the "expiry date").

COURSE OF BUSINESS TRANSACTIONS

Transactions with Related Parties

During the nine months ended June 30, 2010, the Company:

a) Incurred consulting fees of \$101,000 with a company controlled by a director. The Company also incurred consulting fees of \$47,500 with two individuals related to this director. As at June 30, 2010, \$12,000 was included in prepaid expenses. The director is also an officer and a shareholder.

b) Incurred rental expenses of \$54,301, advertising and promotional charges of \$3,481, and administrative and office charges of \$1,322 with a company in which a director of the Company is an officer and director. As at June 30, 2010, \$6,169 was included in prepaid expenses. The director is also an officer and a shareholder.

c) Incurred consulting fees of \$83,000 with a company controlled by a former officer.

d) Incurred fees of \$74,831 with a legal firm in which a former director of the Company is a partner. As at June 30, 2010, \$52,259 was included in accounts payable and accrued liabilities.

e) Incurred management fees of \$105,978 and vehicle rental expenses of \$35,835 with a company controlled by a director.

f) Incurred fees of \$76,732 with an accounting firm in which a former officer of the Company is a partner. As at June 30, 2010, \$40,173 was included in accounts payable and accrued liabilities.

g) Incurred consulting fees of \$45,000 with a company controlled by a director. As at June 30, 2010, \$5,000 was included in accounts payable and accrued liabilities.

h) Incurred consulting fees of \$20,000 with a company controlled by an officer.

i) Incurred advertising and promotional charges of \$30,900, investor relations and marketing fees of \$7,500 and professional fees of \$1,000 with a company controlled by an individual related to a director and officer.

Off-Balance Sheet Transactions

The Company has not entered into any off-balance sheet arrangements.

Proposed Transactions

The Company continues to review property and industry information in search of future opportunities in terms of new property acquisitions and business partnerships. Although no transactions are in progress currently, the Company continues to research potential opportunities.

ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES

The Company prepares its consolidated financial statements in conformity with generally accepted accounting principles in Canada. The preparation of the Company's financial statements requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses. Critical accounting estimates used in the preparation of the financial statements are related to the recoverable value of the Company's mineral properties, as well as the value of stock-based compensation. These estimates involve considerable judgment and are, or could be, affected by significant factors that are out of the Company's control.

The Company records all of its property acquisition costs and direct exploration costs as an asset until the properties are placed into production, sold or abandoned, at which time the costs will either be amortized on a units-of-production basis or fully charged to operations. Management reviews the carrying value of the mineral properties for impairment or permanent declines in the value of the property, such as abandonment, and the related project balances are then written off.

Estimates related to stock-based compensation include the volatility of the Company's stock price, as well as when stock options may be exercised. The timing of exercise of stock options is out of the Company's control and depends on a various factors including the market value of the Company's shares and the financial objectives of the holders of stock options.

The Company lists its significant accounting policies in Note 4 of its audited financial statements for the year ended September 30, 2009.

BASIS OF PRESENTATION

The consolidated financial statements have been prepared on a going concern basis in accordance with Canadian generally accepted accounting principles. The going concern basis of presentation assumes that the Company will continue in operation for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of business. There is significant doubt about the appropriateness of the use of the going concern assumption because the Company has experienced losses and negative operating cash flows. The application of the going concern concept is dependent on the Company's ability to generate future profitable operations. Management is of the opinion that sufficient working capital will be obtained from external financing to meet the Company's liabilities and commitments as they become payable. The consolidated financial statements do not reflect adjustments that would be necessary if the going concern assumption was not appropriate. If the going concern basis was not appropriate for these consolidated financial statements, then adjustments may be necessary in the carrying value of assets and liabilities and the balance sheet classifications used.

FINANCIAL INSTRUMENTS

The Company has classified its financial instruments as follows:

<u>Financial Instrument</u>	<u>Classification</u>
Cash and cash equivalents	Held for trading
Other receivables	Loans and receivables
Accounts payable and accrued liabilities	Other liabilities
Accrued Preliminary Economic Assessment costs	Other liabilities

Cash and cash equivalents include bank deposits and short-term investments. The short-term investments are term deposits with a Canadian chartered bank. The Company is not exposed to significant interest rate risk.

The Company's exposure to various risks and the impact upon the Company's financial statements are as follows:

Fair Value

The carrying amounts of cash and cash equivalents, other receivables, accounts payable and accrued liabilities, and Accrued Preliminary Economic Assessment costs approximate their fair values because of the short term nature of these items.

Commodity Price Risk

The ability of the Company to develop its properties and the future profitability of the Company is directly related to the market price of certain minerals.

Currency Risk

The Company's primary operations are located in Peru. The Company raises financing in Canadian funds and pays most of its Peruvian costs in United States Dollars or Peruvian Nuevos Soles, and is therefore subject to foreign exchange risk on this payment stream. The Company is also exposed to currency risk on purchases from suppliers denominated in United Kingdom Pounds Sterling and South African Rand.

Liquidity Risk

Liquidity risk is the risk that the Company will be unable to meet the obligations associated with its working capital. The Company has sufficient funds to settle its short-term working capital requirements.

Sensitivity Analysis

As at June 30, 2010, cash and cash equivalents include 69,803 United States Dollars and 3,896 Peruvian Nuevos Soles, sales taxes recoverable include 1,06,805 Peruvian Nuevos Soles, and accounts payable and accrued liabilities include 50,714 United States Dollars, 147,076 Peruvian Nuevos Soles, 105,741 United Kingdom Pounds Sterling, and 625,691 South African Rand.

At June 30, 2010, if the Canadian Dollar had weakened (strengthened) 10 percent against the United States Dollar with all other variables held constant, the net loss for the period would have been \$4,625 higher (lower). If the Canadian Dollar had weakened (strengthened) 10 percent against the Peruvian Nuevos Sol with all other variables held constant, the net loss for the period would have been \$369 higher (lower). If the Canadian Dollar had weakened (strengthened) 10 percent against the United Kingdom Pound Sterling with all other variables held constant, the net loss for the period would have been \$16,762 higher (lower). If the Canadian Dollar had weakened (strengthened) 10 percent against the South African Rand with all other variables held constant, the net loss for the period would have been \$8,697 higher (lower).

RECENT ACCOUNTING PRONOUNCEMENTS NOT YET APPLIED

International Financial Reporting Standards

The CICA plans to converge Canadian generally accepted accounting principles with International Financial Reporting Standards (IFRS) over a period expected to end in 2011. The Company's transition date of October 1, 2011 will require restatement of the amounts reported by the Company for the year ended September 30, 2011 for comparative purposes.

The first phase of the Company's IFRS conversion plan includes an analysis of IFRS for the purpose of identifying the significant differences between IFRS and the Company's current accounting policies. The second phase of the conversion plan involves an identification and in-depth analysis of the accounting policies related to the differences identified in the first phase, which will result in the selection of the Company's ongoing IFRS policies and transitional exemptions. This phase will also include an analysis of changes to the Company's internal systems and procedures that will facilitate the adoption and implementation of new IFRS policies as well as the development of a new IFRS financial statement format. The third and final phase of the Company's IFRS conversion plan is to implement the accounting changes as well as the changes to the company's internal systems and procedures.

The Company is in the process of completing the first phase of the plan in order to identify the accounting and reporting differences between Canadian GAAP and IFRS and expects to complete this process by the end of fiscal 2010. Upon completion, phase two will commence and the Company will begin to evaluate the specific policies and exemptions to be adopted as part of the transition to IFRS.

The International Accounting Standards Board continues to revise current IFRS standards as well as introducing new standards. The Company will continue to monitor these changes for purposes of assessing their impact on the Company and its financial reporting.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

The Company's Chief Executive Officer and Chief Financial Officer are responsible for establishing and maintaining the Company's disclosure controls and procedures and internal controls over financial reporting. The Chief Executive Officer and Chief Financial Officer, after evaluating the effectiveness of the Company's disclosure controls and procedures and the design of internal controls over financial reporting at June 30, 2010, have concluded the Company's disclosure controls and procedures and design of internal controls over financial reporting are adequate and effective as per Multilateral Instrument 52-109 - Certification of Disclosure in Companies' Annual and Interim Filings.

There has been no change in the Company's internal control over financial reporting, or in any other factors that could significantly affect internal controls, during the three and nine months ended June 30, 2010.

QUALIFIED PERSONS

Scientific and technical data relating to drilling results included in this MD&A has been reviewed by Ian Foreman, P.Geo., a consultant to the Company, and a Qualified Person pursuant to National Instrument 43-101.

The NI 43 - 101 resource reports were prepared by The Minerals Corporation under the guidelines of National Instrument 43-101 and were authored by David Young, BSc (Hons), FGSSA, FAusIMM, Pr SCI Nat, a Qualified Person.

Mr. Alex Mitchell, BSc (Hons), CEng, MIMMM, Principal Metallurgist with GBM Mining Engineering Consultants Limited, an independent consultant, and Mr. Owen Daniel Mihalop, BSc, MSc, CEng, MIMMM, Principal Mining Engineer and Technical Director of Wardell Armstrong International Ltd., an independent consultant, are Qualified Persons, as defined under National Instrument 43-101, and have reviewed the scientific or technical data contained in the PEA.

ADDITIONAL INFORMATION

Additional information relating to the Company is available on SEDAR at www.sedar.com.