



FORM 51-102F1
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2011

The following Management Discussion and Analysis (“MD&A”) has been prepared by management of International Samuel Exploration Corp. (the “Company”) as of December 23, 2011, and should be read in conjunction with the interim consolidated financial statements and related notes of the Company for the three month period ended September 30, 2011, and the audited annual consolidated financial statements of the Company together with the related notes thereto for the year ended June 30, 2011. The interim unaudited consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). The affects of the transition to IFRS are discussed below under **changes in accounting policies including initial adoption**. All amounts are stated in Canadian dollars unless otherwise indicated.

Statements in this MD&A that are forward-looking statements (see “Forward Looking Statements”) are subject to various risks and uncertainties concerning the specific factors disclosed under the heading “Risk and Uncertainties”. Such information contained herein represents management’s best judgment as of the date hereof based on information currently available. The Company does not assume the obligation to update or revise any forward-looking statement, whether as a result of new information, future events or any other reason.

FORWARD LOOKING STATEMENTS

This MD&A contains certain forward-looking information and statements. These forward-looking statements are based on current expectations and various estimates, factors and assumptions as at the date of this MD&A. The words “expects”, “plans”, “anticipates”, “believes”, “intends”, “estimates”, “projects”, “potential”, “interprets”, “may”, “will” and similar expressions identify forward-looking statements. Information concerning the interpretation of drill results may also be considered a forward-looking statement; as such information constitutes a prediction of what mineralization might be found to be present if and when a project is actually developed. The forward-looking statements reflect the current beliefs of the management of the Company, and are based on currently available information. Readers are cautioned not to place undue reliance on these statements as they are subject to known and unknown risks, uncertainties and other factors, which could cause the actual results, performance, or achievements of the Company to differ materially from those expressed in, or implied by, such forward-looking statements. The Company assumes no obligation to update or revise any forward-looking statement, whether as a result of new information, future events or any other reason.

OVERVIEW

The Company was incorporated on June 14, 1985 under the laws of British Columbia, Canada. The Company is primarily engaged in the acquisition, exploration, and development of mineral properties. The common shares of the Company are listed for trading on the TSX Venture Exchange (TSX-V) under the symbol “ISS”.

The significant events for the three months ended September 30, 2011 are as follows:

- On July 20, 2011, the Company commenced an exploration program consisting of geological mapping, prospecting, rock sampling and IP survey on the NIV and Omega properties.

- On August 22, 2011 the Company entered into a purchase agreement to acquire a 100% interest in certain mineral claims, referred as the Jewelry Box Property, located approximately 50 kilometres southwest of Smithers, British Columbia. In consideration for the 100% interest, the Company is required to pay \$130,000 and issue 1,100,000 common shares over a two year period.

MINERAL EXPLORATION ACTIVITIES

Frog Property, British Columbia

The Company's Frog Property is located approximately 170 kilometres from Dease Lake, in the Liard mining district of northern British Columbia and includes the Pit Bullfrog and Wolverine properties. During the year ended June 30, 2011, the Company entered into two option agreements to acquire a 100% interest in the Pit Bullfrog property and the Wolverine property, consisting of a total of 41 claims. During the three months ended September 30, 2011, the Company expanded its property interests by additional claim staking. As at the date of this MD&A, the property occupies a total area of over 27,000 hectares.

The Frog property lies on the western edge of the Omineca Belt immediately south of the junction of the Pitman and Frog rivers, approximately 100 kilometres northwest of Northgate Minerals Corporation's Kemess Mine. Numerous copper occurrences have been reported throughout the property, with the highest reported value grading 10.81 % copper from the TK43 showing. Within a 3.5 kilometre radius of the fore mentioned showing, some 100 historic stream silt samples returned an average of 650 ppm copper, suggesting the potential for a large scale mineralized system.

During three months ended September 30, 2011, the Company completed a 1246 line-kilometres high resolution helicopter borne aeromagnetic survey on the property. The company is currently in the process of interpreting this data for the 2012 exploration program.

NIV Property, British Columbia

On January 17, 2011 the Company entered into an option agreement to acquire a 100% interest in 15 mineral claims located approximately 270 kilometres northwest of Fort St. James, British Columbia. In consideration for the 100% interest, the Company is required to pay \$50,000, issue 300,000 common shares and incur exploration expenditure of \$50,000 over a three year period.

The NIV Property is a copper-gold prospect and situated on the northern extent of the Omineca fault system just south of the Niven River. Historic soil geochemistry in the northern portion of the claim block has identified both anomalous copper and gold values. Historic grab samples in this area between intrusive bodies and the Omineca fault have yielded copper values in veins in excess of 8% copper.

In July 2011 the Company commenced an exploration program consist of a property wide airborne magnetic survey, regional prospecting, rock sampling, and geological mapping in the showing area. A total of 69 rock samples were collected during prospecting and seven samples show very high values for Cu (Cu > 10%). High Cu values correlate with high Ag values (Ag; 30-100ppm). The elevated Au values (Au > 10ppm) were found in two samples. The elevated Mo values (Mo . 10 ppm) were also found in two samples. A 554 line-kilometres aeromagnetic survey and a total of 5 lines of Induced polarization (IP) ground magnetic were completed on the property. The company is currently in the process of interpreting this data for the 2012 exploration program.

Omega Property, British Columbia

On January 17, 2011 the Company entered into an option agreement to acquire a 100% interest in the Omega property located approximately 258 kilometres northwest of Fort St. James, British Columbia. In consideration for the 100% interest, the Company is required to pay \$30,000, issue 430,000 common shares and incur exploration expenditure of \$100,000 over a three year period.

The Omega Property is a copper-molybdenum prospect and located in the Johanson Lake area, 60 kilometres southeast of Northgate Minerals Corporation's Kemess Mine. Recorded historic work on the property has included soil geochemistry, geological mapping, geophysical surveying and three diamond drill holes. Historic assays from Hole LC82-2, situated within a 1,100 meter long copper soil anomaly associated with a sizeable chargeability anomaly, returned 0.24 % copper over 46 meters.

In July 2011 the Company commenced an exploration program consist of a property wide airborne magnetic survey, IP survey and regional prospecting. The prospecting over the ridge of the mountain showed to be reliable for the in situ mineralization. A total of 49 rock samples were collected during prospecting. A 301 line-kilometres aeromagnetic survey and a total of 2 lines of IP ground magnetic were completed on the property. The 2011 exploration program was successful in showing strong correlation with positive historical data and suggests high potential for the 2012 exploration program. The high chargeability areas are well correlating with high Cu geochemistries. Clustering of positive samples over high chargeability area closely delineate high potential target.

Jewelry Box Property, British Columbia

On August 15, 2011, the Company entered into an agreement to acquire a 100% interest in 26 mineral claims located approximately 50 kilometres southeast of Smithers, British Columbia. In consideration for the 100% interest, the Company is required to pay \$130,000 and issue 1,100,000 common shares over a two year period.

The property covers multiple Minfile occurrences with the most notable being the Jewelry Box and Ridge showings, which historically yielded grab samples up to 41 g/t and 18.3 g/t gold respectively (Aris Reports 19293 & 20391) along with significant silver and copper values. Both showings are proximal to a major NNE trending structure, separated by some 1.2 kilometres. Widespread anomalous gold and copper values can be observed in historic rock/soils/silt samples throughout the northern portion of the property where the majority of the work has been focused. A regional stream geochemistry silt samples some 4 kilometres downstream from known mineralization also returned 0.260 g/t (1.910 g/t duplicate) gold. In 2010, a single line induced polarization survey yielded a broad chargeability anomaly associated with increased resistivity some 500 metres to the east of the Jewelry Box showing. This anomaly remains open to the west and to depth and is of interest.

During the summer of 2011, the company intends to conduct an additional 20 line kilometres of induced polarization and soil geochemistry and trenching covering favourable zones as defined by historic data. Only two line of IP were completed due to severe weather conditions.

Rasp Property, Manitoba

The Rasp property consists of one mineral claim and one exploration license located approximately 100 kilometres north of Thompson, Manitoba. The Company has an option to earn a 100% interest in the property. Under the terms of the option agreement, the Company has paid \$10,000, issued 50,000 common shares and incurred exploration expenditures of approximately \$350,000. The Company is required to pay an additional \$70,000, issue 650,000 common shares and incur approximately \$650,000 in exploration expenditures over next three years.

The Rasp Property contains a strong electromagnetic conductor and a flanking magnetic anomaly. The strong electromagnetic conductor has a strike length of 600 metres. Only one previous drill hole was drilled at this conductor; diamond drill hole RA202-01 by Cominco Ltd. in 2001. This drill hole may not have intersected the conductor itself; instead the drill hole probably encountered stringer mineralization near the main conductor. Significant mineralization encountered in diamond drill hole RA202-01 is listed below:

Diamond Drill (Hole)	From (Metres)	To (Metres)	Interval (Metres)	Gold (g/t)	Copper (%)
RA-202-01	176.9	177.08	0.18	4.3	4.09

RA-202-01	180.7	181.37	0.67	3.4	0.11
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The stringer mineralization listed above suggests that this is a mineralized conductor and electromagnetic conductor strength suggests that this conductor may increase significantly in width. In October 2011, the Company completed two drill holes, aggregating 492 meters, on the Rasp property. The Company did not intersect any significant mineralization.

In late September 2011, the Company commenced an airborne VTEM survey flown over the property. The company is currently in the process of interpreting this data for the 2012 exploration program.

Snow Lake Property, Manitoba

The Company holds a 50% interest in one mineral exploration license and five mining claims located in western Manitoba. The Company's interest in the property was acquired through an option agreement entered into in fiscal 2008. The Company currently has a joint venture agreement with the other 50% interest holder of the property for the further development of the property.

The Snow Lake property is located in the historic Flin Flon mining camp, where 27 significant mineral deposits were discovered over the past 75 years. In winter 2009, the Company completed a large Loop Time Domain EM geophysical survey on three target areas on the property. In April 2010, the Company completed a drill program of 417 meters comprised of two holes, each at a depth of 200-400 meters. The Company is evaluating the drill potential of additional targets.

Qualified person

The technical contents in this document have been reviewed by Derrick Strickland, P.Geo., a qualified person as defined by National Instrument (NI) 43-101.

DISCUSSION OF OPERATIONS

The Company is an exploration stage company and has no operating revenue. Expenditures related to mineral exploration are capitalized. During the three months ended September 30, 2011, the Company incurred \$21,767 in acquisition costs and \$656,500 in exploration expenditures. The details of the mineral expenditures are included in the note 8 to the interim consolidated financial statements.

During the three months ended September 30, 2011, the Company reported a net loss of \$112,791 compared to a net loss of \$441,669 incurred in the three months ended September 30, 2010. The loss in the first quarter of fiscal 2012 is inclusive of general operating expenses of \$148,371 (2010 - \$203,577) and other income of \$35,580 (2010 - a loss of \$238,092).

The general operating expenses excluding stock-based compensation expenses for the three months ended September 30, 2011 were \$95,056 (2010 - \$65,778). The variance was mainly attributable to:

- Accounting and administration of \$24,660 (2010 - \$6,269) include fees for the Company's administrative and accounting personnel and are higher in the current period due to increased exploration activities.
- Investor relations of \$322 (2010 - \$11,855) is lower than the comparative period as no investor relations consultants were engaged during the first quarter.
- Travel and promotion of \$20,289 (2010 - \$2,223) are higher than the comparative period due to increased site visits to the mineral properties and travel related to project investigation.

Stock-based compensation expenses of \$53,315 (2010 - \$137,799), a non-cash charge, are the estimated fair value of stock options granted during the period. The Company used the Black-Scholes option pricing model for the fair value calculation.

Income from other items mainly include management fee income of \$34,562 (2010 - \$nil). During the three months ended September 30, 2010, the Company wrote off capitalized costs of \$240,671 on the Blackwater property.

SUMMARY OF QUARTERLY RESULTS

The following table sets forth selected unaudited financial information for the Company's eight most recent quarters ending with the last quarter for the three months ending on September 30, 2011. The financial data presented below for each of the 2011 quarters have been restated to include relevant adjustments on the Company's transition to IFRS while the 2010 financial information is presented in accordance with Canadian GAAP and was not required to be restated under IFRS. The affects of the transition to IFRS are discussed below under **changes in accounting policies including initial adoption**. The main change is related to the recognition of the tax benefits renounced to flow-through shareholders, which has no effect on the Company's cash flows:

	For the Three Months Ending							
	Fiscal 2012	Fiscal 2011				Fiscal 2010		
	Sept. 30, 2011	Jun. 30, 2011	Mar. 31, 2011	Dec. 31, 2010	Sept. 30, 2010	Jun. 30, 2010	Mar. 31, 2010	Dec. 31, 2009
	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
Accounting principle used	IFRS	IFRS	IFRS	IFRS	IFRS	GAAP	GAAP	GAAP
Income Statement Data								
Total revenues	-	-	-	-	-	-	-	-
Loss before discontinued operations and extraordinary items	(112,791)	(3,101,527)	(104,535)	(132,201)	(441,669)	(1,061,722)	(123,228)	(128,290)
Net loss	(112,791)	(3,101,527)	(104,535)	(132,201)	(441,669)	(1,061,722)	(123,228)	(128,290)
Loss per common share outstanding – basic and diluted								
Loss before discontinued operations and extraordinary items	(0.01)	(0.17)	(0.01)	(0.01)	(0.03)	(0.11)	(0.02)	(0.02)
Net loss per share	(0.01)	(0.17)	(0.01)	(0.01)	(0.03)	(0.11)	(0.02)	(0.02)

LIQUIDITY AND CAPITAL RESOURCES

As at September 30, 2011, the Company had cash and cash equivalents of \$179,888 compared to \$887,799 as at June 30, 2011. The Company had working capital of \$197,084 as at September 30, 2011 compared to \$909,957 as at June 30, 2011.

During the three months ended September 30, 2011, cash and cash equivalents decreased by \$707,911 (2010 - \$233,853). The Company spent \$53,821 (2010 - \$58,327) in operating activities and \$672,278 (2010 - \$202,955) on mineral properties. The Company did not have any cash flows relating to financing activities during the current period.

Management estimates that the general operating costs, excluding stock-based compensation expense, for the remainder of fiscal 2012 will be approximately \$300,000. The Company has commitments of \$80,000 under the mineral property option agreements for the fiscal 2012. At present, management believes that the current working capital is not sufficient to pay for continued mineral exploration and overhead expenses for the fiscal 2012. The

Company expects to receive full payment on the loan receivable sometime in 2012. Subsequent to September 30, 2011, the Company announced a non-brokered private placement to raise up to \$1,000,000. The Company will continue to monitor the current economic and financial market conditions and evaluate their impact on the Company's liquidity and future prospects.

Going Concern

The Company is an exploration stage company. At present, the Company's operations do not generate cash flow and its financial success is dependent on management's ability to discover economically viable mineral deposits. The mineral exploration process can take many years and is subject to factors that are beyond the Company's control. In order to continue as a going concern and to meet its corporate objectives, which primarily consist of exploration work on its mineral properties, the Company will require additional financing through debt or equity issuances or other available means. Although the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company. Management believes it will be able to raise equity capital as required in the long term, but recognizes there will be risks involved that may be beyond their control. The annual and interim financial statements do not include any adjustments to the recoverability and classification of reduced asset amounts and classification of liabilities that might be necessary should the Company be unable to continue operations. These adjustments could be material. The Company is not subject to material externally-imposed capital constraints.

OFF-BALANCE SHEET ARRANGEMENTS

The Company does not have any off-balance sheet arrangements.

RELATED PARTY TRANSACTIONS

The Company had a loan receivable of \$67,774 due from a company with directors in common with the Company. The loan bears interest at 12% per annum and is unsecured and repayable on demand. As at September 30, 2011, the loan consists of \$15,000 of principal and \$52,774 of accrued interest.

Included in trade and other payables is \$22,997 owing to related parties for services rendered to the Company and is unsecured, non-interest bearing, and has no specific terms of repayment.

Key management includes directors (executive and non-executive) and senior officers of the Company. The compensation paid or payable to key management personnel during the three month periods ended September 30 is as follows:

	2011	2010
Short-term employee benefits	\$ -	\$ -
Share-based payments	42,534	72,854
Total	\$ 42,534	\$ 72,854

The Company entered into the following transactions relating to key management personnel and entities over which they have control or significant influence during the three month period ended September 30, 2011:

- a) Paid or accrued management fees of \$24,000 (2010 - \$28,299) and equipment rental charges of \$30,000 (2010 - \$nil) to two companies controlled by the President of the Company.
- b) Paid or accrued management fees of \$5,000 (2010 - \$14,000) to a company controlled by the former chief financial officer of the Company.

- c) Paid or accrued geological consulting fees of \$14,250 (2010 - \$nil) to a company controlled by a director of the Company.
- d) Paid or accrued accounting and administration fees of \$8,100 (2010 - \$nil) to a company controlled by an officer of the Company.
- e) Paid or accrued accounting and administration fees of \$10,560 (2010 - \$nil) and rent of \$3,348 (2010 - \$nil) to a company with directors in common with the Company.
- f) Paid or accrued geological consulting fees of \$nil (2010 - \$19,200) to a company controlled by a former director of the Company.
- g) Accrued interest income of \$1,018 (2010 - \$2,571) on a loan to a company with directors in common with the Company.

These transactions with related parties were in the normal course of operations and were measured at the exchange value, which represented the amount of consideration established and agreed to by the related parties.

SUMMARY OF OUTSTANDING SHARE DATA

The Company's issued and outstanding share capital as at the date of this report is as follows:

- (1) Authorized: Unlimited common shares without par value.
- (2) As at December 23, 2011, the Company has 19,696,103 common shares, 1,709,610 options and 12,405,163 warrants issued and outstanding.

CRITICAL ACCOUNTING ESTIMATES

The preparation of these condensed interim consolidated financial statements in accordance with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from these estimates. Significant areas requiring the use of management estimates include:

- (i) Recorded costs of exploration and evaluation assets are not intended to reflect present or future values of these properties. The assessment of indications of impairment loss and the reversal of an impairment loss and the measuring of the recoverable amount when impairment tests has been done involve judgment. The recorded costs are subject to measurement uncertainty and it is reasonably possible, based on existing knowledge, that change in future conditions could require a material change in the recognized amount.
- (ii) The determination of the fair value of stock options and warrants using stock pricing models, require the input of highly subjective assumptions, including the expected price volatility. Changes in the subjective input assumptions could materially affect the fair value estimate; therefore the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options and warrants.
- (iii) The determination of deferred income tax assets or liabilities requires subjective assumptions regarding future income tax rates and the likelihood of utilizing tax carry-forwards. Changes in these assumptions could materially affect the recorded amounts, and therefore do not necessarily provide certainty as to their recorded values.
- (iv) The assessment of the Company's ability to continue as a going concern involves judgment regarding future funding available for its exploration projects and working capital requirements.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected

FINANCIAL INSTRUMENTS

The Company classified its financial instruments as follows: cash and cash equivalents, receivables and loan receivable as loans and receivables and measured at amortized cost, and trade and other payables as financial liabilities and measured at amortized cost. The carrying amount of financial assets and liabilities carried at amortized cost is a reasonable approximation of fair value due to the relatively short period to maturity of these financial instruments.

Financial risk management

The Company's financial risks arising from its financial instruments are credit risk, liquidity risk, interest rate risk. The Company's exposures to these risks and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Credit risk

Credit risk is the risk of potential loss to the Company if the counter party to a financial instrument fails to meet its contractual obligations. Financial instruments that potentially subject the Company to credit risk consist of cash and cash equivalents, receivable and loan receivable. The Company's credit risk with respect to its cash and cash equivalents are minimal as they are held with high-credit quality financial institutions. Loan receivable is due from a company with directors in common with the Company. Management believes that the credit risk concentration with respect to loan receivable is minimal. The Company's receivables mainly consist of harmonized sale tax ("HST") refund from Canadian governments and management fee receivable from an exploration company. Management does not expect these counterparties to fail to meet their obligations.

Liquidity risk

Liquidity risk is the risk that the Company will not meet its financial obligations as they fall due. The Company manages liquidity by maintaining adequate cash and cash equivalents balances. As at September 30, 2011, the Company had cash and cash equivalents of \$179,888 available to settle current liabilities of \$87,550. All of the Company's financial liabilities have contractual maturities of 30 days or are due on demand and are subject to normal trade terms.

Interest rate risk

The Company is exposed to interest rate risk in relation to cash and cash equivalents held at financial institutions and a loan receivable from a company with directors in common with the Company. The interest rate risks on cash and cash equivalents are not considered significant due to their short-term nature and maturity. The loan receivable bears a fix interest rate at 12% per annum. As such, management believes that the Company's exposure to interest rate risk is not significant.

CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION

Transition to International financial reporting standards

As result of the Accounting Standards Board of Canada's decision to adopt IFRS for publicly accountable entities for financial reporting periods beginning on or after January 1, 2011, the Company has adopted IFRS in these consolidated financial statements, making them the first interim consolidated financial statements of the Company under IFRS. The Company previously applied the available standards under Canadian generally accepted accounting principles ("Canadian GAAP") that were issued by the Accounting Standards Board of Canada. An explanation of how the transition from Canadian GAAP to IFRS has affected the Company's financial position and financial performance and cash flows is set out below.

The accounting policies set out in note 3 to the interim consolidated financial statements have been applied in preparing the condensed interim consolidated financial statements for the period ended September 30, 2011, the comparative information presented in these financial statements for the period ended September 30, 2010 and in the preparation of an opening IFRS balance sheet at July 1, 2010 (the Company's date of transition).

IFRS initial elections upon adoption

IFRS 1 *First-time Adoption of International Financial Reporting Standards* generally requires that first-time adopters retrospectively apply all effective IFRS standards and interpretations in effect as at the reporting date. IFRS 1 also provides for certain optional exemptions and certain mandatory exceptions to this general principle. The IFRS 1 applicable exemptions and exceptions applied in the conversion from Canadian GAAP to IFRS are as follows:

i) Share-based payment transactions

The Company has elected under IFRS 1 to not apply IFRS 2 *Share-based Payment* to all stock options that vested before the date of transition. As a result of applying this exemption, the Company has applied the provision of IFRS 2 to all outstanding stock options that were unvested prior to July 1, 2010. The Company had no options that had not vested on the date of transition.

ii) Estimates

The estimates previously made by the Company under Canadian GAAP were not revised for the application of IFRS except where necessary to reflect any difference in accounting policy or where there was objective evidence that those estimates were in error. As a result, the Company has not used hindsight to create or revise estimates.

Adjustments on transition to IFRS

IFRS has many similarities with Canadian GAAP as it is based on a similar conceptual framework. However, there are differences with regard to recognition, measurement and disclosure. While adoption of IFRS did not change the Company's cash flows, it resulted in changes to the Company's statements of financial position and statements of comprehensive loss as set out below:

(a) Share-based payment

The Company has elected under IFRS 1 to apply the provision of IFRS 2 only to all outstanding stock options that were unvested prior to July 1, 2010. The Company had no options that had not vested on the date of transition. The stock options granted during the three months ended September 30, 2010 were fully vested upon grant. Thus, the Company has determined that no adjustments were required on transition and for the three months ended September 30, 2010.

(b) Premium on flow-through shares

Flow-through share agreements transfer the rights to income tax deductions on the Canadian exploration expenditures from the Company to the flow-through shareholders. Under Canadian GAAP the funds received were recorded as share capital at the time of issue. At the time the expenditures were renounced to the shareholders, the Company recorded a deferred income tax liability and a share issuance cost. IFRS does not contain explicit guidance pertaining to this tax incentive. Therefore, the Company has adopted a policy whereby share capital is recorded at the trading value of an ordinary common share and the difference between the proceeds and the ordinary common share value is recorded as a flow-through share premium liability. When the flow-through expenditures are renounced, the loss of tax benefits is recorded as a deferred income tax liability with an offsetting reduction of the flow-through share premium liability and the difference between the share premium liability and the deferred income tax liability on the renounced expenditures is expensed.

The new accounting policy for recording of flow-through shares has been adopted effective July 1, 2011 and the 2011 figures have been restated. In March 2009, the Company received \$60,000 from a flow-through share private placement and recorded the proceeds as share capital. Under the new accounting policy, the flow-through share premium of \$10,000 is recorded as a flow-through share premium liability and a reduction in share capital. Additional flow-through share private placements totaling \$1,028,500 were completed during fiscal 2010, which, under the new accounting policy, have resulted in the recording of flow-through share premium liabilities of \$205,700. Since these flow-through private placements were not renounced until December 31, 2010, the opening balance sheet at July 1, 2010 is adjusted for a flow-through share premium liability of \$215,700 and a reduction in share capital.

In January and June 2011, the Company received \$200,000 and \$527,500, respectively, from two flow-through share private placements and recorded the proceeds as share capital. Under the new accounting policy, the flow-through share premium of \$80,000 and \$131,875 is recorded in each respective period as a flow-through share premium liability and a reduction in share capital. In February 2011 the Company renounced \$1,288,500 of exploration expenditures to flow-through shareholders and recorded \$322,125 of deferred income tax liability and as a reduction of share capital. Under the new accounting policy, the deferred income tax liability offsets the flow-through share premium of \$295,700 and the difference of \$26,425 is recorded as a deferred income tax expense. Because the Company has sufficient deferred income tax assets available to offset the deferred income tax liability, the net effect of this transition change is to increase share capital and to reduce deferred income tax recovery by \$26,425.

A reconciliation of the above noted changes to the balance sheet and statements of comprehensive loss for the comparative periods is included in Note 19 to the interim consolidated financial statements for the three month period ended September 30, 2011.

New accounting pronouncements

- i) Amendments to IAS 12 *Income Taxes* (IAS 12) have been issued to introduce an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. The amendments are applicable for annual periods beginning on or after January 1, 2012, with early adoption permitted.
- ii) New standard IFRS 9 *Financial Instruments* (IFRS 9) has been issued by IASB to replace IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 has two measurement categories: amortized cost and fair value. IFRS 9 is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted.
- iii) New standard IFRS 10 *Consolidated Financial Statements* (IFRS 10) has been issued by IASB to replace IAS 27 *Consolidated and Separate Financial Statements* and SIC 12 *Consolidation—Special Purpose Entities*. IFRS 10 provides a new single consolidation model that identifies control as the basis for consolidation for all types of entities. IFRS 10 is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted.
- iv) New standard IFRS 13 *Fair Value Measurement* (IFRS 13) has been issued by IASB. IFRS 13 defines fair value and sets out a framework for measuring fair value and disclosures about fair value measurements. IFRS 13 is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted.

The Company has not early adopted these revised standards and is currently assessing the impact of these standards on the Company's consolidated financial statements.

Comparative Figures

Certain comparative figures have been reclassified to conform to the current period's presentation.

RISK AND UNCERTAINTIES

Operating Hazards and Risks

Mineral exploration involves many risks. The operations in which the Company has a direct or indirect interest will be subject to all the hazards and risks normally incidental to exploration, any of which could result in work stoppages and damage to persons or property or the environment and possible legal liability for any and all damage. Fires, power outages, labour disruptions, flooding, landslides and the inability to obtain suitable or adequate machinery, equipment or labour are some of the risks involved in the conduct of exploration programs.

Environmental Factors

The Company currently conducts exploration activities in the Canadian Provinces of British Columbia and Manitoba. Such activities are subject to various laws, rules and regulations governing the protection of the environment. In Canada, extensive environmental legislation has been enacted by federal and provincial governments. Such legislation imposes rigorous standards on the mining industry to reduce or eliminate the effects of wastes generated by extraction and processing operations and subsequently deposited on the ground or emitted into the air or water.

All phases of the Company's operations are subject to environmental regulation in the jurisdictions in which it operates. Environmental legislation is evolving in a manner which requires stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed properties and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's operations. The cost of compliance with changes in governmental regulations has the potential to preclude entirely the economic development of a property.

The Company is able to conduct its exploration within the provisions of the applicable environmental legislation without undue constraint on its ability to carry on efficient operations. The estimated annual cost of environmental compliance for all properties held by the Company in the exploration stage is minimal and pertains primarily to carrying out diamond drilling, trenching or stripping. Environmental hazards may exist on the Companies properties, which hazards are unknown to the Company at present, which have been caused by previous or existing owners or operators of the properties.

Governmental Regulation

Exploration activities on the Company's properties are affected to varying degrees by: (i) government regulations relating to such matters as environmental protection, health, safety and labour; (ii) mining law reform; (iii) restrictions on production, price controls, and tax increases; (iv) maintenance of claims; (v) tenure; and (vi) expropriation of property. There is no assurance that future changes in such regulation, if any, will not adversely affect the Company's operations. Changes in such regulation could result in additional expenses and capital expenditures, availability of capital, competition, reserve uncertainty, potential conflicts of interest, title risks, dilution, and restrictions and delays in operations, the extent of which cannot be predicted.

The Company is at the exploration stage on all of its properties. Exploration on the Company's properties requires responsible best exploration practices to comply with company policy, government regulations, maintenance of claims and tenure. The Company is required to be registered to do business and have a valid prospecting license (required to prospect or explore for minerals on Crown Mineral Land or to stake a claim) in any Canadian province in which it is carrying out work.

Mineral exploration primarily falls under provincial jurisdiction. However, the Company is also required to follow the regulations pertaining to the mineral exploration industry that fall under federal jurisdiction, such as the Fish and Wildlife Act.

If any of the Company's projects are advanced to the development stage, those operations will also be subject to various laws and regulations concerning development, production, taxes, labour standards, environmental protection, mine safety and other matters.

EVENT AFTER THE REPORTING PERIOD

Subsequent to September 30, 2011, the Company announced a non-brokered private placement of 8,000,000 flow-through units at a price of \$0.10 per unit and 2,000,000 non-flow-through units at a price of \$0.10 per unit for gross proceeds of \$1,000,000. Each flow-through unit is comprised of one flow-through common share and one half of a share purchase warrant; each full share purchase warrant entitles the holder to acquire one additional non-flow-through share at a price of \$0.25 for a one year period from the closing date. Each non-flow-through unit is comprised of one non-flow-through common share and one share purchase warrant; each share purchase warrant entitles the holder to acquire one additional non-flow-through share at a price of \$0.25 for a one year period from the closing date.

EFFECTIVENESS OF DISCLOSURE CONTROLS

The Chief Financial Officer and Chief Executive Officer have evaluated the effectiveness of the Company's disclosure controls as of September 30, 2011. They have concluded that the Company's disclosure controls and procedures provide reasonable assurance that material information relating to the Company would be made known to them by others within the Company, particularly during the period during which this report was being made.

ADDITIONAL INFORMATION

Additional information concerning the Company and its operations is available on SEDAR at www.sedar.com and on the Company web site at www.internationalsamuel.com.

APPROVAL

The Board of Directors of International Samuel Exploration Corp. has approved the contents of this management discussion and analysis on December 23, 2011. A copy of this MD&A together with the Company's audited consolidated financial statements for the year ended June 30, 2011 and the unaudited interim financial report for the three month period ended September 30, 2011 will be provided to anyone who requests it.