



FORM 51-102F1
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011

The following Management Discussion and Analysis (“MD&A”) has been prepared by management of International Samuel Exploration Corp. (the “Company”) as of October 26, 2011, and should be read in conjunction with the audited consolidated financial statements of the Company and related notes for the year ended June 30, 2011. The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. 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”.

Highlights of activities for the year ended June 30, 2011

- On July 7, 2010 the Company completed a non-brokered private placement of 1,100,000 units at the price of \$0.20 per unit for gross proceeds of \$220,000. Each unit is comprised of one common share and one share purchase warrant; each share purchase warrant entitles the holder to acquire one additional common share at a price of \$0.30 until July 7, 2012.
- On September 29, 2010 the Company commenced a drilling program on its Rasp property located in northern Manitoba.

- On January 17, 2011 the Company completed a non-brokered private placement of 800,000 flow-through units at a price of \$0.25 per unit and 733,333 non-flow-through units at a price of \$0.15 per unit for gross proceeds of \$310,000. Each flow-through unit is comprised of one 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 \$0.40 until January 17, 2013. 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 \$0.30 until January 17, 2013. The Company issued 38,400 agent's warrants as a finder's fee.
- On January 17, 2011 the Company entered into a purchase agreement to acquire a 100% interest in NIV property 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.
- On January 17, 2011 the Company entered into a purchase 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.
- On February 17, 2011 the Company entered into a purchase agreement to acquire a 100% interest in the Pit Bullfrog claim located approximately 170 kilometres from Dease Lake, in the Liard mining district of northern British Columbia. In consideration for the 100% interest, the Company is required to pay \$20,000 and issue 100,000 common shares over a 12 month period.
- On February 22, 2011 the Company entered into a purchase agreement to acquire a 100% interest in additional 40 claims referred to as the Wolverine property. In consideration for the 100% interest, the Company is required to pay \$70,000 and issue 1,000,000 common shares to the optionor over a two year period. The Wolverine property adjoins the Pit Bullfrog property, forming the Company's Frog Property.
- On June 3, 2011 the Company completed a non-brokered private placement of 2,487,500 flow-through units at a price of \$0.20 per unit and 845,000 non-flow-through units at a price of \$0.15 per unit for gross proceeds of \$624,250. Each flow-through unit is comprised of one flow-through common share and one half of share purchase warrant; each full share purchase warrant entitles the holder to acquire one additional non-flow-through share at a price of \$0.30 until June 3, 2012. If at any time after the closing of the private placement, the weighted average price of the Company's shares is greater than \$0.50 for a period of 10 consecutive days, the Company may provide notice to warrant holders that the exercise period will be shortened to 30 days from the date of notice. 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 \$0.30 until June 3, 2012. The Company paid \$13,597 as finder's fees.
- On June 23, 2011 the Company completed a non-brokered private placement of 150,000 flow-through units at a price of \$0.20 per unit for gross proceeds of \$30,000. Each flow-through unit is comprised of one flow-through common share and one half of share purchase warrant; each full share purchase warrant entitles the holder to acquire one additional non-flow-through share at a price of \$0.30 until June 23, 2012. If at any time after the closing of the private placement, the weighted average price of the Company's shares is greater than \$0.50 for a period of 10 consecutive days, the Company may provide notice to warrant holders that the exercise period will be shortened to 30 days from the date of notice.

Highlights of activities subsequent to the year ended June 30, 2011

- 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. On February 17, 2011 the Company entered into a purchase agreement to acquire a 100% interest in the Pit Bullfrog claim in consideration for \$20,000 and 100,000 common shares to be paid over a 12 month period. On February 22, 2011 the Company entered into a purchase agreement to acquire a 100% interest in the Wolverine property in consideration for \$70,000 and issue 1,000,000 common shares to be paid over a two year period.

The Frog Property consists of 41 mineral claims covering an area of approximately 16,000 hectares. The 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.

The Company has planned an exploration program consisting of a property wide airborne geophysical survey followed by regional mapping and sampling on the property.

NIV Property, British Columbia

On January 17, 2011 the Company entered into a purchase agreement to acquire a 100% interest in NIV property 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.

The 2011 exploration program on the property will consist of a property wide airborne magnetic survey, regional prospecting, rock sampling, and geological mapping in the showing area. Subsequent to June 30, 2011, the Company commenced the phase 1 program on the property in July, 2011.

Omega Property, British Columbia

On January 17, 2011 the Company entered into a purchase 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.

The 2011 exploration program is to undertake IP grid over top of the airborne magnetic low anomaly. In July 2011 the Company commenced this exploration program on the property.

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 |

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. The Company is currently reviewing the 2011 data to determine the next stage of exploration work on the property.

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.

Pelly Bay (30% interest) Property, Nunavut

During the year ended June 30, 2007, the Company signed an agreement to acquire a 30% interest in the Pelly Bay property. In September 2010, the Company signed an amended agreement with the optionor whereby the Company earned its 30% interest by issuing additional 50,000 common shares to the optionor. Subsequently, the Company decided not to proceed with further exploration on the property and accordingly wrote off the capitalized costs of \$2,878,699 in fiscal 2011.

Pelly Bay (50% interest) Property, Nunavut

During the year ended June 30, 2007, the Company acquire its interest in the Pelly Bay property. During the year ended June 30, 2011, the Company decided to abandon the property and accordingly wrote off the capitalized costs of \$91,925.

Blackwater Property, British Columbia

During the year ended June 30, 2010, the Company entered into agreements to purchase a 100% interest in certain mineral claims located in the Omineca Mining Division of British Columbia. In October 2010, the Company decided to allow the mineral claims to lapse. The Company has therefore, written off the acquisition and deferred exploration costs of \$24,350 during the year ended June 30, 2010 and wrote off the remaining capitalized costs of \$593,687 during the year ended June 30, 2011.

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.

SELECTED ANNUAL INFORMATION

The following table sets out selected financial information for the Company which has been derived from the Company's audited financial statements for the fiscal years ended June 30, 2011, 2010, and 2009. These financial statements were prepared in accordance with accounting principles generally accepted in Canada and all amounts are in Canadian dollars.

| Year ended June 30, | 2011 (\$) | 2010 (\$) | 2009 (\$) |
|---|------------------|------------------|------------------|
| Income Statement Data | | | |
| Revenues | - | - | - |
| Loss before discontinued operations and extraordinary items | (3,753,507) | (1,386,891) | (2,669,751) |
| Net loss for the year | (3,753,507) | (1,386,891) | (2,669,751) |
| | | | |
| Loss per common share outstanding - basic and diluted: | | | |
| Loss before discontinued operations and extraordinary items | (0.24) | (0.20) | (0.58) |
| Net loss for the year | (0.24) | (0.20) | (0.58) |
| | | | |
| Balance Sheet Data | | | |
| Total assets | 2,077,275 | 4,619,696 | 4,286,427 |
| Total long-term liabilities | - | - | - |
| | | | |
| Dividends | - | - | - |

Factors That Affect the Comparability of the Annual Financial Data Disclosed Above

Net losses for the years ended June 30, 2011, 2010, and 2009 before future income tax recoveries were \$4,075,632, \$1,386,891, and \$3,283,751, respectively. Future income tax recoveries were \$322,125, \$nil, and \$614,000, respectively. Future income tax recovery is a non-cash item and relates to the renunciation of the tax benefit of exploration expenditures to flow through shareholders. The variance in loss is mainly due to write-off of mineral properties of \$3,579,960 for fiscal 2011, \$924,207 for fiscal 2010 and \$2,645,908 for fiscal 2009. The significant decrease in total assets in fiscal 2011 is also a result of the significant write down of mineral properties during the year.

RESULTS OF OPERATIONS

During the year ended June 30, 2011, the Company reported a net loss of \$3,753,507 compared to a net loss of \$1,386,891 during the previous year, representing an increased loss of \$2,366,616. The loss in 2011 is mainly attributable to general operating expenses of \$524,254 (2010 - \$515,556), write-off of mineral properties of \$3,564,311 (2010 - \$924,207), mitigated by future income tax recovery of \$322,125 (2010 - \$nil).

The general operating expenses excluding stock-based compensation expenses for the year ended June 30, 2011 were \$390,038 (2010 - \$358,113). The significant expense items are summarized as follows.

Accounting and administration of \$47,441 (2010 - \$nil) include fees for the Company's administrative and accounting personnel. In 2010, these services were provided by a company controlled by the CEO of the Company and the costs of \$46,967 were included in management fee expenses.

Investor relations of \$47,412 (2010 - \$17,685) includes the costs of IR consultants and attendance at investor and resources conferences and is higher than the comparative period due to increased promotional activities.

Management fees of \$155,799 (2010 - \$196,967) relate to cost of the Company's CEO and CFO. The decrease is due to the Company replacing the accounting and administration services provided by a company controlled by the CEO of the Company with in-house personnel in 2011.

Professional fees of \$55,072 (2010 - \$46,535) are comprised of \$11,225 (2010 - \$15,583) for legal fees, \$34,847 (2010 - \$30,952) for audit related costs and \$9,000 (2010 - \$nil) for the IFRS conversion project. The legal fees related mainly to drafting mineral properties agreements and other general corporate matters.

Stock-based compensation expenses of \$134,216 (2010 - \$157,443), a non-cash charge, are the estimated fair value of stock options granted during the year. The Company used the Black-Scholes option pricing model for the fair value calculation.

During the year ended June 30, 2011, the Company wrote off capitalized costs of \$3,564,311 (2010 - \$924,207) on the Blackwater and the two Pelly Bay properties. Future income tax recovery of \$322,125 (2010 - \$nil) is a non-cash item and relates to the renunciation of exploration expenditures to flow through shareholders.

SUMMARY OF QUARTERLY RESULTS

Results for the eight most recent quarters ending with the last quarter for the three months ending on June 30, 2011 are:

| | For the Three Months Ending | | | | | | | |
|---|-----------------------------|------------------|------------------|-------------------|------------------|------------------|------------------|-------------------|
| | Fiscal 2011 | | | | Fiscal 2010 | | | |
| | Jun. 30, 2011 | Mar. 31, 2011 | Dec. 31, 2010 | Sept. 30, 2010 | Jun. 30, 2010 | Mar. 31, 2010 | Dec. 31, 2009 | Sept. 30, 2009 |
| | (\$) | (\$) | (\$) | (\$) | (\$) | (\$) | (\$) | (\$) |
| Income Statement Data | | | | | | | | |
| Total revenues | - | - | - | - | - | - | - | - |
| Loss before discontinued operations and extraordinary items | (3,075,102) | (104,535) | (132,201) | (441,669) | (1,061,722) | (123,228) | (128,290) | (73,651) |
| Net loss | (3,075,102) | (104,535) | (132,201) | (441,669) | (1,061,722) | (123,228) | (128,290) | (73,651) |
| Loss per common share outstanding – basic and | | | | | | | | |

| diluted | | | | | | | | |
|---|--------|--------|--------|--------|--------|--------|--------|--------|
| Loss before discontinued operations and extraordinary items | (0.17) | (0.01) | (0.01) | (0.03) | (0.11) | (0.02) | (0.02) | (0.01) |
| Net loss per share | (0.17) | (0.01) | (0.01) | (0.03) | (0.11) | (0.02) | (0.02) | (0.01) |

The financial data presented above is derived from the Company's financial statements, which are prepared in accordance with accounting principles generally accepted in Canada and in Canadian dollars.

FOURTH QUARTER

In the fourth quarter ended June 30, 2011, the Company incurred a net loss of \$3,075,102 (2010 - \$1,061,722). The significant loss incurred in the fourth quarter was mainly a result of writing down mineral properties by \$3,266,175 (2010 - \$924,207), mitigated by future income tax recovery of \$322,125 (2010 - \$nil). The quarter's loss also includes general operating expenses of \$135,363 (2010 - \$135,388). Factors affecting the loss for the fourth quarter are similar to those explained under the "Results of Operations" Section.

LIQUIDITY AND CAPITAL RESOURCES

As at June 30, 2011, the Company had cash and cash equivalents of \$887,799 compared to \$923,925 as at June 30, 2010. The Company had working capital of \$909,958 as at June 30, 2011 compared to \$862,308 as at June 30, 2010.

During the year ended June 30, 2011, cash and cash equivalents decreased by \$36,126 (2010 - \$890,636 increase). The Company spent \$444,698 (2010 - \$386,834) in operating activities and \$621,724 (2010 - \$257,672) on mineral properties. The Company received net proceeds of \$980,296 (2010 - \$1,490,142) from the issuance of shares.

Management estimates that the general operating costs, excluding stock-based compensation expense, for fiscal 2012 will be approximately \$400,000. The Company has commitments of \$90,000 under the mineral property option agreements for the next fiscal year. The Company is also required to spend approximately \$470,000 in exploration expenditures by December 31, 2011 under the flow-through share renunciation. At present, management believes that the current working capital is not sufficient to pay for continued mineral exploration and overhead expenses for the next 12 months. The Company expects to receive full payment on the loan receivable and anticipates completing an equity financing sometime in fiscal 2012. 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 \$86,756 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 June 30, 2011, the loan consists of \$35,000 (2010 - \$85,000) of principal and \$51,756 (2010 - \$43,052) of accrued interest.

Included in accounts payable and accrued liabilities is \$11,200 (2010 - \$31,192) owing to related parties for services rendered to the Company and is unsecured, non-interest bearing, and has no specific terms of repayment.

The Company entered into the following transactions with related parties during the year ended June 30, 2011:

- a) Paid or accrued management fees of \$96,299 (2010 - \$142,967) and rent of \$3,091 (2010 - \$18,000) to two companies controlled by the President of the Company.
- b) Paid or accrued management fees of \$59,500 (2010 - \$54,000) to a company controlled by the former chief financial officer of the Company.
- c) Paid or accrued consulting fees of \$9,640 (2010 - \$nil) and geological consulting fees of \$17,932 (2010 - \$nil) to a company controlled by a director of the Company.
- d) Paid or accrued consulting fees of \$nil (2010 - \$9,570) and geological consulting fees of \$21,250 (2010 - \$24,278) to a company controlled by a former director of the Company.
- e) Paid or accrued accounting and administration fees of \$3,060 (2010 - \$nil) to an officer of the Company.
- f) Paid or accrued rent of \$9,487 (2010 - \$nil) and exploration expenses of \$48,017 (2010 - \$nil) to a company with directors in common with the Company.
- g) Accrued interest income of \$8,704 (2010 - \$11,143) 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 October 26, 2011, the Company has 19,696,103 common shares, 1,959,610 options and 14,525,163 warrants issued and outstanding.

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect 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 year. Significant areas requiring the use of management estimates relate to the valuation of stock-based compensation and other share-based payments, impairment of long-lived assets, and recoverability of future income tax assets. Actual results could differ from these estimates.

FUTURE ACCOUNTING CHANGES

International financial reporting standards ("IFRS")

In January 2006, the Canadian Institute of Chartered Accountants' (CICA) Accounting Standards Board ("AcSB") formally adopted the strategy of replacing Canadian GAAP with international financial reporting standards ("IFRS") for Canadian enterprises with public accountability ("PAEs"). The current conversion timetable calls for financial reporting under IFRS for accounting periods commencing on or after January 1, 2011. The use of IFRS will be required in 2011 for publicly accountable profit-oriented enterprises. For these entities, IFRS will be required for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The Company's transition date of July 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended June 30, 2010. The detail of the Company's IFRS project is summarized under **Changeover Plan to International Financial Reporting Standards**.

FINANCIAL INSTRUMENTS

The Company has designated its cash and cash equivalents as held-for-trading. Loan receivable is classified as loans and receivables. Accounts payable and accrued liabilities have been classified as other financial liabilities.

The carrying values of loan receivable and accounts payable and accrued liabilities approximate their fair values due to the relatively short period to maturity of these financial instruments. The fair value of cash and cash equivalents is measured using level 1 inputs as explained below.

The Company's financial instruments and risk exposures are summarized below.

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 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.

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 June 30, 2011, the Company had cash and cash equivalents of \$887,799 available to settle current liabilities of \$79,767. 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.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates and foreign exchange rates.

(a) 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.

(b) Foreign exchange rate risk

The Company is not exposed to foreign exchange risk as all its activities are carried out in Canada and all its financial assets and liabilities are denominated in Canadian dollars.

Fair Value

CICA Handbook Section 3862 “Financial Instruments – disclosures” establishes a fair value hierarchy that prioritizes the inputs 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 or indirectly; and
- Level 3 – inputs for the asset or liability that are not based on observable market data.

Financial instruments measured at fair value on the balance sheet are summarized in levels of fair value hierarchy as follows:

| Assets | Level 1 | Level 2 | Level 3 | Total |
|---------------------------|------------|---------|---------|------------|
| Cash and cash equivalents | \$ 887,799 | \$ - | \$ - | \$ 887,799 |

CHANGEOVER PLAN TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRS”)

In February 2008, the AcSB confirmed that publicly accountable enterprises are required to adopt IFRS for interim and annual financial statements for fiscal years beginning on or after January 1, 2011. Following this timeline, the Company will issue its first set of consolidated financial statements prepared under IFRS for the interim periods ending September 30, 2011 and for the fiscal period ending June 30, 2012. The standard also requires that the comparative figures for 2011 be based on IFRS.

During fiscal 2011, the Company engaged an IFRS consultant for its IFRS conversion project. The consultant evaluates the key aspects of IFRS affecting the Company. The Company’s IFRS project consists of three phases – scoping and planning, evaluation and design, and implementation and review. In phase one the Company had identified some areas where there is the most potential for a significant impact to the Company’s consolidated financial statements. These areas do not represent a complete list of expected changes and may be subject to change as the Company progresses through the second phase. The areas which could have a material impact are as follows.

• *First-time Adoption of International Financial Reporting Standards (“IFRS 1”)*

The adoption of IFRS requires the application of IFRS 1 which provides guidance for an entity’s initial adoption of IFRS. IFRS 1 generally requires retrospective application of IFRS as effective at the end of its first annual IFRS reporting period. However, IFRS 1 also provides certain optional exemptions and mandatory exceptions to this retrospective treatment. The Company has not yet made any final decisions on policies or elections on IFRS 1 and therefore continues this process into early 2011.

• *Share-Based Payment (“IFRS 2”)*

IFRS and Canadian GAAP largely converge on the accounting treatment for share based transaction with only a few differences. For stock options that vest in installments, IFRS 2 requires the Company to determine the fair value of each installment as a separate share option grant while Canadian GAAP treats the entire grant of stock options as a pool and recognize expense on a straight line basis. In addition, under IFRS the Company must make an estimate of stock options that are forfeited before they vest whereas under Canadian GAAP the Company records forfeitures as

they occur. The change in this accounting policy is not expected to have a material impact on the Company's consolidated financial statements.

- *Exploration for and evaluation of mineral resources* ("IFRS 6")

Under the Company's current accounting policy, acquisition and exploration costs of mineral properties are capitalized as incurred. IFRS 6 permits mining companies to retain their existing policies with respect to the capitalization of exploration and evaluation costs until guidance that is more definitively developed in this area. Such guidance is not expected to be issued until after the Company's changeover to IFRS. The Company will retain its existing policies with respect to mining interests and exploration costs.

- *Income Taxes* ("IAS 12")

Fundamentals of accounting for income taxes are the same under IFRS as they are under Canadian GAAP. In certain circumstances, IFRS contains different requirements related to recognition and measurement of future (deferred) income taxes. The International Accounting Standards Board ("IASB") is currently reviewing IAS based on various meetings and comments received and will consider whether to propose limited amendments. The Company does not expect any changes to its accounting policies related to income taxes that would have a material impact on its financial statements.

Upon completion of the second phase, the Company will move into the implementation phase, in which it will update its significant accounting policies, adjust its accounting systems, and design tools and processes for the preparation of IFRS information, including comparative and opening balance sheet information. In addition, the Company will evaluate its internal and disclosure control processes as a result of its conversion to IFRS. The Company will also design model IFRS financial statements including all note disclosures and disclosures required for the MD&A.

IASB will continue to issue new accounting standards during the conversion period. Management will continue to review new standards, as well as the impact of the new accounting standards, to ensure all relevant changes are addressed.

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.

SUBSEQUENT EVENTS

Subsequent to June 30, 2011, the Company:

i) Entered into a purchase agreement to acquire a 100% interest in certain mineral claims, referred as the Jewelry Box Property, 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 as follows:

- Pay \$10,000 (paid) and issue 100,000 common shares (issued with a fair value of \$7,500) upon execution of the Agreement;
- Pay \$40,000 and issue 200,000 common shares by August 15, 2012; and
- Pay \$80,000 and issue 800,000 common shares by August 15, 2013.

The vendor retains a 2% NSR. The Company may purchase 1% NSR at any time at a price of \$500,000 for each 0.5% NSR.

ii) Entered into an amendment with the RASP property optionor, whereby the Company is not required to make the option payments of \$20,000 and 100,000 shares due on April 6, 2012 in consideration of granting the optionor a 2% royalty on the claims. The Company has the option to buy back half of the royalty (1%) for \$1,000,000. All other terms of the agreement remain the same.

iii) Granted 714,483 common share stock options to consultants, employees and a director of the Company. The options are exercisable at \$0.12 per share for a period of two years.

EFFECTIVENESS OF DISCLOSURE CONTROLS

The Chief Financial Officer and Chief Executive Officer have evaluated the effectiveness of the Company's disclosure controls as of June 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. A copy of this MD&A will be provided to anyone who requests it.