

November 16, 2010

The following is Management's Discussion and Analysis of the financial condition and results of operations of International Samuel Exploration Corp. and its wholly owned subsidiary, International Samuel Holding Corp., for the year ended June 30, 2010. This discussion and analysis should be read in conjunction with the audited consolidated financial statements for the year ended June 30, 2010. The MD&A covers the year ended June 30, 2010 and from June 30, 2010 to the date of this report. All amounts are expressed in \$CDN.

OVERALL PERFORMANCE

The Company's presently held mineral properties are situated in Canada. The Company may expand its exploration activities outside of North America but at present there are no firm plans to do so.

During the Y2010 summer and fall months, the Company completed geochemical and geophysical field work on the Blackwater West property. In the early fall of 2010 the Company completed two drill holes, aggregating 492 metres, on the Rasp property. The Company awaits the assay results.

SIGNIFICANT EVENTS, TRANSACTIONS AND ACTIVITIES

Snow Lake

During March 2010, as part of its winter exploration program, the Company completed a large Loop Time Domain EM geophysical survey on three target areas on its Reed Lake Project. The survey consisted of 32.1 line kilometres of Time-Domain Electromagnetics at 25 metre spacing and a magnetometer survey at 25 metre spacing on two grids. Several drill targets were identified from analysis of this survey data. During late March 2010 through early April 2010, the Company completed a drill program of 417 metres comprised of two holes, each at a depth of 200-400 metres. The Company is evaluating the drill potential of an additional 16 targets.

Rasp

On April 6, 2010, the Company entered into an option agreement to acquire a 100% interest in the Rasp Property located in northern Manitoba.

Terms of the option require that the Company undertake the following:

- 1) Pay the vendor an option payment of \$10,000 on signing of the Options (paid);
- 2) Issue 50,000 common shares of the Company to the Optionor upon approval of the TSX Venture Exchange (issued);
- 3) Complete exploration expenditures of \$100,000 on or before April 6, 2011 (completed);
- 4) Issue an additional 750,000 common shares of the Company to the Optionor on or before April 6, 2015.

Blackwater West

On April 24, 2010 and amended on June 20, 2010, the Company purchased a 100% interest in 11 mineral claims totalling 5,3331 hectares. The property is located approximately 150 kilometres south of Vanderhoof, British Columbia. Terms of the purchase agreement require the Company to:

- i) Pay the vendor \$10,000 cash (paid);
- ii) Issue to the vendor 750,000 common shares of the Company (issued in July 2010 at a price of \$0.17 per share) and 2,000,000 share purchase warrants with each share purchase warrant (issued in July 2010) entitling the holder thereof to purchase one common share of the Company until July 12, 2012 at a price of \$0.25 per common share;
- iii) Complete an exploration work program of \$5000,000 on the property before July 12, 2010.

As a result of the Company's geological investigations, the company elected to allow the claims to lapse in early October 2010.

Mineral Properties

As at September 30, 2010, the Company's mineral properties included the following acquisition costs and deferred exploration expenditures:

September 30, 2010				
	% Interest	Acquisition Costs	Deferred Exploration Expenditures	Total
Pelly Bay – option	30%	222,500	2,702,449	2,924,949
Pelly Bay – Joint Venture	50%	13,398	78,527	91,925
Snow Lake/Reed Lake	50%	88,392	336,834	425,226
Rasp 1		23,500	153,143	176,643
		\$ 347,790	\$ 3,270,953	\$ 3,618,743

Deferred exploration expenditures by property, for the three months ended September 30, 2010, were:

	Blackwater West	Rasp 1	Pelly Bay 30%	Pelly Bay 50%	Snow Lake	Total
Balance, June 30, 2010	\$ -	\$ 8,110	\$2,702,449	\$ 78,527	\$ 336,834	\$ 3,125,920
Analytical	522	-	-	-	-	522
Consulting	15,650	-	-	-	-	15,650
Exploration	34,500	-	-	-	-	34,500
Field costs	43,017	-	-	-	-	43,017
Geophysical	4,500	-	-	-	-	4,500
Drilling	-	127,739	-	-	-	127,739
Permits	-	-	-	-	-	-
Geological	14,278	10,100	-	-	-	24,378
Leases and permits	-	3,211	-	-	-	3,211
Travel and miscellaneous	705	3,983	-	-	-	4,688
Additions during the period	113,172	145,033	-	-	-	258,205
Less: written off during the period	(113,172)	-	-	-	-	(113,172)
Balance, September 20, 2010	\$ -	\$ 153,143	\$2,702,449	\$ 78,527	\$ 336,834	\$ 3,270,953

a) Pelly Bay, Nunavut – option to earn 30% interest

Pursuant to a letter agreement dated July 26, 2006, the Company was granted an option to earn a 30% interest in the Pelly Bay property subject to a 2% Gross Overriding royalty on all diamonds and a 2% Net Smelter Return royalty on all other minerals. In order to exercise the option, the Company must issue 100,000 common shares and incur \$3,000,000 in property expenditures as follows:

- i) 50,000 common shares within ten days after receipt of TSX Venture Exchange approval (issued at \$2.30 per share)
- ii) 25,000 common shares on or before May 1, 2007 (issued at \$2.40 per share)
- iii) 25,000 common shares on or before May 1, 2008 (issued at \$1.90 per share)
- iv) expenditures of \$750,000 on or before June 30, 2007 (incurred)
- v) further expenditures of \$700,000 on or before December 31, 2007 (incurred)
- vi) further expenditures of \$750,000 on or before December 31, 2008 (incurred)
- vii) further expenditures of \$800,000 on or before December 31, 2010 (incurred \$502,449 to June 30, 2010).

On December 31, 2009, the Company received a one year extension to December 31, 2010 on the required calendar year 2009 exploration expenditures of \$800,000.

In September 2010, the Company and the operator of the Pelly Bay 30% Optioned property amended the terms of the July 26, 2006 option agreement. The amended agreement states that Company will earn a fully vested 30% joint venture interest in the Pelly Bay property by issuing 50,000 common shares of the Company to the operator. As part of this agreement, the operator will accept the Company's aggregate paid exploration expenditures to date of \$2,647,199 as satisfactory completion of the original \$3,000,000 exploration expenditure total. In addition, the operator will accept payment of \$55,250 in unpaid exploration costs previously billed to the Company, by the

assignment to the operator of the Company's share of all future exploration related security bond refunds estimated at \$72,000.

Furthermore, the Company has reimbursed the vendor \$239,007 for bonds posted on the claims and for each of the first four kimberlite bodies discovered on the property, the Company will be required to issue 12,500 common shares to the vendor.

b) Pelly Bay, Nunavut – 50% Joint Venture

During the year ended June 30, 2007, the Company staked a 100% interest in 68 claims in the Ualliq region contiguous to the Ualliq lands in which the Company owns an option to earn a 30% interest. During the year ended June 30, 2008, 25 of those 68 claims were dropped leaving 43 claims owned by the Company. The cost to stake the initial 68 claims was \$13,398

On August 21, 2007, the Company entered into a joint venture agreement with Diamond North Resources Ltd. ("DNR") whereby DNR contributed its 100% interest in an additional 45 claims that are also contiguous to the Ualliq lands in which the Company owns an option to earn a 30% interest. Both the Company and DNR will have a 50% Joint Venture interest in this combined total of 88 claims.

c) Snow Lake, Manitoba – 50% interest – Mel 331A, 332A and 333A

By letter agreements dated October 5, 2007 and October 29, 2007 the Company agreed to acquire a 50% interest in three mineral exploration licenses and five mining claims in the Snow Lake Property in the Province of Manitoba. The consideration paid by the Company was as follows:

- i) Cash payment of \$450,000 (paid).
- ii) 40,000 common shares (issued at \$2.80 per share).
- iii) Cash payment of \$27,257 as reimbursement of staking costs incurred by the vendors (paid).

The vendor retains a 1% Net Smelter Return on the Company's share of commercial production. The Company is entitled to purchase a 0.5% portion of the Net Smelter Return at any time by making cash payment of \$500,000. On November 22, 2007, the Company formalized these agreements with a purchase agreement and the terms remain the same. The Company also paid a Finders' Fee associated with the acquisition in the form of 8,333 common shares of the Company at an ascribed restated price of \$2.60 per share.

During the year ended June 30, 2010, the Company relinquished its title to MEL333A and reduced the MEL331A and MEL332A hectares by approximately 50% as part of refining its target exploration portfolio.

Subsequent to June 30, 2010, the Company relinquished its title to MEL332A as part of a continued refinement of its target exploration portfolio. As a consequence of these title relinquishments (MEL 333A and MEL 332A) the Company wrote off \$899,857 of mineral property acquisition and deferred exploration costs during the year ended June 30, 2010.

d) Rasp, Manitoba

In March 2010, the Company entered into an option agreement to acquire a 100% interest in the Rasp Property located in northern Manitoba. Terms of the option require that the Company undertake the following:

- i) Pay the vendor an option payment of \$10,000 on signing of the Options (paid);
- ii) Issue 50,000 common shares of the Company to the Optionor upon approval of the TSX Venture Exchange (issued);
- iii) Complete exploration expenditures of \$100,000 on or before April 6, 2011; \$200,000 on or before April 6, 2012; \$200,000 on or before April 6, 2013 and \$500,000 on or before April 6, 2014;
- iv) Issue an additional 750,000 common shares and \$90,000 in cash payments of the Company to the Optionor as follows: 100,000 common shares and \$20,000 in cash payments on or before April 6, 2012 and 2013 respectively and 550,000 common shares and \$50,000 cash on or before April 6, 2014.

The property is subject to a 2% net smelter returns royalty (the "NSR Royalty") payable to the Vendor. The Company may repurchase 1% of the NSR Royalty at any time in consideration for a \$1,000,000 payment to the Vendor.

e) Blackwater West, B.C.

On April 25, 2010 and amended on June 29, 2010, the Company purchased a 100% interest in 11 mineral claims totalling 5,331 hectares. The property is located approximately 150 kilometres south of Vanderhoof, British Columbia. Terms of the purchase agreement require the Company to:

- i) Pay the vendor \$10,000 cash (paid)
- ii) Issue to the vendor 750,000 common shares of the Company and 2,000,000 share purchase warrants with each share purchase warrant (issued in July 2010) entitling the holder thereof to purchase one common share of the Company until July 12, 2012 at a price of \$0.25 per common share.
- iii) Complete an exploration work program of \$500,000 on the property before July 12, 2012.

The property is subject to a 2% net smelter returns royalty (the "NSR Royalty") payable to the Vendor. The Company may repurchase 1% of the NSR Royalty at any time in consideration for a \$1,000,000 payment to the Vendor.

In October 2010, the Company decided to allow the Blackwater claims to lapse. The Company has therefore, written off the acquisition expenditures and the deferred exploration costs of \$24,350, as at June 30, 2010 and \$113,172 in exploration costs during the three months ended September 20, 2010.

Summary Of Quarterly Results

The following table sets out selected unaudited quarterly financial information of the Company and is derived from unaudited quarterly statements prepared by management. The Company's interim financial statements are prepared in accordance with Canadian GAAP and expressed in Canadian dollars.

Quarter ended	Interest Income	General & Administrative Expenses	(Income) Loss for the period	Basic & Diluted (Income) Loss Per Share	Total Assets	Total Long-Term Liabilities	Weighted Shares Issued
September 30, 2010	\$ 2,598	\$ 203,577	\$ 441,669	\$0.03	\$ 4,524,568	\$nil	12,724,928
June 30, 2010	\$ 2,542	\$ 135,386	\$ 1,061,222	\$0.11	\$ 4,619,696	\$nil	9,322,382
March 31, 2010	\$ 2,516	\$ 172,144	\$ 123,228	\$0.02	\$ 4,864,686	\$nil	6,983,941
December 31, 2009	\$ 2,709	\$ 130,999	\$ 128,290	\$0.02	\$ 4,427,979	\$nil	5,931,071
September 30, 2009	\$ 3,376	\$ 77,027	\$ 73,651	\$0.01	\$ 4,299,579	\$nil	5,258,004
June 30, 2009	\$ 4,406	\$ 149,543	\$ (623,464)	\$(0.14)	\$ 4,286,427	\$nil	4,528,142
March 31, 2009	\$ 4,438	\$ 62,531	\$ 82,843	\$0.02	\$ 4,455,821	\$nil	4,298,196
December 31, 2008	\$ 23,217	\$ 112,489	\$ 2,846,971	\$0.72	\$ 4,380,599	\$nil	3,966,227

Developments During the First Quarter Ended September 30, 2010

For the three months ended September 30, 2010, the general and administrative expenses were \$203,577 compared to \$149,543 for the comparative period in 2009. The increase in these costs arose principally from the \$137,799 in stock-based compensation (2009 - \$Nil).

Exploration and acquisition cash costs of \$202,955 were incurred on the mineral properties during the three months ended June 30, 2010 (2009 – recovery of \$55,180).

Financial Instruments And Other Risks

The Company's financial instruments consist of cash and cash equivalents. As at September 30, 2010, the Company had cash and cash equivalents of \$690,072 (June 30, 2010 - \$33,289) and working capital of \$568,421 (June 30, 2010 – \$862,308). Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from the financial instruments. The fair value of these financial instruments approximates their carrying value due to their short-term maturity or capacity of prompt liquidation.

The fair market values of these financial instruments approximate their carrying values, unless otherwise noted.

Liquidity and Capital Resources

As an exploration stage company, the Company's liquidity position decreases as expenses are incurred. To mitigate this liquidity risk, the Company budgets both exploration and administrative expenditures and closely monitors its liquidity position. The Company's cash position as at September 30, 2010 was \$690,072 (June 30, 2010 - \$923,925).

During the three months ended September 30, 2010, the Company completed one private placement to raise gross proceeds of \$220,000 and received \$20,000 from the exercise of share purchase warrants.

Interest income from short-term investments is not expected to produce significant income for the Company. The Company had working capital of \$568,421 as at September 30, 2010. The Company's principal investing activity is the acquisition and exploration of its resource properties. The Company has historically met all cash requirements for operation by equity financing but there exists no guarantee the Company will be successful in arranging such additional equity fund needs in the future.

Future funding needs of the Company are dependent upon the Company's continued ability to obtain equity and/or debt financing to meet its financial obligations and to pursue further exploration on its properties.

Need For Additional Funds

The Company has no history of profitable operations and its present business is at an early stage. As such, the Company is subject to many risks common to such enterprises including undercapitalization, cash shortages, limitations with respect to personnel, financial and other resources, and the lack of revenues. There is no assurance that the Company will be successful in achieving a return on shareholders' investments and the likelihood of success must be considered in light of its early stage of operations.

Exploration programs are planned over the next twelve months that, if all of such program budgets are ultimately finalized, may well lead to an excess of planned programs over available cash resources. In that event, the Company will need to raise additional equity funds to meet any such excess. The Company has no source of operating cash flow and no assurance that additional funding will be available to it for further exploration and development of its projects when required. Although the Company has been successful in the past in obtaining financing through the sale of equity securities or joint ventures, there can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. Failure to obtain such additional financing could result in the delay or indefinite postponement of further exploration and development of its properties.

Off-Balance Sheet Arrangements

As at September 30, 2010, the Company had no off-balance sheet arrangements.

Transactions With Related Parties

During the three months ended September 30, 2010, the Company incurred the following charges by directors, former directors, officers and companies with directors or former directors in common:

	Three Months Ended September 30, 2010	Year Ended June 30, 2010
Consulting fees – deferred mineral costs	\$ 32,550	\$ 47,242
Consulting fees – expensed	-	9,570
Management fees	30,850	196,967
Stock-based compensation	120,799	84,732
	\$ 184,199	\$ 338,511

These transactions are in the normal course of operations and are measured at the exchange amount which was the amount established and agreed to by the transacting parties.

Loan receivable at June 30, 2010 consists of \$130,623 (June 30, 2010 - \$128,052) owed from a company with directors in common.

Included in accounts payable and accrued liabilities at June 30, 2010 is \$16,810 (June 30, 2010 - \$31,192) owed to companies with directors in common.

SHARE CAPITAL

(a) Authorized

100,000,000 common shares without par value

(b) Issued

	Number	Amount
Balance, June 30, 2009	5,211,840	10,708,388
Shares issued for debt settlement	50,000	6,500
Shares issued for cash – non-flow through	2,100,000	210,000
Less: share issue costs	-	(12,200)
Less: stock based compensation for finders' fees – warrants	-	(31,722)
Shares issued for cash – flow through	1,290,000	322,500
Shares issued for cash – non flow through	300,000	60,000
Shares issued for finders' fees	108,500	26,075
Shares issued for cash – options exercised	26,250	6,038
Fair value of stock options exercised	-	36,750
Shares issued for cash – warrants exercised	125,000	31,250
Less: Share issue costs – shares	-	(26,075)
Less: Stock based compensation for finders' fees – warrants	-	(29,068)
Shares issued for cash – flow through	824,000	206,000
Shares issued for finders' fees	57,680	14,420
Shares issued for cash – warrants exercised	50,000	10,000
Shares issued for mineral property acquisition	50,000	13,500
Shares issued for cash – flow through	2,000,000	500,000
Shares issued for cash – non flow through	100,000	20,000
Shares issued for finders' fees	7,000	1,750
Less: share issue costs	-	(89,616)
Less: Stock based compensation for finders' fees – warrants	-	(49,568)
Balance, June 30, 2010	12,300,270	\$ 11,934,922
Shares issued for mineral property interest	750,000	127,500
Shares issued for cash – warrants exercised	100,000	20,000
Shares issued for cash – non flow through	1,100,000	220,000
Balance, September 30, 2010	14,250,270	\$ 12,302,422

(c) Share Capital – as of November 16, 2010

As of November 16, 2010, the Company had 14,250,270 common shares issued and outstanding (fully diluted – 27,405,077).

A summary of share purchase warrant activity is as follows:

	Number	Weighted Average Exercise Price
Balance, June 30, 2009	1,238,187	\$0.69
Expired	(180,687)	(\$3.00)
Exercised	(125,000)	(\$0.25)
Exercised	(50,000)	(\$0.20)
Issued – debt settlement	50,000	\$0.25
Issued – non flow through Unit Offering	2,100,000	\$0.20
Issued – non flow through Unit Offering	300,000	\$0.25
Issued – flow through Unit Offering	1,290,000	\$0.30
Issued – flow through Unit Offering	824,000	\$0.40
Issued – flow through Unit Offering	2,000,000	\$0.40
Issued – non flow through Unit Offering	100,000	\$0.30
Issued – mineral property acquisition	2,000,000	\$0.25
Exercised	(100,000)	(\$0.20)
Balance, June 30, 2010	7,546,500	\$0.31
Issued – non flow through Unit Offering	100,000	\$0.30
Issued – mineral property acquisition	2,000,000	\$0.25
Issued – non flow through Unit Offering	1,100,000	\$0.30
Balance, September 30, 2010	10,546,500	\$0.30

INTERNATIONAL SAMUEL EXPLORATION CORP.
Management Discussion and Analysis
For the Three Months ended September 30, 2010

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During the year ended June 30, 2010, the Company had the following share purchase warrant transactions:

Number of warrants June 30, 2010	Issued during the period	Cancelled /expired during the period	Exercised during the period	Number of warrants September 30, 2010	Proceeds from warrants exercised	Exercise price	Expiry date
732,500	-	-	-	732,500	-	\$0.25	January 29, 2014
200,000	-	-	-	200,000	-	\$0.50	March 31, 2011
50,000	-	-	-	50,000	-	\$0.25	July 29, 2011
2,050,000	-	-	(100,000)	1,950,000	20,000	\$0.20	December 2, 2011
300,000	-	-	-	300,000	-	\$0.25	March 19, 2012
1,290,000	-	-	-	1,290,000	-	\$0.30	March 19, 2012
824,000	-	-	-	824,000	-	\$0.40	June 8, 2012
2,000,000	-	-	-	2,000,000	-	\$0.40	June 23, 2012
100,000	-	-	-	100,000	-	\$0.30	June 24, 2012
-	1,100,000	-	-	1,100,000	-	\$0.30	July 7, 2012
-	2,000,000	-	-	2,000,000	-	\$0.25	July 12, 2010
7,546,500	3,100,000	-	(100,000)	10,546,500	\$ 20,000		

As at September 30, 2010, the Company had the following share purchase warrants outstanding:

Number	Exercise Price	Expiry Date
200,000	\$0.50	March 31, 2011
50,000	\$0.25	July 29, 2011
1,950,000	\$0.20	December 2, 2011
300,000	\$0.25	March 19, 2012
1,290,000	\$0.30	March 19, 2012
824,000	\$0.40	June 8, 2012
2,000,000	\$0.40	June 23, 2012
100,000	\$0.30	June 24, 2012
732,500	\$0.25	January 29, 2014
1,100,000	\$0.30	July 7, 2012
2,000,000	\$0.25	July 12, 2012
10,546,500		

(d) Stock Options

A summary of stock option activity during the years ended June 30, 2009 and 2010 is as follows:

	Number	Weighted Average Exercise Price
Balance, June 30, 2009	459,600	\$0.23
Granted	542,684	\$0.22
Exercised	(26,250)	(\$0.23)
Cancelled	(187,500)	(\$0.23)
Balance, June 30, 2010	788,534	\$0.22
Granted	688,993	\$0.20
Exercised	-	-
Cancelled	(162,400)	(\$0.23)
Balance, September 30, 2010	1,315,127	\$0.21

The balance of options outstanding and exercisable as at September 30, 2010 was as follows:

Expiry date	Number of options	Exercise price per Share	Weighted Average remaining life (years)
January 31, 2014	83,450	\$0.21	3.59
December 3, 2011	265,000	\$0.12	1.43
March 19, 2015	219,000	\$0.31	4.71
March 24, 2015	58,684	\$0.31	4.73
July 15, 2014	688,993	\$0.20	4.80
Exercisable as at September 30, 2010	1,315,127		

Critical Accounting Estimates

The Company prepares its financial statements in accordance with Canadian generally accepted accounting principles and requires management to make estimates and assumptions which affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Significant areas requiring the use of management estimates relate to the assumptions used in determining the fair value of non-cash stock-based compensation and the valuation of the unproven mineral interest. Due to the inherent uncertainty involved with making such estimates, actual results reported in future years could differ from these estimates.

International Financial Reporting Standards

The Canadian Accounting Standards Board has confirmed that International Financial Reporting Standards ("IFRS") will replace Canada's current generally accepted accounting principles ("GAAP") for publicly accountable profit-orientated enterprises for interim and annual financial statements commencing

after January 1, 2011. The Company's year end is June 30 of each year. The first year of reporting for the Company using IFRS will be for the fiscal 2012 year commencing July 1, 2011 and ending on June 30, 2012.

Accordingly, the Company will prepare its financial statements for fiscal 2011, the year ending June 30, 2011, using Canadian GAAP. In 2012, the Company will present its fiscal 2012 financial statements, with comparatives for fiscal 2011, using IFRS. This will necessitate the Company maintaining financial records in both GAAP and IFRS for fiscal 2011.

The Company is currently in the initial assessment and scoping phase of its IFRS change-over process. In this phase, the Company is identifying significant differences between existing Canadian GAAP and IFRS; identifying policy choices and changes required to the Company's current accounting policies; and assessing the impact of such choices and changes, including the impact of adopting IFRS 1 – *First Time Adoption of IFRS*. At the end of this phase, which the Company expects to be completed in the 2nd quarter ended December 31, 2011, the Company will make specific accounting policy changes. Such choices will be made in consultation with the audit committee and will be based on improving the overall usefulness of our financial statements and comparability with our industry peers.

Upon completion of this 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. The Company will also design model IFRS financial statements. These tools and the model IFRS financial statements will be tested and run parallel during mid 2010 through mid 2011 to ensure a smooth and accurate change-over in July 2011.

The Company is continuing with its initial assessment and scoping phase. Although its impact assessment activities are underway, continued analysis and discussion is required before the Company can prudently disclose change-over accounting policy differences. Due to the small and simple organizational, administrative and accounting structure of the Company, management is confident that once the policy choices are finalized, the implementation phase could be completed by late 2011.

To date, management has identified a number of differences between Canadian GAAP and IFRS that relate to the Company, many of which are not expected to have a material impact on the reported results and financial position of the Company. Adjustments required on transition to IFRS will be made against opening retained earnings on the transition date July 1, 2010 for the 2010 balance sheet to be included in the first comparative balance sheet as at September 30, 2011, being the end of the first quarter in fiscal 2012. Such adjustments are made directly to retained earnings because they represent changes to financial events prior to the July 1, 2011 date of transition.

IFRS 1, "First-Time Adoption of International Financial Reporting Standards", provides entities adopting IFRS for the first time with a number of optional exemptions and mandatory exceptions, in certain areas, to the general requirement for full retrospective application of IFRS. During 2010, management will meet with the Audit Committee and the Board of Directors to finalize key issues and transitional choices under IFRS 1 applicable to the Company.

Set out below are the most significant areas, management has identified to date, where changes in accounting policies may have the highest potential impact on the Company's consolidated financial statements. In the period leading up to the changeover in 2011, the International Accounting Standards Board ("IASB") has ongoing projects and intends to issue new accounting standards during the conversion period. As a result, the final impact of IFRS on the Company's consolidated financial statements can only be measured once all the IFRS accounting standards at the conversion date are known. Management will continue to review new standards, as well as the impact of the new accounting standards, between now and the conversion date to ensure all relevant changes are addressed.

Impairment of Assets (IAS 36)

Canadian GAAP generally uses a two-step approach to impairment testing: first comparing asset carrying values with undiscounted future cash flows to determine whether impairment exists; and then measuring any impairment by comparing asset carrying values with discounted cash flows. International Accounting Standard (IAS) 36,

“Impairment of Assets” uses a one-step approach for both testing and measurement of impairment, with asset carrying values compared directly with the higher of fair value less costs to sell and value in use (which uses discounted future cash flows).

This may result in write downs where the carrying value of assets was previously supported under Canadian GAAP on an undiscounted cash flow basis, but could not be supported on a discounted cash flow basis.

Share-Based Payments (IFRS 2)

IFRS and Canadian GAAP largely converge on the accounting treatment for share-based transactions with only a few differences. Consultants who perform the same services as employees are treated as employees for the purposes of IFRS 2. Stock option grants to employees must be measured on the date of the grant. Non-employee grants must be measured on the date the goods are supplied or the service is deemed to be completed. This may lead to a difference in the amount of Stock Option Expense recorded than would be the case under Canadian GAAP Section 3870. Canadian GAAP allows either accelerated or straight-line method of amortization for the fair value of stock options under graded vesting. Under IFRS 2, the estimate for forfeitures must be made when determining the number of equity instruments expected to vest, while under Canadian GAAP forfeitures can be recognized as they occur.

Exploration and Evaluation Assets (IFRS 6)

Under the Company’s current accounting policy, acquisition costs of mineral properties, together with direct exploration and development expenses incurred thereon are capitalized. With the adoption of IFRS, the Company will have to determine its accounting policy for exploration and evaluation assets. The Company may decide to apply the ISAB Framework which requires exploration expenditures to be expensed and only allows capitalization of expenditures after the completion of a feasibility study. Alternatively, the Company may keep its existing policy. Management has yet to decide on whether or not to apply the IASB framework.

Future Income Taxes (IAS 12)

Like Canadian GAAP, deferred income taxes under IFRS are determined using the liability method for temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes, and by generally applying tax rates applicable to the Company to such temporary differences. Deferred income taxes relating to temporary differences that are in equity are recognized in equity and under IFRS subsequent adjustments thereto are backward-traced to equity. IFRS prohibits recognition where deferred income taxes arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting nor taxable net earnings. The Company has not yet assessed the impact of implementing IAS 12, Income Taxes, on the financial statements.

General (IFRS 1/IAS 1)

As the Company elects and approves the IFRS accounting policy for each of the areas above, management will determine and disclose the impact of the IFRS adoption at the transition date on our financial statements. The IASB will also continue to issue new accounting standards during the conversion period and, as a result, the final impact of IFRS on the Company's consolidated financial statements will only be measured once all the IFRS applicable accounting standards at the conversion date are known.

Based on management's assessment of the information and internal control system currently used by the Company, all information required to be reported under IFRS will be available with minimal system changes, but the preparation of parallel IFRS statements will need, as yet undetermined, incremental resources.

One of the more significant impacts identified to date of adopting IFRS is the expanded presentation and disclosures required. Disclosure requirements under IFRS generally contain more detail than those required under Canadian GAAP and, therefore, will result in lengthier note references. Secondly, there may be changes in the presentation order and terminology of the financial statements themselves. The Company is continuing to assess the level of presentation and disclosures required to its consolidated financial statements, with a view to facilitating understanding of shareholders and other users of the statements.

Exploration And Development

Exploration for minerals or precious gems is a speculative venture involving substantial risk. There is no certainty that the expenditures made by the Company will result in discoveries of commercial quantities of diamonds or metal reserves.

Mining and development risk always accompany anticipated rewards, and uncertainties always exist where mineral properties are concerned. Uncertainties include the size, grade and recovery of a natural occurring mineral deposit.

Although exploration and development efforts can outline a mineral deposit with a degree of certainty, ultimate grade and tonnages are never fully known until mining has been completed. Metal and diamond prices are also a significant factor in the development decision for a mineral property, as a mine may not be economically feasible in a period of depressed prices.

Factors beyond the control of the Company may affect the marketability of any minerals discovered. Pricing is affected by numerous factors such as international economic and political trends, global or regional consumption and demand patterns, and increased production by current producers.

Operating Hazards And Risks

Mining operations involve many risks which even a combination of experience, knowledge and careful evaluation may not be able to overcome. In the course of exploration, development and production of mineral properties, certain risks, and in particular, unexpected or unusual geological operating conditions including rock bursts, cave-ins, fires, flooding and earthquakes may occur.

Operations in which the Company has a direct or indirect interest will be subject to all the hazards and risks normally incidental to exploration, development and production metals, any of which could result in damage to or destruction of mines and other producing facilities, damage to life and property, environmental damage and possible legal liability for any or all damage.

Title Risks

Although the Company has exercised the usual due diligence with respect to determining title to properties in which it has a material interest, there is no guarantee that title to such properties will not be challenged or impugned.

Competition And Agreements With Other Parties

The mining industry is intensely competitive in all its phases. The Company competes with other companies that have greater financial resources and technical capacity. Competition could adversely affect the Company's ability to acquire suitable properties or prospects in the future.

The Company may in the future be unable to meet its share costs incurred under agreements to which it is a party and it may have its interest in the properties subject to such agreements reduced as a result. Also, if other parties to such agreements do not meet their share of such costs, the Company may not be able to finance the expenditures required to complete recommended programs.

Price Volatility Of Public Stock

In recent years securities markets have experienced extremes in price and volume volatility. The market price of securities of many early stage companies, among others, has experienced fluctuations which may not necessarily be related to the operating performance, underlying asset values or prospects of such companies. It may be anticipated that any market for the Company's shares will be subject to market trends generally and the value of the Company's shares on the TSX Venture Exchange may be affected by such volatility.

Economic Conditions

Unfavourable economic conditions may negatively impact the Company's financial viability as a result of increased financing costs and limited access to capital markets.

In conducting business, the principal risks and uncertainties faced by the Company centre on exploration and development and metal prices and market sentiment. Exploration for minerals and development of mining operations involve many risks, many of which are outside the Company's control. In addition to the normal and usual risks of exploration and mining, the Company often works in remote locations that lack the benefit of infrastructure or easy access. The prices of metal fluctuate and are affected by many factors outside of the Company's control. The relative prices of metals and future expectations for such prices have a significant impact on the market sentiment for investment in mining and mineral exploration companies. The Company relies on equity financing for working capital requirements and to fund its exploration programs. The Company does not have sufficient funds to put any of its mineral interests into production. There is no assurance that such financing will be available to the Company, or that it will be available on acceptable terms.

Dependence On Management

The Company is very dependent upon the personal efforts and commitment of its existing management. To the extent that management's services would be unavailable for any reason, a disruption to the operations of the Company could result, and other persons would be required to manage and operate the Company.

Conflicts Of Interest

The Company's directors and officers may serve as directors and officers or be associated with other reporting companies or have significant shareholding in other public companies. To the extent that such other companies may participate in business or asset acquisitions, dispositions, or ventures in which the Company may participate, the directors and officers of the Company may have a conflict of interest in negotiating and concluding terms respecting the transaction. If a conflict of interest arises, the Company will follow the provisions of the Business Corporations Act ("Corporations Act") in dealing with conflicts of interest.

These provisions state where a director/officer has such a conflict, that the director must at a meeting of the board, disclose his interest and refrain from voting on the matter unless otherwise permitted by the Corporations Act. In accordance with the laws of the Province of British Columbia, the directors and officers of the Company are required to act honestly, in good faith and in the best interests of the Company.

Disclosure for Venture Issuers without Significant Revenue

Consistent with other junior companies in the mineral exploration industry, the Company has no source of operating revenue. The Company's audited financial statements for the year ended June 30, 2010 provide a breakdown of the general and administrative expenses for the period under review and an analysis of the capitalized and expensed exploration and development costs incurred on its mineral properties.

Proposed Transactions

There are no proposed business acquisitions or dispositions, other than those in the ordinary course, which are before the board of directors for consideration.

APPROVAL

The Audit Committee has reviewed and approved the disclosure included in this quarterly MD&A. A copy of the quarterly MD&A will be provided to anyone who requests it.

Additional company information can be found at www.sedar.com or www.internationalsamuel.com.