FALCON OIL & GAS LTD.

FORM 51-102F1
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE MONTHS ENDED MARCH 31, 2011

The following Management's Discussion and Analysis (the "**MD&A**") was prepared as at June 29, 2011 and is management's assessment of Falcon Oil & Gas Ltd's ("**Falcon**") financial and operating results and provides a summary of the financial information of the Company for the three months ended March 31, 2011. This MD&A should be read in conjunction with the unaudited condensed consolidated financial statements for the three months ended March 31, 2011 and 2010, and the audited consolidated financial statements and MD&A for the year ended December 31, 2010. The March 31, 2011 and 2010 unaudited condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRS**").

The information provided herein in respect of Falcon includes information in respect of its wholly-owned operating subsidiaries Mako Energy Corporation ("**Mako**"), a Delaware company, TXM Oil and Gas Exploration Kft., a Hungarian limited liability company doing business as TXM Energy, LLC ("**TXM**"), TXM Marketing Trading & Service, LLC ("**TXM Marketing**"), a Hungarian limited liability company, and its majority owned subsidiary, Falcon Oil & Gas Australia Limited ("**Falcon Australia**") (collectively, the "**Company**").

Additional information related to the Company, including the Company's Annual Information Form ("**AIF**") for the year ended December 31, 2010 dated May 2, 2011, can be found on the System for Electronic Document Analysis and Retrieval (**"SEDAR"**) at www.sedar.com and Falcon's website at www.falconoilandgas.com.

Forward-looking Statements

Forward-looking statements include, but are not limited to, statements with respect to: the focus of capital expenditures; the sale, farming in, farming out or development of certain exploration properties using third party resources; the impact of changes in petroleum and natural gas prices on cash flow; drilling plans; processing capacity; operating and other costs; the existence, operation and strategy of the commodity price risk management program; the approximate and maximum amount of forward sales; the Company's acquisition strategy, the criteria to be considered in connection therewith and the benefits to be derived there from; the Company's goal to sustain or grow production and reserves through prudent management and acquisitions; the emergence of accretive growth opportunities; the Company's ability to benefit from the combination of growth opportunities and the ability to grow through the capital markets; development costs and the source of funding thereof; the quantity of petroleum and natural gas resources or reserves; treatment under governmental regulatory regimes and tax laws; liquidity and financial capital; the impact of potential acquisitions and the timing for achieving such impact; expectations regarding the ability to raise capital and continually add to reserves through acquisition and development; the performance characteristics of the Company's petroleum and natural gas properties; and realization of the anticipated benefits of acquisitions and dispositions.

Some of the risks and other factors, which could cause results to differ materially from those expressed in the forward-looking statements include, but are not limited to: general economic conditions in Canada, the United States of America (the "**United States**"), the Republic of Hungary ("**Hungary**"), the Commonwealth of Australia ("**Australia**"), the Republic of South Africa ("**South Africa**") and globally; supply and demand for petroleum and natural gas; industry conditions, including fluctuations in the price of petroleum and natural gas; governmental regulation of the petroleum and natural gas industry, including income tax, environmental and regulatory matters; fluctuation in foreign exchange or interest rates; risks and liabilities inherent in petroleum and natural gas operations, including exploration, development, exploitation, marketing and transportation risks; geological, technical, drilling and processing problems; unanticipated operating events which can reduce production or cause production to be shut-in or delayed; the ability of our industry partners to pay their proportionate share of joint interest billings; failure to obtain industry partner and other third party consents and approvals, when required; stock market volatility and market valuations; competition for, among other things, capital, acquisition of reserves, processing and transportation capacity, undeveloped land and skilled personnel; the need to obtain required approvals from regulatory authorities; and the other factors considered under "Risk Factors" in the AIF.

In addition, other factors not currently viewed as material could cause actual results to differ materially from those described in the forward-looking statements.

Dollar Amounts

All dollar amounts below are in United States dollars, except as otherwise indicated. The financial information provided herein has been prepared in accordance with IFRS.

Adoption of International Financial Reporting Standards

Falcon adopted International Financial Reporting Standards as the Company's GAAP, effective January 1, 2011. The impact of adopting IFRS is disclosed in Note 15 of the unaudited condensed consolidated financial statements for the three months ended March 31, 2011. The Company's 2010 comparative financial information has been restated accordingly with details provided in Note 15 of the unaudited condensed consolidated financial statements as at and for the three months ended March 31, 2010.

OVERVIEW OF BUSINESS AND OVERALL PERFORMANCE

About Falcon

The Company is an international energy company engaged in the business of acquiring, exploring and developing petroleum and natural gas properties, with offices in Vancouver, British Columbia, Denver, Colorado, Budapest, Hungary and Sydney, Australia. The Company's registered office is located at 810-675 West Hastings Street, Vancouver, British Columbia, Canada V6B 1N2 and the Company's head office is located at 1875 Lawrence Street, Suite 1400, Denver, Colorado, U.S.A. 80202.

The Company's primary focus is the acquisition, exploration and development of conventional and unconventional petroleum and natural gas projects in Central Europe (specifically Hungary), Australia and South Africa.

Beetaloo Basin, Northern Territory, Australia

Falcon Australia is the registered owner of four exploration permits ("the **Permits**"), comprising 7,000,000 acres in the Beetaloo Basin, Northern Territory, Australia. Under a revised work program approved by the Northern Territory of Australia Government, Department of Resources in June 2010, the Company's required minimum work program obligations, in order to continue to hold the underlying Permits in the Beetaloo Basin, is to expend $6,400,000 and $8,700,000 during the years ending December 31, 2011 and 2012, respectively.

The Permits are subject to a government royalty of 10% and non-government royalties of 13%-14%.

Hess Participation Agreement

On April 28, 2011, Falcon Australia entered into an Evaluation and Participation Agreement (the "**E&P Agreement**") with Hess Australia (Beetaloo) Pty Ltd. ("**Hess**"). By the terms of the E&P Agreement, Hess will pay $17.5 million to Falcon Australia as a participation fee for the exclusive right to conduct operations for the exploration, drilling, development and production of hydrocarbons from three of the four Permits, excluding an area comprising 100,000 acres surrounding the Shenandoah-1 well (the "**Area of Interest**"). In addition, Hess will pay Falcon $2.5 million as consideration for warrants to acquire 10,000,000 common shares in the capital of Falcon at an exercise price of CDN$0.19 per share.

Hess shall acquire seismic data, at its sole cost of at least $40.0 million, over the Area of Interest within 18 months of the execution of the E&P Agreement. After acquiring the seismic data, Hess shall have the right to acquire a 62.5% working interest in the Area of Interest. If Hess acquires the working interest, they commit to drill and evaluate five exploration wells at their sole cost, one of which must be a horizontal well. All costs to plug and abandon the five exploration wells will also be borne solely by Hess. The drilling and evaluation of the five exploration wells must meet the minimum work requirements of the work program. Costs to drill future wells after the five exploration wells will be borne 62.5% by Hess and 37.5% by Falcon Australia.

In accordance with the work program Falcon Australia will, by December 31, 2011, test and complete the Shenandoah-1 well at their sole cost. After testing and completion of the Shenandoah-1 well, Falcon Australia will provide to Hess copies of the data obtained from such activities, and Hess will pay Falcon Australia $2.0 million for the data. The Company will pay a "success fee" to two advisors in the aggregate amount of 5% for services provided in conjunction with the E&P Agreement with Hess. The success fee is based on the cash or cash-equivalent value of any net amount received directly or indirectly by the Company, including the participation fee, cost of seismic data commitment and cost of drilling commitment.

Closing of the transaction is pending completion of certain conditions precedent as detailed in the E&P Agreement. The Company and Hess have been diligently working towards satisfaction of these items, certain of which have been completed. The transaction as a whole is subject to receipt of all governmental and regulatory consents, including the TSX Venture Exchange (the '**TSXV**").

Operational Highlights

In February 2010, the Company commenced well site construction and service tendering exercises for the 2010 work program, with the intentions of commencing drilling and completion activities in July/August 2010. Abnormal rains and flooding throughout the Australian states of Northern Territory, Queensland and New South Wales had a significant impact on work progress and affected service companies' ability to honor their commitment to perform the contracted services and provide the equipment required for the 2010 drilling and completion activities. As a result, the Company requested, and received in June 2010, notice from the Northern Territory Government Department of Resources that its 2010 work commitment obligation for EP 98 has been extended to December 31, 2011.

Hungary

The Company holds a long-term Mining Plot (the "**Production License**") granted by the Hungarian Mining Authority. The lands within the Production License were formerly part of the Company's two petroleum and natural gas exploration licenses – the Tisza License and the Makó License (collectively, the "**Exploration Licenses**"). The Production License, covering approximately 245,700 acres, gives the Company the exclusive right to explore for and appraise petroleum and natural gas on properties located in south central Hungary near the town of Szolnok. The Production License further gives the Company the exclusive right to commercially develop petroleum and natural gas within the area covered by that license. The Production License incorporates depths beginning at 7,546 feet (2,300 meters) from the surface, and extends to the basement of the Makó Trough, Pannonian hydrocarbon accumulation.

Makó' Production License Letter of Intent

On June 9, 2011, the Company's wholly owned Hungarian subsidiary, TXM, entered into a Letter of Intent with Naftna Industrija Srbije, j.s.c. Novi Sad ("**NIS**"), for the earning by NIS of an interest in producing the Algyö play within the Makó' production license in Hungary in an area of approximately 995 square kilometers, from a depth of 2,300m down to the base of the Algyö Formation (the "**Agreement Area**"). TXM will retain all rights within the entire production license deeper than the base of the Algyö Formation such as the Szolnok and Endröd formations. Under the terms of the agreement, NIS will make a $1,500,000 payment to TXM upon signing of a Participation Agreement. NIS shall then, at its sole cost, drill, test and complete three wells in the Agreement Area. These wells, to be drilled and tested before December 31, 2012, shall be located such that each well tests an independent Algyö prospect. NIS will earn a 50 percent interest in production from each prospect if the discovery well is tied in and placed on production at the sole cost of NIS. After the drilling of the three wells is completed, NIS has the right to acquire a 50 percent interest in production from the entire Agreement Area by paying to TXM an additional $2,750,000 (the "earn-in"). If NIS does not fulfill their drilling obligations under the Participation Agreement, TXM will retain 100 percent interest in the Agreement Area.

If the NIS earn-in is completed, NIS and TXM will share future exploration, appraisal and development costs and production in the Agreement Area in accordance with their participating interests held under a Joint Operating Agreement. TXM shall be the Operator under both the Participation Agreement and the Joint Operating Agreement.

The transaction as a whole is subject to receipt of all governmental and regulatory consents, including the TSXV.

Karoo Basin, South Africa

On October 27, 2009, the Company secured a Technical Cooperation Permit (the "**TCP**") to evaluate the Karoo Basin in central South Africa. The Company had up to one year to conduct a technical appraisal of the area covered by the TCP, which does not include any well or seismic work obligations. Falcon application for an exploration permit covering the TCP was accepted on September 7, 2010. Upon receipt of an approved exploration permit, the Company will be required to make a payment of $400,000, and obtain an approved work program. The TCP covers approximately 7.5 million acres and is located approximately 120 miles northeast of Cape Town, South Africa.

Canada

Falcon owns non-operating working interests in four producing natural gas wells in Alberta, Canada which do not comprise a material portion of Falcon's assets (the "**Hackett Interest**"). The Company does not anticipate any further exploration or development of the Hackett Interest.

RESULTS OF OPERATIONS

This review of the results of operations should be read in conjunction with the unaudited interim consolidated financial statements for the three months ended March 31, 2011 and 2010, and the audited consolidated financial statements for the year ended December 31, 2010.

Management's Discussion and Analysis of Financial Condition and Results of Operations for the Three Months Ended March 31, 2011 as Compared to the Three Months Ended March 31, 2010

The Company reported net loss of $2,900,000 ($0.005 per share) for 2011 as compared to net loss of $5,740,000 ($0.010 per share) for 2010. Significant changes between the 2011 and 2010 periods were as follows:

	Three Months Ended March 31,		Change	
	2011	**2010**	**$**	**%**
Revenue	$ 153,000	$ 55,000	$ 98,000	178.0%
Expenses				
Exploration and evaluation expenses	300,000	722,000	422,000	58.4%
Production and operating expenses	10,000	4,000	(6,000)	(150.0)%
Depreciation, depletion and amortization	94,000	128,000	34,000	26.6%
General and administrative	1,768,000	2,796,000	1,028,000	36.8%
Share based compensation	435,000	1,450,000	1,015,000	70.0%
Finance income	(214,000)	(90,000)	124,000	137.8%
Finance expenses	718,000	785,000	67,000	8.5%
	3,111,000	5,795,000	2,684,000	46.3%
Net loss and comprehensive loss	$ (2,958,000)	$ (5,740,000)	$ 2,782,000	48.5%
Net loss and comprehensive loss attributable to:				
Owners of the Company	$ (2,900,000)	$ (5,740,000)	$ 2,840,000	49.5%
Non-controlling interest	(58,000)	-	(58,000)	
Net loss and comprehensive loss	$ (2,958,000)	$ (5,740,000)	$ 2,782,000	48.5%

Revenue

Revenues increased by $98,000 from 2010 to 2011 as TXM has a consulting contract for services that was not in effect in 2010.

Exploration and evaluation expenses

Exploration and evaluation expenses decreased by $422,000 from $722,000 in 2010 to $300,000 in 2011. Expenses related to Hungarian properties decreased to $245,000 in 2011 from $635,000 in 2010 as only minimal maintenance was performed to safeguard the wells as the Company pursued a joint venture partner. South Africa expenses of $56,000 in 2011 ($87,000-2010) were legal, environmental and application expenses incurred for the Company's filing for the application for an exploration permit in the Karoo basin. In 2010, these expenses were capitalized under Canadian GAAP.

Share based compensation

Share based compensation decreased by $1,015,000 from 2010 to 2011 due to forfeiture of options by terminated individuals, less volatile stock price and changes in parameters for the Black Scholes valuation model, including the utilization of graded vesting, under IFRS as compared to Canadian GAAP. Share based compensation for 2010 increased by $69,000 under IFRS as compared to previously reported amounts under Canadian GAAP.

General and administrative expenses

General and administrative expenses decreased by $1,028,000 from $2,796,000 in 2010 to $1,768,000 in 2011. Overall expenses decreased due to the implementation by the company of cost containment measures in 2010 for which the total impact was reflected in 2011. Significant cost decreases are as follows: payroll and related costs - $420,000; travel - $290,000; office and administrative costs - $201,000; and consulting fees- $55,000. There was no impact on general and administrative expenses from the conversion to IFRS.

Finance income

The significant change from 2010 to 2011 is the change in fair value of convertible debenture conversion feature under IFRS, of $207,000 in 2011; in 2010 the unrealized change of $255,000 was reflected as finance expense.

Finance expenses

Effective interest on loans and borrowings increased by $41,000 from 2010 to 2011; and unrealized loss on foreign exchange was $143,000 for 2011 (nil-2010).

Net loss attributable to non-controlling interest

Net loss attributable to non-controlling interest – the amount reflected in 2011 represents the share of Falcon Australia losses attributable to shareholders other than Falcon.

SUMMARY OF QUARTERLY RESULTS

The following is a summary of the eight most recently completed quarters:

As of:	**June 30, 2010[(1)]**	**September 30, 2010[(1)]**	**December 31, 2010[(1)]**	**March 31, 2011**
Total assets	$248,149,000	$194,402,000	$115,409,000	$114,227,000
Evaluation and exploration costs	220,135,000	175,121,000	98,755,000	99,755,000
Working capital	14,125,000	5,711,000	4,848,000	2,260,000
Total shareholders' equity	223,957,000	165,432,000	86,812,000	84,355,000
For the three months ended:	**June 30, 2010**	**September 30, 2010**	**December 31, 2010**	**March 31, 2011**
Revenue	nil	12,000	4,000	8,000
Net loss-common shareholders	(6,056,000)	(58,966,000)	(80,022,000)	(2,900,000)
Net loss per share-basic and diluted	(0.009)	(0.100)	(0.133)	(.005)

As of:	**June 30, 2009[(2)]**	**September 30, 2009[(2)]**	**December 31, 2009[(2)]**	**March 31, 2010 [(1)]**
Total assets	$294,000,000	$292,435,000	$242,999,000	$239,384,000
Evaluation and exploration costs	245,704,000	250,348,000	207,889,000	208,071,000
Working capital	33,156,000	27,514,000	18,176,000	13,715,000
Total shareholders' equity	282,903,000	280,973,000	230,179,000	225,569,000
For the three months ended:	**June 30, 2009**	**September 30, 2009**	**December 31, 2009**	**March 31, 2010**
Revenue	9,000	7,000	41,000	12,000
Net loss-common shareholders	(3,693,000)	(4,770,000)	(51,677,000)	(5,740,000)
Net loss per share-basic and diluted	(0.006)	(0.009)	(0.086)	(0.010)

(1) Represented under IFRS.

(2) As previously reported under Canadian GAAP. Evaluation and exploration costs were previously classified as Petroleum and natural gas properties.

The Company is a development stage company, and has limited revenue which is not material. The Company's net loss and net loss per share relate to the Company's operations during a particular period, and are not seasonal in nature. Generally, the Company's total assets, exploration and evaluation costs, working capital and total shareholders' equity fluctuate in proportion to one another until such time as the Company completes additional financing.

LIQUIDITY AND CAPITAL RESOURCES

Falcon Private Placement

On April 11, 2011, Falcon issued 87,050,000 units (the "**Private Placement Units**") at $0.16 (CDN$0.15) per Private Placement Unit by way of a non-brokered private placement for aggregate gross proceeds of CDN$13,058,000. Each Private Placement Unit consists of one common share in the capital of Falcon and three-quarters of one common share purchase warrant (each, a "**Private Placement Warrant**"), each whole Warrant being exercisable into a common share for a period of 36 months from the date of its issuance at an exercise price of $0.19 (CDN$0.18) per share. A finders' fee of $149,000 was paid to a non-related entity.

Going Concern

For the three months ended March 31, 2011, the Company incurred a net loss of $2,900,000 and, as at March 31, 2011, had a deficit of $287,715,000 and working capital of $2,260,000. The Company's cash requirements for the next twelve months (cash required for operations and for spending required to maintain its Australian permits) exceed available capital resources at March 31, 2011. As a result, the Company's ability to continue as a going concern is dependent upon its ability to raise additional capital and secure an industry partner for its operations in Australia and Hungary.

As discussed above, (i) on April 11, 2011 the Company completed a non-brokered private placement for aggregate proceeds of CDN$13,058; (ii) on April 28, 2011, the Company entered into an E&P agreement with Hess for the Beetaloo Basin project; (iii) and on June 9, 2011 entered into a Letter of Intent with NIS for the earning of an interest by NIS in producing the Algyö play within Falcon's Makó production license in Hungary. Upon successful completion of the transactions with Hess and NIS, which are subject to all necessary corporate, regulatory and governmental approvals, including TSXV acceptance of the filing, the Company should have sufficient funds to mitigate its current liquidity weakness.

Working Capital

Cash and cash equivalents at March 31, 2011 were $5,344,000, a decrease of $1,930,000 from $7,274,000 at December 31, 2010. Working capital at March 31, 2011 decreased $2,588,000 to $2,260,000 at March 31, 2011 from $4,848,000 at December 31, 2010.

The decrease to cash and cash equivalents of $1,930,000 was attributable to cash used in operating activities and investing activities of $1,558,000 and $420,000, respectively, offset by cash provided by financing activities and the effect of exchange rates on cash of $48,000.

Accounts Receivable

Accounts receivable at March 31, 2011 were $802,000, which includes $214,000 receivable from a joint interest owner for Australian GST, $162,000 for refund of operator bonds due from the Australian government, $204,000 receivable from the Hungarian, Australian and Canadian governments as refunds of VAT, GST and GST, respectively, and other of $222,000.

Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses at March 31, 2011 were $2,217,000, which includes $152,000 for exploration and evaluation costs related to the Company's Australian operations, as compared to $1,871,000 at December 31, 2010, which includes $99,000 for Australian exploration and evaluation costs.

Capital Expenditures

For the three months ended March 31, 2011, additions to exploration and evaluation costs of $1,000,000 were solely related to Australian operations and are comprised of $717,000 for an increase to the decommissioning provision and $283,000 for Beetaloo project costs.

Legal Matters

The Company may, from time to time, be involved in various claims, lawsuits, and disputes with third parties, actions involving allegations of discrimination, or breach of contract incidental to the operations of its business. Except for the following-described dispute, the Company is not currently involved in any claims, disputes, litigation, or other actions with third parties which it believes could have a materially adverse effect on its financial condition or results of operations.

On November 10, 2009, as amended on March 16, 2011, the Company was served with a Complaint by a former vendor of TXM (the "**Vendor**") arising out of a dispute related to TXM's alleged failure to pay for certain oilfield equipment. The Company intends to vigorously defend against the claim as well as make any appropriate counter claims against the Vendor.

On October 15, 2010, the High Court of Justice, Queen's Bench Division, Commercial Court in the United Kingdom ruled that jurisdiction for this matter is to be in the United Kingdom ("**UK**"), and not Hungary, as claimed by TXM. TXM has filed an appeal to have the lower court order reversed and, if upheld, this would stop all proceedings in the UK. The Company is filing for arbitration in Hungary, even as the lower court order is being appealed. There is no assurance that the Company will prevail in the appeal process or that arbitration in Hungary will be granted.

Although the Company is of the opinion that it has a meritorious defense to the claim by the vendor, management has determined that an appropriate estimate of the potential liability should be recorded should the Company not prevail in the matter. Accordingly, the March 31, 2011 and December 31, 2010 financial statements include a provision of $3,700,000, including interest and fees, related to this claim.

Transactions with Non-Arm's Length Parties and Related Parties

Services – Directors and Officers

During 2011, the Company incurred expenses in the amount of $27,000 (2010 - $45,000) to a current director of the Company, Dr. György Szabó, for advisory and consulting services rendered to TXM.

DISCLOSURE OF OUTSTANDING SHARE DATA

The following is a summary of the Company's outstanding share data as at March 31, 2011 and June 29, 2011:

Class Of Securities	March 31, 2011	June 29, 2011
Common Shares(1)(2)	603,266,800	694,316,800
Stock Options(3)	18,814,500	31,645,500
June Agents' Warrants(4)	1,250,550	1,250,550

Notes:

(1) On April 11, 2011, the Company issued 87,050,000 shares of its common stock in a Private Placement of Units.

(2) On May 30, 2011, the Company issued 4,000,000 shares of its common stock to a former officer pursuant to a Separation Agreement entered into on November 30, 2010.

(3)In May and June 2011, the Company issued an aggregate 17,810,000 stock options to officers, directors, employees and consultants of the Company.

(4)Warrants to purchase 1,250,550 Common Shares at a price of $0.52 (CDN$0.60) per Common Share were issued to the agents in June 2009 in connection with the Offering, and expire on June 30, 2011.

OFF-BALANCE SHEET ARRANGEMENTS AND PROPOSED TRANSACTIONS

The Company does not have any off-balance sheet arrangements or proposed transactions, other than operating leases.

NEW INTERNATIONAL FINANCIAL REPORTING STANDARDS

The following new standards and amendments to existing standards, which have been issued by the International Accounting Standards Board, and which are expected to be relevant to the company are not yet effective and have not been applied in preparing the March 31, 2011 financial statements. The Company does not expect adoption of the following new standards and interpretations, effective for the Company on January 1, 2013, to have a material impact on the financial statements.

In November 2009 the IASB issued IFRS 9 *Financial Instruments* ("**IFRS 9 (2009)**"), and in October 2010 the IASB published amendments to IFRS 9 ("**IFRS 9 (2010)**"). IFRS 9 (2009) replaces the guidance in IAS 39 *Financial Instruments: Recognition and Measurement*, on the classification and measurement of financial assets. The Standard eliminates the existing IAS 39 categories of held to maturity, available-for-sale and loans and receivable.

Financial assets will be classified into one of two categories on initial recognition:

- financial assets measured at amortized cost; or
- financial assets measured at fair value.

In May 2011, the IASB issued IFRS 10 *Consolidated Financial Statements ("***IFRS 10***")*, which is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted. IFRS 10 provides a single model to be applied in the control analysis for all investees, including entities that currently are SPEs in the scope of SIC-12. In addition, the consolidation procedures are carried forward substantially unmodified from IAS 27 (2008).

In May 2011, the IASB published IFRS 13 *Fair Value Measurement* ("**IFRS 13**"), which is effective prospectively for annual periods beginning on or after January 1, 2013. The disclosure requirements of IFRS 13 need not be applied in comparative information for periods before initial application. IFRS 13 replaces the fair value measurement guidance contained in individual IFRSs with a single source of fair value measurement guidance. It defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, i.e. an exit price. The standard also establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements to provide information that enables financial statement users to assess the methods and inputs used to develop fair value measurements and, for recurring fair value measurements that use significant unobservable inputs (Level 3), the effect of the measurements on profit or loss or other comprehensive income.

BUSINESS RISKS AND UNCERTAINTIES

Risks and uncertainties that could cause the Company's actual results to materially differ from current expectations have not changed from those disclosed in the Company's MD&A of December 31, 2010.

MANAGEMENT'S RESPONSIBILITY FOR MD&A

The information provided in this MD&A is the responsibility of management. In the preparation of this MD&A, estimates are sometimes necessary to make a determination of future values for certain assets or liabilities. Management believes such estimates have been based on careful judgments and have been properly reflected in this MD&A.

The audit committee has reviewed the MD&A with management, and has approved the MD&A as presented.