

# **HARVEST GOLD CORPORATION**

(An Exploration Stage Company)

Interim Consolidated Financial Statements

FOR THE SIX MONTH PERIOD ENDED SEPTEMBER 30, 2010

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

UNAUDITED FINANCIAL STATEMENTS: In accordance with National Instrument 51-102 of the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed the unaudited financial statements for the six months ended September 30, 2010.

**HARVEST GOLD CORPORATION**  
**(An Exploration Stage Company)**  
**INTERIM CONSOLIDATED BALANCE SHEETS**  
**AS AT SEPTEMBER 30, 2010**

	September 30, 2010	March 31, 2010
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash	\$ 467,314	\$ 266,046
Marketable securities (note 4)	9,750	8,000
Receivables (note 8 (iv))	12,052	2,668
Prepaid expenses and deposits	14,117	4,588
	503,233	281,302
<b>RECLAMATION BONDS (note 7)</b>	35,561	16,656
<b>EQUIPMENT (note 5)</b>	568	725
<b>MINERAL PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES (note 6)</b>	2,258,520	1,671,450
	\$ 2,797,882	\$ 1,970,133
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Accounts payable and accrued liabilities	\$ 5,061	\$ 83,398
Due to related parties (note 8 (iii))	140,374	208,465
	145,435	291,863
<b>SHAREHOLDERS' EQUITY</b>		
<b>SHARE CAPITAL (note 9)</b>	9,153,621	7,926,903
<b>SHARE SUBSCRIPTIONS RECEIVED</b>	-	112,500
<b>CONTRIBUTED SURPLUS (note 9)</b>	1,180,718	1,009,297
<b>DEFICIT</b>	(7,642,642)	(7,329,430)
<b>ACCUMULATED OTHER COMPREHENSIVE LOSS</b>	(39,250)	(41,000)
	2,652,447	1,678,270
	\$ 2,797,882	\$ 1,970,133

Nature of operations (note 1)  
Commitments (notes 6 and 8)

Approved on behalf of the Board:

Rick Mark, Director

Rick Mark

Evan Sleeman, Director

Evan Sleeman

**HARVEST GOLD CORPORATION**  
(An Exploration Stage Company)  
**INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT**  
**FOR THE SIX MONTH PERIOD ENDED SEPTEMBER 30, 2010**  
(Unaudited - Prepared by Management)  
(Expressed in Canadian Dollars)

	Three Month Period Ended		Six Month Period Ended	
	September 30,		September 30,	
	2010	2009	2010	2009
<b>EXPENSES</b>				
Amortization	\$ 76	\$ 325	\$ 157	\$ 702
Consulting fees	980	3,975	1,286	7,600
Investor relations	52,320	1,480	91,991	2,917
Professional fees	(7,432)	22,716	14,887	33,240
Management fees (note 8 (b) (ii))	16,200	14,400	32,400	27,900
Marketing and corporate communications	4,605	4,500	9,105	9,000
Geological consulting	5,986	10,294	8,758	24,220
Office and miscellaneous	10,875	447	16,186	1,560
Property investigation costs	242	70	786	70
Shareholder communications	1,480	-	1,525	-
Stock-based compensation (note 9)	12,220	-	95,548	-
Salaries and benefits	7,045	8,917	16,445	19,281
Rent and utilities	2,223	742	4,089	3,157
Transfer agent and regulatory fees	2,688	5,538	14,529	8,645
Travel and promotion	6	1,262	1,891	2,809
<b>LOSS BEFORE OTHER ITEMS</b>	<u>109,513</u>	<u>74,666</u>	<u>309,582</u>	<u>141,101</u>
<b>OTHER INCOME (EXPENSES)</b>				
Foreign currency gain (loss)	(1,327)	(3,087)	(3,630)	(6,240)
Impairment of mineral properties	-	(1,953,115)	-	(1,951,802)
	<u>(1,327)</u>	<u>(1,956,202)</u>	<u>(3,630)</u>	<u>(1,958,042)</u>
<b>LOSS BEFORE INCOME TAXES</b>	<u>(110,840)</u>	<u>(2,030,868)</u>	<u>(313,212)</u>	<u>(2,099,143)</u>
<b>NET LOSS FOR THE PERIOD</b>	<u>(110,840)</u>	<u>(2,030,868)</u>	<u>\$ (313,212)</u>	<u>\$ (2,099,143)</u>
<b>DEFICIT, BEGINNING</b>	<u>(7,531,802)</u>	<u>(2,638,135)</u>	<u>\$ (7,329,430)</u>	<u>\$ (2,569,860)</u>
<b>DEFICIT, ENDING</b>	<u>\$ (7,642,642)</u>	<u>\$ (4,669,003)</u>	<u>\$ (7,642,642)</u>	<u>\$ (4,669,003)</u>
<b>Loss per common share - basic and diluted</b>	<u>\$ (0.00)</u>	<u>\$ (0.05)</u>	<u>\$ (0.01)</u>	<u>\$ (0.05)</u>
<b>WEIGHTED AVERAGE NUMBER OF COMMON SHARES</b>	<u>57,826,941</u>	<u>44,493,245</u>	<u>56,178,901</u>	<u>44,456,681</u>

**HARVEST GOLD CORPORATION**  
(An Exploration Stage Company)  
**INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS AND ACCUMULATED OTHER COMPREHENSIVE LOSS**  
**FOR THE SIX MONTH PERIOD ENDED SEPTEMBER 30, 2010**  
(Unaudited - Prepared by Management)  
(Expressed in Canadian Dollars)

	Three Month Period Ended September 30,		Six Month Period Ending September 30,	
	2010	2009	2010	2009
<b>NET LOSS FOR THE PERIOD</b>	\$ (110,840)	(2,030,868)	\$ (313,212)	\$ (2,099,143)
Other comprehensive loss:				
Unrealized gain/(loss) on available for sale marketable securities	3,250	1,000	1,750	2,000
<b>COMPREHENSIVE LOSS FOR THE PERIOD</b>	<u>\$ (107,590)</u>	<u>(2,029,868)</u>	<u>\$ (311,462)</u>	<u>\$ (2,097,143)</u>
<b>ACCUMULATED OTHER COMPREHENSIVE LOSS, BEGINNING</b>	(42,500)	(40,500)	\$ (41,000)	\$ (41,500)
Other comprehensive loss:				
Unrealized gain/(loss) on available for sale marketable securities	3,250	1,000	1,750	2,000
<b>ACCUMULATED OTHER COMPREHENSIVE LOSS, ENDING</b>	<u>\$ (39,250)</u>	<u>\$ (39,500)</u>	<u>\$ (39,250)</u>	<u>\$ (39,500)</u>

**HARVEST GOLD CORPORATION**  
(An Exploration Stage Company)  
**INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE SIX MONTH PERIOD ENDED SEPTEMBER 30, 2010**  
(Unaudited - Prepared by Management)  
(Expressed in Canadian Dollars)

	Three Month Period Ended September 30,		Six Month Period Ended September 30,	
	2010	2009	2010	2009
<b>OPERATING ACTIVITIES</b>				
Net loss	\$ (110,840)	\$ (2,030,868)	\$ (313,212)	\$ (2,099,143)
Items not affecting cash				
Amortization	76	325	160	702
Stock-based compensation	12,220	-	95,548	-
Impairment of mineral properties	-	1,953,115	-	1,951,802
Foreign Exchange	3	36	(3)	36
	<u>(98,541)</u>	<u>(77,392)</u>	<u>(217,507)</u>	<u>(146,603)</u>
Changes in non-cash working capital items:				
Receivables	(8,838)	2,592	(9,384)	4,371
Prepaid expenses	13,872	2,111	(9,529)	4,840
Accounts payable and accrued liabilities	(102,910)	28,133	(16,038)	90,657
Due to related parties	(110,789)	9,671	(130,389)	(6,993)
	<u>(307,206)</u>	<u>(34,885)</u>	<u>(382,847)</u>	<u>(53,728)</u>
<b>FINANCING ACTIVITIES</b>				
Proceeds on issuance of common shares	24,000	-	24,000	-
Private placement proceeds, net share issuance costs	-	-	1,121,364	-
	<u>24,000</u>	<u>-</u>	<u>1,145,364</u>	<u>-</u>
<b>INVESTING ACTIVITIES</b>				
Expenditures on mineral properties	(217,503)	(54,273)	(542,344)	(98,588)
Reclamation bond	505	3,287	(18,905)	7,000
	<u>(216,998)</u>	<u>(50,986)</u>	<u>(561,249)</u>	<u>(91,588)</u>
<b>INCREASE (DECREASE) IN CASH</b>	(500,204)	(85,871)	201,268	(145,316)
<b>Cash - beginning</b>	<u>967,518</u>	<u>420,578</u>	<u>266,046</u>	<u>480,023</u>
<b>Cash - ending</b>	<u>\$ 467,314</u>	<u>\$ 334,707</u>	<u>\$ 467,314</u>	<u>\$ 334,707</u>
Supplementary disclosure of cash flow information:				
Cash paid for interest	\$ -	\$ -	\$ -	\$ -
Cash paid for income taxes	\$ -	\$ -	\$ -	\$ -
Effect of expenditures on mineral properties in accounts payable and accrued liabilities and due to related parties	\$ -	\$ -	\$ -	\$ -
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See supplemental cash-flow information - note 12

**HARVEST GOLD CORPORATION**  
**FOR THE SIX MONTH PERIOD ENDED SEPTEMBER 30, 2010**  
**CONSOLIDATED SCHEDULE OF MINERAL PROPERTY COSTS**

	United States of America		Canada			Period Ended: September 30, 2010
	Garcia Flats Property	Rosebud Gold Mine	Conley Estate Claims	Hunt Property	Rice Lake Claims	Total
Mineral Properties Acquisition						
Balance, March 31, 2010	\$ 82,605	\$ 330,248	\$ 42,100	\$ 1	\$ 49,000	\$ 503,954
Acquisition costs - cash	-	-	20,000	-	-	20,000
Acquisition costs - Shares	-	-	9,750	-	-	9,750
Impairment	-	-	-	-	-	-
Balance, September 30, 2010	\$ 82,605	\$ 330,248	\$ 71,850	\$ 1	\$ 49,000	\$ 533,704
Expenditures (recoveries)						
Balance, March 31, 2010	\$ 422,172	\$ 505,660	\$ 237,889	\$ -	\$ 1,775	\$ 1,167,496
Assay and sampling (recovery)	-	82,198	-	-	-	82,198
Automobile costs	-	7,366	-	-	-	7,366
Claim fees/ Assessment fees PIL	2,182	7,855	72	-	-	10,109
Consulting services	-	58,124	280	-	-	58,404
Drilling expenses (recovery)	-	352,238	-	-	-	352,238
Equipment and supplies	-	4,456	-	-	-	4,456
Shipping and printing costs	-	663	-	-	-	663
Stock-based compensation (note 11)	-	34,977	-	-	-	34,977
Travel and transportation	-	6,909	-	-	-	6,909
	2,182	554,786	352	-	-	557,320
Impairment	-	-	-	-	-	-
	2,182	554,786	352	-	-	557,320
Balance, September 30, 2010	424,354	1,060,446	238,241	-	1,775	1,724,816
Total, Balance September 30, 2010	\$ 506,959	\$ 1,390,694	\$ 310,091	\$ 1	\$ 50,775	\$ 2,258,520

**HARVEST GOLD CORPORATION**  
**FOR THE YEAR ENDED MARCH 31, 2010**  
**CONSOLIDATED SCHEDULE OF MINERAL PROPERTY COSTS**

	United States of America			Canada				Year Ended:
	Garcia Flats Property	Longstreet Property	Rosebud Gold Mine	Conley Estate Claims	Hunt Property	Lesavage Property	Rice Lake Claims	March 31, 2010
								Total
Mineral Properties Acquisition								
Balance, March 31, 2009	\$ 70,369	\$ 1,184,468	\$ 230,008	\$ 42,100	\$ 277,500	\$ -	\$ 49,000	\$ 1,853,445
Acquisition costs - cash	2,396	-	85,240	-	-	-	-	87,636
Acquisition costs - Shares	9,840	-	15,000	-	-	-	-	24,840
Impairment	-	(1,184,468)	-	-	(277,500)	-	-	(1,461,968)
Balance, March 31, 2010	\$ 82,605	\$ -	\$ 330,248	\$ 42,100	\$ -	\$ -	\$ 49,000	\$ 503,953
Expenditures (recoveries)								
Balance, March 31, 2009	\$ 416,409	\$ 764,877	\$ 371,092	\$ 235,918	\$ 918,593	\$ 1,330,889	\$ 713	\$ 4,038,491
Automobile costs	-	-	5,724	-	-	-	-	5,724
Claim fees/ Assessment fees PIL	2,487	-	8,928	96	-	144	1,062	12,718
Consulting services	-	1,250	106,799	1,875	-	5,575	-	115,499
Equipment and supplies	-	-	191	-	-	-	-	191
Geological expenses (recovery)	2,348	1,976	2,348	-	-	1,155	-	7,827
Licenses and fees	702	-	-	-	-	-	-	702
Stock-based compensation (note 11)	-	-	9,115	-	-	-	-	9,115
Storage rental	-	525	-	-	-	-	-	525
Travel and transportation	226	17	1,462	-	-	-	-	1,705
	5,763	3,768	134,567	1,971	-	6,874	1,062	154,006
Impairment	-	(768,646)	-	-	(918,593)	(1,337,763)	-	(3,025,002)
	5,763	(764,877)	134,567	1,971	(918,593)	(1,330,889)	1,062	(2,870,995)
Balance, March 31, 2010	422,172	(0)	505,659	237,889	-	0	1,775	1,167,497
Total, Balance March 31, 2010	\$ 504,777	\$ (0)	\$ 835,907	\$ 279,989	\$ -	\$ 0	\$ 50,775	\$ 1,671,450

# HARVEST GOLD CORPORATION

(An exploration stage company)

Notes to the Interim Consolidated Financial Statements

For the Six Months Ended September 30, 2010

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## 1. NATURE OF OPERATIONS

Harvest Gold Corporation (the “Company”) was incorporated on June 28, 2005 under the laws of British Columbia and began trading on the TSX Venture Exchange (“TSX-V”) on December 13, 2005.

The Company’s principal business activities include the exploration of natural resource properties. The recovery of the Company’s investment in resource properties and related deferred expenditures is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain necessary financing to develop the properties and establish future profitable production from the properties, or from the proceeds of their disposition. The Company has not earned any revenues to date and is considered to be in the exploration stage.

These consolidated financial statements have been prepared on a going concern basis. The appropriateness of using the going concern basis is dependent upon, among other things, future profitable operations, the ability of the Company to raise additional capital to fund ongoing exploration expenditures and operating losses and ultimately on generating profitable operations.

Management is also aware that material uncertainties exist, related to current economic conditions, which could adversely affect the Company’s ability to continue to finance its activities. Management’s plan includes continuing to pursue additional sources of financing through equity offerings, seeking joint venture partners to fund exploration, monitoring exploration activity and reducing overhead costs. As a result of the implementation of this plan, management expects that the Company will have sufficient capital to fund operations and keep its mineral properties in good standing for the upcoming fiscal year. Further discussions of liquidity risk have been disclosed in Note 10.

The consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue operating as a going concern.

	September 30, 2010	March 31, 2010
Deficit	\$ (7,642,642)	\$ (7,329,430)
Working capital (deficit)	\$ 357,797	\$ (10,561)

## 2. SIGNIFICANT ACCOUNTING POLICIES

### a) Basis of Presentation and Consolidation

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles (“GAAP”) and are presented in Canadian dollars. These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary Harvest Gold Corporation (US). All significant inter-company transactions and balances have been eliminated upon consolidation.

### b) Use of Estimates

The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Areas requiring significant management estimates relate to the determination of impairment of mineral properties, going concern assessments, expected tax rates for future income taxes, fair value of stock-based payments, useful lives for amortization of long-lived assets, the fair values assigned to marketable securities, asset retirement obligations and financial instruments. Financial results as determined by actual events could differ from those estimates.



## HARVEST GOLD CORPORATION

(An exploration stage company)

Notes to the Interim Consolidated Financial Statements

For the Six Months Ended September 30, 2010

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### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### c) Equipment

Equipment is recorded at cost. The Company amortizes its equipment using the declining balance method at the following annual rates:

Computer Equipment	30%
Field Equipment	20%

One half of the normal rate is recorded in the year of acquisition.

#### d) Mineral Properties and Deferred Exploration Expenditures

All costs related to mineral property acquisition, exploration and development are capitalized by project. These costs will be amortized against revenue from future production using the units of production basis or written off if the interest is deemed impaired, abandoned, sold or the carrying value is determined to be impaired.

The amounts shown for mineral interests represent costs incurred to date, less recoveries, and do not necessarily reflect present or future values. The recoverability of amounts shown for mineral interests is dependent upon the discovery of economically recoverable reserves, confirmation of the Company's interest in the underlying mineral claims, the ability of the Company to obtain financing to complete development of the projects as well as future profitable production or proceeds from the disposition thereof.

Mineral property costs are regularly reviewed, on a property by property basis, to consider whether there are any conditions which may indicate impairment. The conditions evaluated include the economics of the project, the Company's progress in its exploration activities, and the exploration results experienced by the Company. When conditions indicate that there may be impairment, the carrying value of the property is compared to its net recoverable amount which is estimated as the undiscounted cash flows expected to result from the property's use and eventual disposition. When the carrying value of the property exceeds its net recoverable amount, the estimated fair value of the property is computed and an impairment loss is recognized equal to the excess of the carrying amount over the fair value.

Ownership in mineral interests involves certain inherent risks due to the difficulties of determining and obtaining clear title to the claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mineral interests.

#### e) Mineral Exploration Grants

Mineral exploration grants are recorded as either a reduction of the cost of the applicable assets or credited in the statement of operations as determined by the terms and conditions of the agreement under which the grant is provided to the Company.

#### f) Property Option Agreements

From time to time, the Company may acquire or dispose of properties pursuant to the terms of option agreements. Due to the fact that options are exercisable directly at the discretion of the optionee, amounts payable or receivable are not recorded. Option payments are recorded as resource property costs or recoveries when the payments are made or received.

## **HARVEST GOLD CORPORATION**

(An exploration stage company)

Notes to the Interim Consolidated Financial Statements

For the Six Months Ended September 30, 2010

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### **2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **g) Translation of Foreign Currencies**

The Company has determined that its subsidiary is an integrated operation; therefore, monetary items are translated at the rate of exchange in effect at the balance sheet date, non-monetary items are translated at historic exchange rates and revenue and expense items are translated at the average rate prevailing during the year.

Exchange gains and losses arising from these transactions are reflected in the statement of operations in the year in which they occur.

#### **h) Asset Retirement Obligations**

The Company follows the Canadian Institute of Chartered Accountants (“CICA”) Handbook Section 3110, “Asset Retirement Obligations.” An asset retirement obligation is a legal obligation associated with the retirement of tangible long-lived assets that the Company is required to settle. This would indicate obligations related to future removal of property and equipment, and site restoration costs. The Company recognizes the fair value of a liability for an asset retirement obligation in the year in which it is incurred when a reasonable estimate of fair value can be made. The carrying amount of the related long-lived asset is increased by the same amount as the liability.

At September 30, 2010 management has determined that there are no material asset retirement obligations to the Company.

#### **i) Impairment of Long-Lived Assets**

The Company follows the recommendations of the CICA Handbook Section 3063, “Impairment of Long-Lived Assets.” The Company conducts its impairment test on long-lived assets when events or changes in circumstances indicate that the carrying amount may not be recoverable. Impairment is recognized when the carrying value amount of an asset to be held and used exceeds the undiscounted future net cash flows expected from its use and disposal. If there is impairment, the impairment amount is measured as the amount by which the carrying amount of the asset exceeds its fair value, calculated using the discounted cash flows when quoted market prices are not available.

#### **j) Loss per Share**

The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method the dilutive effect on loss per common share is recognized on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the period.

Basic loss per common share is calculated using the weighted average number of common shares outstanding during the period and does not include outstanding options and warrants. Dilutive loss per common share is not presented differently from basic loss per share as the conversion of outstanding stock options and warrants into common shares would be anti-dilutive.

#### **k) Stock-Based Compensation**

The Company follows the recommendations of CICA Handbook Section 3870, “Stock-Based Compensation And Other Stock-Based Payments,” which establishes standards for the recognition, measurement and disclosure of stock-based compensation and other stock-based payments. Compensation expense for options granted is determined based on estimated fair values of the options at the time of grant using the Black-Scholes option pricing model.

## **HARVEST GOLD CORPORATION**

(An exploration stage company)

Notes to the Interim Consolidated Financial Statements

For the Six Months Ended September 30, 2010

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### **2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **l) Future Income Taxes**

The Company accounts for future income taxes using the asset and liability method, whereby future tax assets and liabilities are recognized for the future income tax consequences attributable to differences between the carrying values of the asset and liabilities and their respective income tax bases. Future income tax assets and liabilities are measured using substantively enacted income tax rates expected to apply to taxable income in the years in which temporary differences are expected to be recovered or settled. The effect on future income taxes and liabilities of a change in rates is included in operations in the period that includes the substantive enactment date. Where the probability of a realization of a future income tax asset is more likely than not, a valuation allowance is recorded.

#### **m) Financial Instruments – Recognition and Measurement**

The Company adopted the CICA Handbook Section 3855, “Financial Instruments – Recognition and Measurement”. Section 3855 prescribes when a financial instrument is to be recognized on the balance sheet and at what amount. Under Section 3855, financial instruments must be classified into one of five categories: held-for-trading, held-to-maturity, loans and receivables, available-for-sale financial assets, or other financial liabilities. All financial instruments, including derivatives, are measured at the balance sheet date at fair value except for loans and receivables, held-to-maturity investments, and other financial liabilities which are measured at amortized cost.

The Company does not use any hedging instruments.

The Company’s financial instruments consist of cash, marketable securities, receivables, reclamation bonds, accounts payable and due to related parties. Cash is measured at face value, representing fair value, and are classified as held-for-trading. Marketable securities, which are measured at fair value, are classified as available-for-sale with unrealized gains and losses included in other comprehensive income/loss. Receivables, which are measured at amortized cost, are classified as loans and receivables. Reclamation bonds, which are measured at amortized cost, are classified as held-to-maturity. Accounts payable and due to related parties are measured at amortized cost and are classified as other financial liabilities. The fair value of these financial instruments approximates their carrying values, unless otherwise noted.

A net smelter royalty (“NSR”) is a form of derivative financial instrument. The fair value of the Company’s right to purchase an NSR is not determinable at the current stage of the Company’s exploration program. Therefore, no value has been assigned by management.

The Company has determined that it does not have derivatives or embedded derivatives.

#### **n) Comprehensive Income**

The Company follows the CICA Section 1530, “Comprehensive Income”. This section establishes standards for the reporting and presenting of comprehensive income loss which is defined as the change in equity from transactions and other events from non-owner sources. Other comprehensive income loss refers to items recognized in comprehensive income loss that are excluded from net income loss. At September 30, 2010, comprehensive loss was different than net loss due to an unrealized loss on marketable securities (note 4).

#### **o) Accounting Changes**

CICA Handbook Section 1506, “Accounting Changes,” establishes criteria for changes in accounting policies, accounting treatment and disclosure regarding changes in accounting policies, estimates and corrections of errors. In particular, this section allows for voluntary changes in accounting policies only when they result in the financial statements providing reliable and more relevant information. This section requires changes in accounting policies to be applied retrospectively unless doing so is impracticable.

## **HARVEST GOLD CORPORATION**

(An exploration stage company)

Notes to the Interim Consolidated Financial Statements

For the Six Months Ended September 30, 2010

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### **2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **p) Credit Risk and the Fair Value of Financial Assets and Financial Liabilities**

In January 2009, the CICA approved EIC 173, "Credit Risk and the Fair Value of Financial Assets and Liabilities". This guidance clarified that an entity's own credit risk and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and financial liabilities including derivative instruments. The implementation of the recommendations of this section has not had a material impact on the Company's financial statements.

#### **q) Mining Exploration Costs**

In March 2009 the CICA approved EIC 174, "Mining Exploration Costs". The guidance clarified that an enterprise that has initially capitalized exploration costs has an obligation in the current and subsequent accounting periods to test such costs for recoverability whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. The implementation of the recommendations of this new section has not had a material impact on the Company's financial statements.

#### **r) Comparative Figures**

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

### **3. RECENT ACCOUNTING PRONOUNCEMENTS – Not Yet Adopted**

#### **International Financial Reporting Standards ("IFRS")**

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008 the AcSB announced that 2011 is the changeover date for the publicly-listed companies to use IFRS, replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The Company's transition date of April 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended March 31, 2011. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time. Management plans for conversion include internal training, external consulting on complex issues, Board and Audit Committee oversight and the development of a conversion plan with impact assessments starting in late 2010.

#### **"Business Combinations" – Section 1582, "Consolidated Financial Statements" – Section 1601 and "Non-Controlling Interests" – Section 1602**

In January 2009, the CICA issued Handbook Sections 1582 "Business Combinations", 1601 "Consolidated Financial Statements" and 1602 "Non-Controlling Interests" which replace CICA Handbook Sections 1581 "Business Combinations" and 1600 "Consolidated Financial Statements". Section 1582 establishes standards for the accounting for business combinations that is equivalent to the business combination accounting standard under IFRS. Section 1601 together with Section 1602 establishes standards for the preparation of consolidated financial statements. These sections are applicable for the Company's interim and annual financial statements for its fiscal year beginning on or after January 1, 2011. Early adoption of these Sections is permitted and all three Sections must be adopted concurrently.

## HARVEST GOLD CORPORATION

(An exploration stage company)

Notes to the Interim Consolidated Financial Statements

For the Six Months Ended September 30, 2010

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### 4. MARKETABLE SECURITIES

Marketable securities consist of the following holdings:

Company:	September 30, 2010		
	Shares	Market Value	Original Cost
Grandview Gold Inc.	50,000	\$ 3,500	\$ 23,500
Gunpoint Explorations Ltd.	50,000	6,250	25,500
	100,000	\$ 9,750	\$ 49,000

Company:	March 31, 2010		
	Shares	Market Value	Original Cost
Grandview Gold Inc.	50,000	\$ 4,250	\$ 23,500
Gunpoint Explorations Ltd.	50,000	3,750	25,500
	100,000	\$ 8,000	\$ 49,000

During the period ended September 30, 2010 the Company recognized an unrealized gain of \$1,750 (March 31, 2010 – gain \$500) which has been recorded as other comprehensive loss.

### 5. EQUIPMENT

	September 30, 2010			March 31, 2010		
	Cost	Accumulated amortization	Net book value	Cost	Accumulated amortization	Net book value
Computer equipment	\$ 4,341	\$ (4,341)	\$ -	\$ 4,341	\$ (4,341)	\$ -
Field equipment	1,575	(1,007)	568	1,575	(850)	725
	\$ 5,916	\$ (5,348)	\$ 568	\$ 5,916	\$ (5,191)	\$ 725

### 6. MINERAL PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES

Title to mining claims involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mining claims. The Company has investigated title to all of its mineral claims and, to the best of its knowledge, title to all of its claims are in good standing.

At September 30, 2010, the Company held an interest in the following mineral properties:

#### **Garcia Flats Property, Nevada, USA**

On March 30, 2006, the Company signed a letter of intent to acquire a 100% interest, subject to a 3% NSR in certain mining claims comprising the Garcia Flats Property located in Nevada, USA from a company related through an officer of the Company, for the following consideration:

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For the Six Months Ended September 30, 2010

**6. MINERAL PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES (continued)****Garcia Flats Property, Nevada, USA (continued)**

<u>Date</u>	<u>Payment</u>	<u>Issuance of shares</u>
On or before February 6, 2006	\$10,000 US	25,000 paid & issued
On or before February 6, 2007	\$10,000 US	50,000 paid & issued
On or before February 6, 2008	\$10,000 US	100,000 paid & issued
On or before February 6, 2009 amended	\$ 2,000 US	196,800 paid & issued

The Company has earned a 100% interest upon completion of the scheduled property option payments and expending US\$400,000 in exploration expenditures over the four year period. The Company also has the option to purchase 1.5% of the NSR for US\$750,000.

As of September 30, 2010 the Company made the following payments on the Garcia Flats Property:

	<u>Cash</u>	<u>Shares</u>		<u>Total</u>
		<u>Number of shares</u>	<u>Amount</u>	
Prior to March 31, 2010	\$ 36,790	371,800	\$ 45,815	\$ 82,605
During the six months ended September 30, 2010	-	-	-	-
<b>Total</b>	<u>\$ 36,790</u>	<u>371,800</u>	<u>\$ 45,815</u>	<u>\$ 82,605</u>

On June 7, 2007, the Company entered into a Memorandum of Understanding (“MOU”) with Christopher James Gold Corp. (“CJGC”), a public company listed on the TSX-V, whereby CJGC can earn an undivided 70% interest in Garcia Flats. In connection with the MOU, the Company paid a finder’s fee of 245,000 common shares, which were issued at a fair value of \$56,350.

During the year ended March 31, 2008, CJGC issued the Company 50,000 common shares (note 4) and reimbursed \$500,000 in exploration expenditures.

During the year ended March 31, 2009, CJGC withdrew from the project and terminated its option to acquire a 70% interest.

**Rosebud Gold Mine Property, Nevada, USA**

On November 16, 2006, the Company signed a letter of intent to acquire a 100% interest, subject to a 3% NSR, in certain mining claims comprising the Rosebud Gold Mine Property located in Nevada, USA, with Nevada Eagle Resources LLC for the following consideration:

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For the Six Months Ended September 30, 2010

**6. MINERAL PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES (continued)****Rosebud Gold Mine Property, Nevada, USA (continued)**

Date	Payment	Issuance of shares
Upon execution of the letter of intent	\$42,600 US	50,000 paid & issued
On or before December 15, 2007	\$57,400 US	100,000 paid & issued
On or before December 15, 2008	\$60,000 US	100,000 paid & issued
On or before December 15, 2009	\$80,000 US	150,000 paid & issued
On or before December 15, 2010	\$80,000 US	200,000

Upon earning a 100% interest, beginning on December 15, 2011 the Company is obligated on an annual basis to pay an advance royalty payment of US\$50,000 until the property is placed into production and is to be recovered from any actual future mineral production royalty payments.

The Company also has the option to purchase 50% of the NSR for a total of US\$2,250,000.

As of September 30, 2010 the Company has made the following payments on the Rosebud Gold Mine Property:

	Cash	Shares		Total
		Number of shares	Amount	
Prior to March 31, 2010	\$ 269,248	400,000	\$ 61,000	\$ 330,248
During the six months ended September 30, 2010	-	-	-	-
<b>Total</b>	<u>\$ 269,248</u>	<u>400,000</u>	<u>\$ 61,000</u>	<u>\$ 330,248</u>

**Conley Estate Claims, Manitoba, Canada**

On October 5, 2006, the Company signed a letter of intent to acquire a 100% interest, subject to a 3% NSR, in certain mining claims comprising the Conley Estate Claims located in Manitoba, Canada, with Conley Mines Ltd. for the following consideration:

Date	Payment	Issuance of shares	Additional expenditures to incur
Upon execution of the letter of intent	\$ 5,000	25,000	\$ - paid & issued
On or before January 24, 2008	10,000	40,000	30,000 paid, issued & completed
On or before January 24, 2009 amended	7,500	125,000	60,000 paid, issued & completed
On or before January 24, 2010	20,000	75,000	150,000 paid, issued & completed
On or before January 24, 2011	35,000	100,000	260,000

The Company also has the option to purchase 50% of the NSR for \$1,500,000.

As of September 30, 2010 the Company has made the following payments on the Conley Estate Claims:

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For the Six Months Ended September 30, 2010

**6. MINERAL PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES (continued)****Conley Estate Claims, Manitoba, Canada (continued)**

	Cash	Shares		Total
		Number of shares	Amount	
Prior to March 31, 2010	\$ 22,500	190,000	\$ 19,600	\$ 42,100
During the six months ended September 30, 2010	-	-	-	-
<b>Total</b>	<b>\$ 22,500</b>	<b>190,000</b>	<b>\$ 19,600</b>	<b>\$ 42,100</b>

**Hunt Property, Manitoba, Canada**

By an option agreement, effective June 28, 2005, the Company acquired, subject to a 3% NSR, a 100% interest in certain claims comprising the Hunt Property located in Manitoba, Canada. As at September 30, 2008, the Company has fulfilled its required consideration payments and by sub-option agreement, optioned 60% of its interest to Ngex Resources Inc. ("NGQ") (previously Canadian Gold Hunter Corp), a public company listed on the TSX-V. As a result, the Company and NGX formed a joint venture (the "Hunt Property joint venture") on a 40/60 basis, respectively.

The Hunt Property joint venture also had the option to purchase up to 50% of the NSR for \$1,500,000.

At March 31, 2010, the majority owner, NGX, is seeking a joint venture partner to continue exploration of the Hunt Property and, therefore, the Company has written-down the property by \$1,196,092 to a nominal value of \$1.

**Rice Lake Claims, Manitoba, Canada**

By an option agreement dated June 23, 2008, the Company was granted an option to acquire, subject to a 2% NSR, a 100% interest in the property located in the Rice Lake Greenstone Belt, Manitoba, Canada, for the following consideration:

Date	Payment	Issuance of shares
Upon execution of the option agreement	\$ 5,000	200,000 paid & issued

The Company also has the option to purchase 50% of the NSR for a total purchase price of \$1,000,000.

As of September 30, 2010 the Company has made the following payments on the Rice Lake Claims:

	Cash	Shares		Total
		Number of shares	Amount	
Prior to March 31, 2010	\$ 5,000	200,000	\$ 44,000	\$ 49,000
During the six months ended September 30, 2010	-	-	-	-
<b>Total</b>	<b>\$ 5,000</b>	<b>200,000</b>	<b>\$ 44,000</b>	<b>\$ 49,000</b>



## HARVEST GOLD CORPORATION

(An exploration stage company)

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For the Six Months Ended September 30, 2010

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### 7. RECLAMATION BONDS

As of September 30, 2010, the Company issued reclamation bonds with the United States Department of Agriculture in the amount of US \$16,400 and US \$17,859, respectively, to guarantee reclamation of the environment of the following properties:

Property	September 30, 2010	March 31, 2010
Longstreet	\$ 16,889	\$ 16,656
Rosebud Gold Mine	18,672	-
	\$ 35,561	\$ 16,656

### 8. RELATED PARTY TRANSACTIONS

Except as disclosed elsewhere in these financial statements, related party transactions are in the normal course of operations and are measured at their exchange amounts, which is the amount of consideration paid or received as agreed by the parties. Related party transactions are as follows:

#### a. Contractual commitments with related parties

- i) On January 1, 2008, the Company entered into a management agreement with an officer and director to fulfil the role as President for a period of 5 years. On October 1, 2008, the Company reduced fees for an amended monthly fee of \$2,500. On September 1, 2009, the 5 year agreement was cancelled and a daily fee rate arrangement was instituted.
- ii) On January 1, 2008, the Company entered into a management agreement with an officer and director to fulfil the role as Chief Executive Officer for a period of 5 years. On October 1, 2008, the Company reduced fees for an amended monthly fee of \$2,500. On September 1, 2009 another amendment was done to adjust the monthly rate back to \$4,000 per month.
- iii) The Company entered into an independent contractor agreement with a director to fulfil the role as Exploration Geologist for a period of 3 years for an amended monthly fee of US\$7,500. On October 1, 2009 another amendment was done to adjust the monthly rate back to US\$10,000 per month.

#### b. Transactions with related parties

The Company incurred expenditures for various services provided by directors and officers and corporations controlled by directors and officers of the Company during the period ended September 30, 2010 as follows:

- i) The Company paid or accrued \$64,832 (Sept 30, 2009 - \$83,845), in geological consulting fees to directors of the Company of which \$58,124 (Sept 30, 2009 - \$63,046) have been capitalized to mineral property expenditures as consulting services and property investigation costs and \$6,708 (Sept 30, 2009 - \$20,799) has been expensed to operations.
- ii) The Company paid or accrued \$32,400 (Sept 30, 2009 - \$27,900) in management fees to directors of the Company.

## HARVEST GOLD CORPORATION

(An exploration stage company)

Notes to the Interim Consolidated Financial Statements

For the Six Months Ended September 30, 2010

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### 8. RELATED PARTY TRANSACTIONS (continued)

#### b. Transactions with related parties (continued)

iii) As of September 30, 2010, amounts due to related parties were \$140,374 (Sept 30, 2009 \$55,789) which were \$78,076 (Sept 30, 2009 - \$55,789) owing to a company related through directors of the Company for shared administration costs and \$62,298 (Sept 30, 2009 - \$76,000) owing to a director and an officer of the Company for management fees and geological fees. These amounts are non-interest bearing and have no fixed terms of repayment.

iv) As of September 30, 2010, the amount paid to related parties in advance of services received were \$Nil (Sept 30, 2009 - \$4,000) which were recorded in receivables.

As of September 30, 2010 the Company paid or accrued \$Nil (Sept 30, 2009, \$2,396) which were amounts paid to a company related through an officer of the Company for option payments of the Garcia Flats Property (note 6)

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

### 9. SHARE CAPITAL

#### a) Authorized

Unlimited number of common shares without par value.

#### b) Issued and outstanding

A continuity of the number of common shares issued for the three month period ending June 30, 2010 and the amounts recorded in share capital and contributed surplus is as follows:

	Number of Shares	Amount	Contributed Surplus	Share Subscriptions Receivable
Balance - March 31, 2009	44,296,445	\$ 7,902,063	\$ 1,000,182	\$ -
Shares issued for mineral properties - non-cash	346,800	24,840	-	-
Stock-based compensation	-	-	9,115	-
Shares subscriptions received	-	-	-	112,500
Balance - March 31, 2010	44,643,245	\$ 7,926,903	\$ 1,009,297	\$ 112,500
Shares issued for mineral properties - non-cash	75,000	9,750	-	-
Exercise options for cash	200,000	24,000	-	-
Stock-based compensation	-	-	183,775	-
Shares issued for Private Placement	13,000,000	1,300,000	-	(112,500)
Adjust for stock-based compensation for exercise of options	-	12,354	(12,354)	-
Shares issuance costs	-	(119,386)	-	-
Balance - September 30, 2010	57,918,245	\$ 9,153,621	\$ 1,180,718	\$ -

**HARVEST GOLD CORPORATION**

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Notes to the Interim Consolidated Financial Statements

For the Six Months Ended September 30, 2010

**9. SHARE CAPITAL (continued)****c) Warrants**

A continuity schedule of outstanding common share purchase warrants for the six months ended September 30, 2010 is as follows:

	September 30, 2010		March 31, 2010	
	Number	Weighted Average Exercise Price	Number	Weighted Average Exercise Price
	Outstanding		Outstanding	
Outstanding, beginning of year	-	\$ -	-	\$ -
Granted	13,750,800	0.20	-	-
Cancelled/ Expired	-	-	-	-
Exercised	-	-	-	-
Outstanding, end of period	13,750,800	\$ 0.20	-	\$ -

At September 30, 2010, the Company had outstanding common share purchase warrants exercisable to acquire common shares of the Company as follows:

Warrants Outstanding	Expiry Date	Exercise Price	Weighted Average remaining contractual life (in years)
13,750,800	April 23, 2012	0.20	1.56
-	-	-	-
<u>13,750,800</u>			<u>1.56</u>

**d) Options**

A continuity schedule of the Company's outstanding stock options for the six months ended September 30, 2010 is as follows:

	September 30, 2010		March 31, 2010	
	Number	Weighted Average Exercise Price	Number	Weighted Average Exercise Price
	Outstanding		Outstanding	
Outstanding, beginning of period	4,432,500	\$ 0.12	4,207,500	\$ 0.12
Granted	1,669,325	0.15	225,000	0.12
Cancelled/ Expired	(362,500)	0.12	-	-
Exercised	(200,000)	0.12	-	-
Outstanding, end of period	5,539,325	\$ 0.13	4,432,500	\$ 0.12

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Notes to the Interim Consolidated Financial Statements

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**9. SHARE CAPITAL (continued)****d) Options (continued)**

The following summarizes information about stock options outstanding and exercisable at June 30, 2010:

Options Outstanding	Options Exercisable	Expiry Date	Exercise Price	Weighted Average remaining contractual life (in years)
605,000	605,000	January 6, 2011	\$ 0.12	0.27
610,000	610,000	July 31, 2011	0.12	0.83
1,125,000	1,125,000	March 20, 2012	0.12	1.47
880,000	880,000	November 13, 2012	0.12	2.12
425,000	425,000	May 7, 2013	0.12	2.60
225,000	225,000	May 14, 2014	0.12	3.62
400,000	200,000	May 11, 2015	0.15	4.61
1,269,325	1,199,325	June 1, 2015	0.15	4.67
<u>5,539,325</u>	<u>5,269,325</u>			<u>2.51</u>

The fair value of stock-based compensation is measured at the date of grant and recognized over the vesting period. The fair value of stock options and warrants granted and re-priced to directors, employees, and consultants during the six months ended September 30, 2010 was \$183,775 (Sept 30, 2009 – \$5,430) of which \$34,977 (Sept 30, 2009 - \$5,430) was capitalized to mineral properties and \$95,548 (Sept 30, 2009 - \$Nil) was recorded in the consolidated statement of operations and deficit and \$53,250 was recorded in share issue costs (Sept 30, 2009 - \$Nil) .

The Company estimated the fair value of stock options granted using the Black-Scholes option pricing model with the following weighted average assumptions:

	<u>September 30, 2010</u>	<u>September 30, 2009</u>
Expected dividend yield	0%	0%
Expected share price volatility	95.83% - 113.05%	66.53%
Risk-free interest rate	1.784% - 2.916%	1.68%
Expected life of options	2 and 5 years	5 years

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

## **HARVEST GOLD CORPORATION**

(An exploration stage company)

Notes to the Interim Consolidated Financial Statements

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### **10. MANAGEMENT OF CAPITAL AND RISK MANAGEMENT**

#### **Risk Management**

**Industry Risk:** The Company is engaged primarily in the mineral exploration field and manages related industry risk issues directly. The Company is potentially at risk for environmental reclamation and fluctuations in commodity based market prices associated with resource property interests. Management is of the opinion that the Company addresses environmental risk and compliance in accordance with industry standards and specific project environmental requirements.

**Credit Risk:** Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is in its cash, receivables and reclamation bonds. The risk relating to cash is managed through the use of a major bank which is a high credit quality financial institution as determined by rating agencies. The risk associated with the Company's receivables and reclamation bonds is minimal as these are amounts due from various government authorities.

**Currency Risk:** Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rate. The Company operates in Canada and the United States. The Company's primary exposure to foreign exchange risk is in its reclamation bonds which are denominated in US dollars. The Company does not engage in any hedging activities to reduce its foreign currency risk.

**Interest Rate Risk:** Interest rate risk refers to the risk that the fair values of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. As at September 30, 2010, the Company does not hold any significant interest bearing financial instruments.

**Liquidity and Funding Risk:** Liquidity risk arises through the excess of financial obligations due over available financial assets at any point in time. The Company's objective in managing liquidity risk is to maintain sufficient readily available capital in order to meet its liquidity requirements. Funding risk is the risk that market conditions will impact the Company's ability to raise capital through equity markets under acceptable terms and conditions. Under current market conditions, both liquidity and funding risk are assessed as high.

#### **Capital Management**

The Company considers its capital structure to be shareholders' equity represented by net assets over liabilities. The Company manages its capital structure based on the funds available to the Company, in order to support acquisition, maintenance, exploration, and development of mineral properties.

The Board of Directors has not established any quantitative return on capital criteria for management, instead relying on the expertise of the Company's management to sustain future development of the business.

The properties in which the Company currently has interests are in the exploration stage so the Company is dependent on external financing to fund its activities. In order to carry out activities and administration, the Company will spend its existing working capital and raise additional amounts as needed.

There were no changes in the Company's approach to capital management during the period ended September 30, 2010. The Company is not subject to externally imposed capital restrictions.

**HARVEST GOLD CORPORATION**

(An exploration stage company)

Notes to the Interim Consolidated Financial Statements

For the Six Months Ended September 30, 2010

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**11. SUPPLEMENTAL CASH FLOW INFORMATION**

The significant non-cash financing and investing activities consisted of:

	For the six months ended	
	September 30, 2010	September 30, 2009
Shares issued for mineral properties	\$ 9,750	\$ 9,840
Stock-based compensation expense capitalized to mineral properties	34,977	5,430

**12. SEGMENTED INFORMATION**

Details are as follows:

	September 30, 2010	March 31, 2010
Total Assets		
Canada	\$ 876,663	\$ 603,305
United States	1,921,219	1,366,828
	<u>\$ 2,797,882</u>	<u>\$ 1,970,133</u>
Mineral Properties		
Canada	\$ 360,867	\$ 330,765
United States	1,897,653	1,340,685
	<u>\$ 2,258,520</u>	<u>\$ 1,671,450</u>
Equipment		
Canada	\$ -	\$ -
United States	568	725
	<u>\$ 568</u>	<u>\$ 725</u>

**13. SUBSEQUENT EVENTS**

Subsequent to September 30, 2010, the Company paid \$29, 398 for the RW property claims.



**Management Discussion and Analysis  
For the Six Months Ended September 30, 2010**

This management's discussion and analysis ("MD&A") focuses on significant factors that affected Harvest Gold Corporation ("Harvest" or the "Company") and its subsidiaries during the six month period ended September 30, 2010 and to the date of this report.

The following discussion of performance and financial condition should be read in conjunction with the audited consolidated financial statements for the year ended March 31, 2010. The Company's financial statements are prepared in accordance with Canadian GAAP. The Company's reporting currency is Canadian dollars unless otherwise stated. The date of this Management's Discussion and Analysis is November 24, 2010.

Additional information related to Harvest is available on SEDAR at [www.sedar.com](http://www.sedar.com).

## **FORWARD-LOOKING INFORMATION**

Statements in this report that are not historical facts are forward-looking statements involving known and unknown risks and uncertainties, which could cause actual results to vary considerably from these statements. Readers are cautioned not to put undue reliance on forward-looking statements. For more information on forward-looking information please refer to page 22 of this MD&A.

## **OVERVIEW**

The Company was incorporated on June 28, 2005 under the BC Business Corporations Act and is a reporting issuer in British Columbia and Alberta. The Company's common shares are traded on the TSX Venture Exchange under the symbol "HVG".

The Company is a junior mineral exploration company engaged in the business of acquiring, exploring and evaluating natural resource properties, and either joint venturing or developing these properties further or disposing of them when the evaluation is complete. The Company is exploring and evaluating each of its five remaining properties, the Garcia Flats Property and the Rosebud Gold Mine Property in Nevada, USA and the Assean Lake Gold Property (Hunt), the Conley Estate Claims, and the Rice Lake Claims (Cud) all in Manitoba, Canada. As at the date of this MD&A, the Company has not earned any production revenue, nor has it found any proven reserves on any of its properties and is considered to be an exploration stage company.

## **RESOURCE PROPERTIES - PERFORMANCE SUMMARY**

Greg Hill, President of Harvest Gold Corp. (US) is the Qualified Person responsible for the review and compilation of the technical information relating to the mineral projects disclosed in the MD&A.



## **ROSEBUD GOLD MINE, NEVADA**

### ***Historical Overview***

On November 16, 2006, the Company signed a letter of intent to acquire the Rosebud gold mine property, Nevada, USA with Nevada Eagle Resources LLC.

The letter of intent granted the Company a due diligence period ending December 15, 2006, during which the Company had the right to enter an Option Agreement with Nevada Eagle Resources LLC. On December 13, 2006, the Company signed an Option Agreement. The property vendor was paid US\$13,000 on signing of the letter of intent. The terms of the option grant provides the Company with the right to earn a 100% interest in the property by completing a schedule of property payments totaling US\$320,000 over a four-year period and issuing 600,000 shares of the Company to the property vendor as follows:

<b>Date</b>	<b>Amount</b>
On Execution of Agreement (Nov 9, 2006)	US\$13,000 Paid
Upon end of due diligence (Dec 13, 2006)	US\$29,600 Paid
On or before December 15, 2007	US\$57,400 Paid
On or before December 15, 2008	US\$60,000 Paid
On or before December 15, 2009	US\$80,000 Paid
On or before December 15, 2010	US\$80,000
<b>Total</b>	<b><u>US\$320,000</u></b>

<b>Date</b>	<b>Number of shares</b>
Upon end of due diligence (Dec 13, 2006)	50,000 Issued
On or before December 15, 2007	100,000 Issued
On or before December 15, 2008	100,000 Issued
On or before December 15, 2009	150,000 Issued
On or before December 15, 2010	200,000
<b>Total</b>	<b><u>600,000</u></b>

Upon earning a 100% interest, the Company is obligated on an annual basis to pay an advance royalty payment of US\$50,000 until the property is placed into production and is to be recovered from any actual future mineral production royalty payments.

The property is subject to a net smelter royalty ("NSR") of 3%, one-half of which may be purchased for US\$2.25-million.

As of the period ended September 30, 2010, the Company has incurred \$995,897, (March 31, 2010 \$476,086) net of stock-based compensation of \$64,549, (March 31, 2010 \$29,573) of expenditures on the property

### **Property Description**

The property comprises 54 contiguous unpatented claims covering an area of approximately 1,067 acres (4.3 square kilometres) overlying the reclaimed underground Rosebud mine and surrounding area. The property was mined by Hecla Mining Company and Newmont Mining Corporation as a joint venture with reported production from 1997 to 2000 of 396,842 ounces gold and 2,309,876 ounces silver (Hecla 2000 report). This publication reports 1992 mineral resources of 570,000 ounces gold (0.362 ounce per ton) and 5.5 million ounces silver (5.5 ounces per ton). The report, however, does not provide information on the resource classifications (inferred, indicated, or measured) and readers are cautioned not to place any undue reliance on these historical estimates as they are not compliant with National Instrument 43-101, *Standards of Disclosure for Mineral Projects*.

## **Background**

In late 2006, the Company signed an agreement to acquire a 100% interest in the property, subject to a schedule of property and advanced minimum royalty payments.

A NI 43-101 Technical report, entitled *Technical Report on the Rosebud Property, Pershing County, Nevada, USA* was completed by Robert G. Cuffney, Certified Professional Geologist, in September 2008. The Rosebud deposit produced 396,842 ounces gold and 2,309,876 ounces silver from high grade ores between 1997 and 2000. The 43-101 report describes exploration and mining activities at Rosebud from pre-discovery in 1988 until now and provides favorable evaluations of exploration targets developed by the Company. In late 2000, following closure of the Rosebud Mine, at a time when gold prices had reached US\$252/oz Au, Hecla reported an historical remaining Measured and Indicated Global Resource of 6,816,021 tons grading 0.036 oz Au/t and 0.31 oz Ag/t at a 0.01 oz Au/t cut-off, containing 242,857 gold ounces and 2,129,750 silver ounces (Hecla Mining Company, 2000). This historical estimate was made prior to the implementation of NI 43-101, may not comply with current CIM standards, and is presented for purposes of historical reference only. The Company is not treating the estimate as a National Instrument 43-101 defined resource, and the historical estimate should not be relied upon. The Company believes that there is very good potential to discover additional high grade zones within and adjacent to the bulk tonnage envelope and to expand the size of this envelope.

Some highlights of the report are:

- The data produced by previous operators has been verified as being valid and useful
- The Rosebud mine occurs within a large, strong, hydrothermal system
- There is good potential for the discovery of additional high grade zones and expansion of the bulk tonnage envelope

The discovery and development potential at Rosebud merits an aggressive drilling campaign. Mr. Cuffney recommends a two-phase drill program totaling 36,800 ft (11,215 m) in 32 holes. This program has several objectives: (i) to discover additional high grade mineralized zones, (ii) to increase the average grade and extend the limits of the bulk tonnage envelope, and (iii) to accurately define the gold-mineralized envelope. The combination of geologic mapping, review and evaluation of the volume of data produced by prior operators, and additional soil geochemical surveys has resulted in the definition of several new high-quality targets within the bulk tonnage envelope. The data gathering, review, and evaluation process has also strengthened our understanding of previously-defined targets.

An important outcome of the process is the recognition of a key feature of the mined body called the “chimney”. This zone graded greater than 1.0 oz Au/t and contained approximately 40% of the pre-mining resource within an area measuring approximately 130 ft (40 m) long by 220 ft (60 m) high. A lower-grade, 0.10-1.0 oz Au/t (3.4-7.2 g/t) stockwork and disseminated zone of mineralization surrounded the chimney. The Company feels that there are very good opportunities to discover additional high-grade zones and is placing high priority on discovering additional zones similar to the chimney.

Data available from the Nevada Bureau of Mines and Geology have been collected and converted from paper to digital formats. Geological, geochemical, and geophysical data sets have been scanned and/or digitized and loaded into three dimensional mine modeling software. Quality assurance and quality control procedures have been utilized to determine the quality of these data and assure the accuracy of the information being input into modeling software.

This includes data from:

- approximately 700 holes drilled from surface and underground by previous operators,
- approximately 90 working cross sections produced by the former mine operators, covering nearly the entire property at 50-100 foot spacings,
- approximately 230 maps produced by previous operators. These include geology maps, drill collars, rock chip geochemistry, soil geochemistry, grade-thickness, aero-magnetic and ground magnetic responses, gravity, IP, VLF, radiometric values and topography,
- numerous geological, geophysical, and geochemical data sets-

Numerous drill intercepts of gold and silver mineralization are present within a known mineralized envelope measuring approximately 1,800 feet (550 metres) north-south by 3,000 feet (915 metres) east-west, which suggests that the gold mineralization in the envelope around the historic resource is an asset worth pursuing aggressively.

The size potential of Rosebud as a bulk mineable open pit deposit can be inferred from historic data published by Hecla and Newmont. In 1995, Hecla reported that over 263,690 feet (greater than 80,370 metres) of drilling in approximately 310 drillholes had been completed of which approximately 250 surface drillholes exist within Harvest Gold's land position. Gold mineralization is present in drillholes at depths ranging 0 to 1200 feet (365 metres) from surface.

Detailed soil surveys have been carried out by the Company covering most of the property package. The enzyme leach method was utilized to analyze 472 soil samples collected at 100 m by 100 m spacings throughout the property and 50 m by 50 m spacings above the East and Far East zones and immediately south of the mine. Enzyme leach results from this survey show strong indications of the Rosebud Mine mineralization at depth as well as extensions of this mineralization into the Northwest Corridor and to the south of the mine. Buried mineralization in the Far East zone and at the Valley target is also indicated by strong gold responses above these zones. Additionally, a new target area, the Northeast target, is defined by Au, Ag, and other element anomalies in the northeastern part of the property. Only two drill holes have been completed, by previous operators, near the margins of this new drill target and the target has not been drill tested.

Three-dimensional geologic modeling was carried out using all available data from past drilling, geology, geophysics and geochemistry. Additional geologic and geochemical data collected by the Company are also guiding the process. This has led to substantial revisions of the working geologic models used by previous operators.

A new structural model has been developed through this work. The structural model indicates that high-grade mineral zones are developed at dilational jogs along a major through-going north-northeast left-lateral fault system. This fault system has been recognized at surface and in the subsurface through geological mapping and 3D geological modeling. Eleven high-priority targets have been identified. The targets include potential bonanza veins in basement rocks, stockwork/disseminated targets in volcanic rocks, and vein or stockwork/disseminated targets at the unconformity between basement metasediments and the overlying volcanic pile.

***During the six months ended September 30, 2010***

Twelve reverse circulation drill holes, totaling 15,005 feet (4,574 m) tested six target areas. Target types include: high grade volcanic-hosted stockwork and disseminated mineralization within the bulk tonnage halo surrounding the deposit; extensions and definition of the bulk tonnage halo; and high grade feeder veins within metamorphic basement rocks.

Assay results have been reported for all 12 holes. Results from these early holes demonstrate that significant zones of mineralization remain undiscovered at the Rosebud Mine. Important zones of mineralization stand out in the

intercepts from the twelve holes, as described below. One is a gold intercept in HGR-5, reported below. It is near surface, has substantial thickness and extends the bulk tonnage halo to the south. It is open to the north, east, south and at depth in a sparsely drilled area approximately 100 metres south of the nearest underground mine workings. Another is a high grade silver zone in HGR-3, reported below. It is in one of our unconformity targets and is open to the north, east, and at depth. Hole HGR-10, also reported below, drilled 12.2 metres of 1.81 g Au/t and 20.9 g Ag/t near surface at the Valley target

The important gold and silver intercepts in these holes provide us with a significant expansion and increased definition of the mineralized envelope, or bulk tonnage halo, at Rosebud. It also provides us with a much better understanding of the deposit's structural framework. We have now intersected mineralized faults in several predicted locations and this reinforces our reinterpreted structural model and increases our confidence in the model. This will assist us in defining targets for the next phase of drilling.

Drill hole HGR-5 contains an intercept of:

**114.3 metres of 0.49 g Au/t,**

Including:

**9.1 metres of 1.40 g Au/t. and**

**4.6 metres of 2.16 g Au/t.**

Mineralization intersected in HGR-5 occurs in a sparsely drilled area within Chocolate formation volcanic flows and begins at approximately 97 metres (320 feet) downhole. This mineralized zone is open to the north, east, south, and at depth and extends toward mineralization intersected in historic drill holes approximately 150 metres (500 feet) to the west. Mineralization may also extend toward the Far East Zone, approximately 250 metres (800 feet) to the east. This intercept opens a large new area of near surface bulk tonnage mineralization with grades comparable to average grades at Allied Nevada's (ANV: TSX, ANV: AMEX) producing Hycroft Mine, five miles to the north.

Drill hole HGR-3 contains an intercept of:

**35.1 metres of 238.1 g Ag/t and 0.82 g Au/t ( 4.43 g AuEq/t )**

*Including:*

**12.2 metres of 564.3 g Ag/t and 1.58 g Au/t ( 10.13 g AuEq/t )**

*Including:*

**4.6 metres of 1235.1 g Ag/t and 2.47 g Au/t ( 21.19 g AuEq/t )**

The intercept, characterized by quartz vein and stock work material, was drilled to the northeast of the North Zone, approximately 30 metres (100 feet) from the nearest underground mined workings. The highest silver values encountered in HGR-3 are among the richest ever drilled at Rosebud, ranking in the top one percent of all previous Rosebud silver intercepts. Mineralization is open to the north, to the east, and at depth. This mineralization occurs at, and below, the unconformity between Tertiary volcanics and Triassic-Jurassic phyllites. It confirms the presence of high-grade mineralization within, and near, the unconformity, which is largely untested by previous drilling.

Drill hole HGR-6 contains an intercept of:

**64.0 metres of 0.48 g Au/t**

Including:

**4.6 metres of 1.64 g Au/t and**

**4.6 metres of 1.31 g Au/t**

HGR-6 was drilled in the western portion of the South Zone. It demonstrates that significant thicknesses of bulk tonnage mineralization do remain in place at Rosebud. This intercept confirms the Company's reinterpreted structural model, having targeted and intersected high-angle mineralized faults that are primary controls on mineralization. Historical intercepts occur to the north, south, and at depth along these ore controlling structures. Mineralization is open in these directions.

Drill hole HGR-7 contains an intercept of:

**13.7 metres of 25.4 g Ag/t and 0.12 g Au/t ( 0.50 g AuEq/t )**

Including:

**4.6 metres of 60.7 g Ag/t and 0.13 g Au/t ( 1.05 g AuEq/t )**

The high grade silver intercept in this hole occurs within forty metres of surface within a high angle fault zone that includes in-place, high grade gold mineralization at depth. This mineralized fault zone presents new high grade targets to the north, south, and at depth.

Drill hole HGR-8 contains the following six intercepts:

**7.6 metres of 0.69 g Au/t and 1.4 g Ag/t ( 0.71 g AuEq/t ) and**

**16.8 metres of 0.21 g Au/t and 21.9 g Ag/t ( 0.54 g AuEq/t ) and**

**32.0 metres of 0.27 g Au/t and 2.4 g Ag/t ( 0.30 g AuEq/t ) and**

**12.2 metres of 0.39 g Au/t and 3.4 g Ag/t ( 0.44 g AuEq/t ) and**

**7.6 metres of 0.92 g Au/t and 16.8 g Ag/t ( 1.18 g AuEq/t ) and**

**1.5 metres of 0.93 g Au/t and 5.1 g Ag/t ( 1.00 g AuEq/t )**

The intercepts in HGR-8 occur in an area of widely-spaced drilling between the Rosebud Mine's North, South, and East ore zones. They reinforce that significant potential exists to expand the bulk tonnage envelope in the ground and discover additional high grade pods within the volcanic pile in this area. In addition, intercepts at, and below, the unconformity, including 7.6 m of 0.92 g Au/t, 16.8 g Ag/t demonstrate the viability of the basement as an important host rock and allow for more precise targeting of the basement in this area. This hole ended in mineralization beneath the unconformity with 1.5 m of 0.93 g Au/t, 5.1 g Ag/t.

HGR-9 contains an intercept of:

**3.0 metres of 1.16 g Au/t and 7.7 g Ag/t (1.28 g AuEq/t)**

HGR-10 contains intercepts of:

**12.2 metres of 1.81 g Au/t and 20.9 g Ag/t ( 2.13 g AuEq/t)**

Including:

**3.0 metres of 4.26 g Au/t and 15.3 g Ag/t ( 4.49 g AuEq/t) and**

**1.5 metres of 3.53 g Au/t and 58.6 g Ag/t ( 4.42 g AuEq/t)**

The top intercept in HGR-10 begins approximately 17 metres (55 feet) from surface and is one of the highest grade and thickest intercepts drilled at the Valley target to date. There is mineralization in historical drill holes 40 metres (130 feet) to the east and 65 metres (215 feet) to the west of the HGR-10 intercepts. This begins to define a new mineralized zone, open in all directions.

The Valley target has been tested by approximately 20 drill holes, including HGR-9 and HGR-10, and is spread over an area approximately 700 metres (2300 feet) by 500 metres (1600 feet). Many of the historic holes contain ore grade or anomalous mineralization.

All of the intercepts in the Valley target are within Tertiary volcanic or volcanoclastic rocks.

Drill hole HGR-11 contains intercepts of:

**54.9 metres of 0.29 g Au/t and 3.9 g Ag/t ( 0.34 g AuEq/t )**

Including:

**3.0 metres of 1.15 g Au/t and 3.3 g Ag/t ( 1.20 g AuEq/t ),**

**24.4 metres of 0.29 g Au/t and 23.1 g Ag/t ( 0.64 g AuEq/t )**

Including:

**3.0 metres of 0.75 g Au/t and 48.2 g Ag/t ( 1.48 g AuEq/t ) and**

**3.0 metres of 0.51 g Au/t and 60.2 g Ag/t ( 1.43 g AuEq/t )**

Drill hole HGR-12 contains intercepts of:

**15.2 metres of 0.26 g Au/t and 8.8 g Ag/t ( 0.39 g AuEq/t )**

Including:

**1.5 metres of 0.88 g Au/t and 34.6 g Ag/t ( 1.41 g AuEq/t ),**

**21.3 metres of 0.19 g Au/t and 7.2 g Ag/t ( 0.30 g AuEq/t )**

Including:

**1.5 metres of 0.16 g Au/t and 59.7 g Ag/t ( 1.07 g AuEq/t )**

In hole HVG-11, the unconformity target was intersected with 24.4 metres of 0.64 g AuEq/t. A northeast oriented mineralized zone is emerging in which gold and silver are enriched at the unconformity. This zone is at least 250 metres long and is open to the northeast and southwest. Along with intercepts in four holes drilled during this first phase program, HGR-3, HGR-4, HGR-8, and HGR-11, and nearly all historical holes that penetrated the unconformity in this zone contain anomalous gold and silver mineralization. Several examples of mineralization at and beneath unconformities occur in Nevada. The most important is the Hollister deposit, where Great Basin Gold is developing high grade veins within Ordovician quartzite beneath Tertiary volcanic rocks.

The intercepts in HGR-12 begin near surface (7.6 metres downhole). The upper mineralized zone is bounded by a modeled fault with mineralization occurring in the hanging wall of this structure. As with many other intercepts from the first phase drill program, these results are confirming the Company's structural model, and allow for advancement of the model.

**TABLE 1: SUMMARY OF HOLES HGR 1 – HGR 12**

	FROM Metres	TO metres	INTERVAL metres	Au g/t	Ag g/t	AuEq g/t
<b>*HGR-1</b>	77.7	85.3	7.6	0.74	11.1	0.90
<b>*HGR-2</b>	259.1	269.7	10.6	0.61	13.1	0.81
<b>*HGR-3</b>	<b>315.5</b>	<b>350.5</b>	<b>35.1</b>	<b>0.82</b>	<b>238.1</b>	<b>4.43</b>
<i>including</i>	<b>318.5</b>	<b>330.7</b>	<b>12.2</b>	<b>1.58</b>	<b>564.3</b>	<b>10.13</b>
<i>including</i>	<b>323.1</b>	<b>327.7</b>	<b>4.6</b>	<b>2.47</b>	<b>1235.1</b>	<b>21.19</b>
<i>including</i>	<b>324.6</b>	<b>326.1</b>	<b>1.5</b>	<b>1.00</b>	<b>2159.8</b>	<b>33.72</b>
<i>and</i>	<b>326.1</b>	<b>327.7</b>	<b>1.6</b>	<b>6.24</b>	<b>473.5</b>	<b>13.42</b>
<b>*HGR-4</b>	79.2	93.0	13.8	0.28	4.0	0.34
	342.9	347.5	4.6	0.10	14.6	0.32
	349.0	352.0	3.0	0.07	12.1	0.26
	406.9	410.0	3.1	0.53	4.9	0.61
<b>*HGR-5</b>	<b>97.5</b>	<b>211.8</b>	<b>114.3</b>	<b>0.49</b>	<b>4.7</b>	<b>0.56</b>
<i>including</i>	<b>106.7</b>	<b>108.2</b>	<b>1.5</b>	<b>2.59</b>	<b>3.8</b>	<b>2.65</b>
<i>and</i>	<b>129.5</b>	<b>134.1</b>	<b>4.6</b>	<b>2.16</b>	<b>3.9</b>	<b>2.22</b>
<i>and</i>	<b>163.1</b>	<b>172.2</b>	<b>9.1</b>	<b>1.40</b>	<b>4.6</b>	<b>1.47</b>
<b>*HGR-6</b>	<b>140.2</b>	<b>204.2</b>	<b>64.0</b>	<b>0.48</b>	<b>2.9</b>	<b>0.52</b>
<i>including</i>	163.1	167.6	4.6	1.31	5.5	1.39
<i>and</i>	195.1	199.6	4.6	1.64	2.6	1.68
<b>*HGR-7</b>	<b>42.7</b>	<b>56.4</b>	<b>13.7</b>	<b>0.12</b>	<b>25.4</b>	<b>0.50</b>
<i>including</i>	<b>50.3</b>	<b>54.9</b>	<b>4.6</b>	<b>0.13</b>	<b>60.7</b>	<b>1.05</b>
<b>*HGR-8</b>	129.5	137.2	7.6	0.69	1.4	0.71
	202.7	219.5	16.8	0.21	21.9	0.54
	234.7	266.7	32.0	0.27	2.4	0.30
	289.6	301.8	12.2	0.39	3.4	0.44
	367.3	374.9	7.6	0.92	16.8	1.18
	403.9	405.4	1.5	0.93	5.1	1.00
<b>*HGR-9</b>	13.7	16.8	3.0	1.16	7.7	1.28
<b>*HGR-10</b>	<b>19.8</b>	<b>32.0</b>	<b>12.2</b>	<b>1.81</b>	<b>20.9</b>	<b>2.13</b>
<i>including</i>	<b>21.3</b>	<b>24.4</b>	<b>3.0</b>	<b>4.26</b>	<b>15.3</b>	<b>4.49</b>
<i>and</i>	<b>27.4</b>	<b>29.0</b>	<b>1.5</b>	<b>3.53</b>	<b>58.6</b>	<b>4.42</b>
	<b>48.8</b>	<b>50.3</b>	<b>1.5</b>	<b>2.77</b>	<b>12.2</b>	<b>2.96</b>
	61.0	77.7	16.8	0.21	31.5	0.69
	129.5	138.7	9.1	0.20	8.3	0.32
<b>HGR-11</b>	62.5	117.3	54.9	0.29	3.9	0.34

<i>including</i>	77.7	80.8	3.0	1.15	3.3	1.20
	350.5	353.6	3.0	1.10	15.8	1.34
	364.2	388.6	24.4	0.29	23.1	0.64
<i>including</i>	370.3	373.4	3.0	0.75	48.2	1.48
<i>and</i>	385.6	388.6	3.0	0.51	60.2	1.43
<b>HGR-12</b>	7.6	22.9	15.2	0.26	8.8	0.39
<i>including</i>	21.3	22.9	1.5	0.88	34.6	1.41
	36.6	57.9	21.3	0.19	7.2	0.30
<i>including</i>	36.6	38.1	1.5	0.16	59.7	1.07
	193.5	213.4	19.8	0.31	3.1	0.36
	280.4	283.5	3.0	0.36	12.0	0.54

Gold equivalent (AuEq) values calculated using a Ag:Au ratio of 66:1, based on a gold price of US\$1160/oz and a silver price of US\$17.60/oz. No Ag or Au recovery factors have been applied due to a lack of appropriate metallurgical data. All holes are inclined except for HGR-1. True widths are not known and additional modeling and drilling will be required to determine true widths.

### ***Subsequent Events***

The Company has proposed a second phase drill program consisting of a similar number of holes and total footage as that of the phase one program.

### ***Activities Contemplated In The Future***

Follow-up drill programs are contemplated and Joint Venture partner discussions will continue. The Company is planning to seek out an engineering firm to complete a NI 43-101 resource estimate.

## **GARCIA FLATS PROPERTY, ELKO COUNTY, NEVADA**

### ***Historical Overview***

On March 30, 2006, the Company signed a letter of intent to acquire a 100% interest in the Garcia Flats property in Nevada from Churnhill Gold LLC ("CGL"), a private company controlled by an Officer of the Company. The property is located at the southern extension of the Carlin trend in Elko County, Nevada. Garcia Flats is located approximately 40 kilometers south of Newmont's Rain mine and 35 km northwest of Barrick's Bald Mountain mine. The property, at the time, was comprised of 72 unpatented mining claims covering 5.8 square km (1,440 acres).

On December 22, 2006, the Company entered into a property purchase agreement with CGL. The Company may earn a 100% interest upon completion of a schedule of property payments totaling US\$40,000, the issuance of 300,000 shares and exploration expenditures of US\$400,000 over a three-year period. On April 8, 2009, the property option agreement with Churnhill Gold LLC was amended to provide a cash payment of US\$2,000 and the issuance of 196,800 common shares of the Company in full and final satisfaction of the obligations of the Property Option Agreement as follows:

<b>Date</b>	<b>Amount</b>
On Execution of Agreement	US\$10,000 Paid
On or before February 6, 2007	US\$10,000 Paid
On or before February 6, 2008	US\$10,000 Paid
On or before February 6, 2009 Amended	US\$2,000 Paid



<b>Total</b>	<b><u>US\$32,000</u></b>
<b>Date</b>	<b>Number of shares</b>
On Execution of Agreement	25,000 Issued
On or before February 6, 2007	50,000 Issued
On or before February 6, 2008	100,000 Issued
On or before February 6, 2009 Amended	196,800 Issued
<b>Total</b>	<b><u>371,800</u></b>

In May 2007, the Company entered into a Memorandum of Understanding with Gunpoint Exploration (previously Christopher James Gold Corp. ("CJGC")) whereby CJGC has an option to earn an undivided 70% interest in Garcia Flats in exchange for a total of 225,000 shares of CJGC and a commitment to spend an aggregate of \$2,500,000 over 3 years on the property. In September 2007, the Company received 50,000 shares from CJGC and CJGC had contributed a total of \$536,288 toward the property.

After CJGC has earned a 70% interest in the project, the Company will be required to participate in the project expenditures on a pro-rata basis or be diluted to a 12.5% interest through completion of a bankable feasibility study. During the year ended March 31, 2008, the Company issued 245,000 shares with a fair market value of \$58,800 as a finder's fee relating to this agreement. As of August 13, 2008, CJGC has withdrawn from the Garcia Flats joint venture.

The Company announced on September 22, 2008 that CJGC decided not to continue with the option agreement to acquire up to 70% of the Garcia Flats project.

As of the period ending September 30, 2010, the Company has incurred \$405,900, (March 31, 2010 \$403,718) net of stock-based compensation charges of \$18,454, (March 31, 2010 \$18,454) which is net of recoveries. The exploration expenditure requirement of the agreement has been satisfied.

The property is subject to a NSR of 3%, one-half of which may be purchased for US\$750,000.

### ***Property Description***

On September 1, 2008, the claims were reduced to 15 unpatented lode claims covering an area of approximately 300 acres (1.21 square kilometres) at the north end of Diamond Valley in Elko County, Nevada. It is along the southern projection of the Carlin Trend.

### ***Background***

Based on regional reconnaissance and targeting work, the Garcia Flats property was identified as an area that could potentially host an entirely buried Carlin-type district on the southern extension of the Carlin trend. Broadly-spaced soil surveying identified anomalous gold and pathfinder element responses that were then staked. Detailed soil surveying, acquisition of magnetic and gravity data, and geologic modeling led to the definition of three large north-northwest trending target zones. Two of these were subsequently drill tested with three flooded reverse circulation drill holes totaling 5,385 feet (1,641 m). Drilling was funded by joint venture partner Gunpoint Exploration Ltd. (previously Christopher James Gold).

The three drill holes at Garcia Flats were positioned to test an enzyme leach geochemical anomaly, which was interpreted as the surface expression of a possible buried Carlin-type gold deposit. All three holes encountered what appears to be an epithermal-type alteration within what are interpreted as Eocene volcanics and interbedded

limestones and volcanoclastics. The mineralization, which was intersected under several hundred metres of pediment cover, is low-grade and associated with anomalous gold and a suite of path-finder elements typical of both Carlin- and Epithermal-type mineralization.

A high of 0.08 grams/tonne ("g/t") gold (Au) was intersected in reverse circulation (r/c) hole GFR-3 at 1,615-1,620 feet (492-494 m). This occurs at the top of a zone of hydrothermal carbonate replacing felsic volcanic and volcanoclastic rocks and appears to be within a transition zone between volcanic rocks above and volcanoclastic rocks below. Limestone occurs from 1,700 feet (518 m) to the bottom of the hole at 2,255 feet (687 m) and contains several five foot intercepts with weakly anomalous gold, arsenic, antimony, molybdenum, tellurium and mercury.

Approximately 1,050 feet (320 m) to the west, r/c hole GFR-2 contains three separate five foot intercepts in carbonate-altered volcanoclastic units ranging from 0.024 g/t to 0.039 g/t Au at 1,625-1,630 feet (495-497 m), 1,680-1,685 feet (512-514 m), and 1,700-1,705 feet (518-520 m) respectively. The mineralized intercept is strongly anomalous in barium and weakly anomalous in thallium.

Reverse circulation hole GFR-1 is approximately 4,080 feet (1,244 m) east of r/c hole GFR-3 and includes a broad zone from 690 feet (210 m) to 910 feet (277 m) that is anomalous in gold, arsenic, mercury, molybdenum, antimony, thallium, selenium, and barium. This anomalous geochemistry is hosted in limestone and carbonate-altered sedimentary and/or volcanoclastic rocks in the footwall of an interpreted fault zone.

Final petrographic reports for a suite of representative samples were received from the Company's consulting petrographer. A model of the mineralizing system has been built based on these data combined with other project data including geochemistry, geology and geophysics.

Gunpoint Exploration Ltd. (previously Christopher James Gold) has terminated the joint venture agreement and holds no further interest in the property.

***During the six months ended September 30, 2010,***

No activity took place during this period.

***Subsequent Events***

There has been no subsequent activity at Garcia Flats.

***Activities Contemplated In The Future***

Development of additional targets is contemplated through geochemical and geophysical surveys, and geologic modeling.

**LESVAGE PROPERTY, RICE LAKE GOLD BELT, MANITOBA – LESVAGE NORTH AND LESVAGE SOUTH**

***Historical Overview***

The Company entered into an option agreement dated November 15, 2005 to acquire a 50% interest, subject to a 3% NSR, in certain mining claims comprising the Lesavage Property located in Manitoba, Canada. In order to earn a 50% interest, the Company must complete a schedule of work on the property totaling \$1.7 million over a 5 year period as follows:

<b>Date</b>	<b>Expenditures (Cumulative)</b>
Prior to February 28, 2007	\$300,000
By February 28, 2008	\$650,000
By February 28, 2009	\$1,050,000
By February 28, 2010	\$1,700,000 Agreement terminated

During the year ending March 31, 2010 the Company was unable to secure a joint venture partner and decided not to proceed with exploration on the property and gave notice to terminate the option agreement. As a result, the Company recorded an impairment provision of \$1,330,889 to write-off the carrying value of the Lesavage Property.

The Company also has the option to purchase up to half of the Production Royalty of 3% for \$2,000,000.

### **Lesavage South Claims**

During the year ending March 31, 2010 the Company decided not to proceed with exploration on the property and wrote the value off.

### **HUNT PROPERTY, ASSEAN LAKE, MANITOBA**

#### ***Historical Overview***

By an option agreement, effective June 28, 2005, the Company acquired, subject to a 3% NSR, a 100% interest in certain claims comprising the Hunt Property located in Manitoba, Canada. As at September 30, 2008, the Company has fulfilled its required consideration payments and by sub-option agreement, optioned 60% of its interest to Ngex Resources Inc. ("NGQ") (previously Canadian Gold Hunter Corp), a public company listed on the TSX-V. As a result, the Company and NGX formed a joint venture (the "Hunt Property joint venture") on a 40/60 basis, respectively.

The Hunt Property joint venture also had the option to purchase 50% of the NSR for \$1,500,000.

#### **Property Description**

The Assean Lake gold property is located 125 kilometers via provincial highway #280, north east of the city of Thompson, Manitoba, a world class nickel, smelting and refining center. The property currently consists of 58 claims covering 9,598 hectares.

The Hunt Property is an advanced exploration project with over \$4 million spent on drilling and surveying activity to date. The primary exploration target at Assean Lake is shear-hosted gold associated with gold-enriched sulphide iron formation which is typical of mineralization styles for gold deposits on the Canadian Shield. Six gold zones have been identified to date (both from historical and current exploration programs) on the Company's property over a 12 kilometre strike length. The gold zones occur along the Assean Lake shear zone, a 200 kilometre long deformation zone similar to major shear zones associated with important gold mining camps elsewhere on the Canadian Shield.

As of March 31, 2010, the Company had incurred \$918,593 (March 31, 2009 - \$918,593) of net expenditures on the property.

During the year ending March 31, 2010 the Company has written-down the property by \$1,196,092 to a nominal value of \$1.

## **Background**

The Assean Lake property lies within the northeastern extension of the Thompson Nickel Belt, a zone marking the collisional margin of two ancient continents, the Early Proterozoic Churchill Province to the north west against the older Archean Superior Province to the south east during the Trans-Hudson orogeny. The contact between the two provinces is known as the Superior Boundary Zone, a zone of extreme, multi-stage deformation with a major bounding fault(s) and characterized by high-grade metamorphism all key characteristics associated with major gold camps around the world

The local geology of the Assean Lake property is poorly understood due to extensive cover of lacustrine clay, silt, sand and basal till up to 20 meters in thickness. Based on limited outcrops and core from diamond drilling, the area is underlain by gneiss and schist of varied derivation and Archean (+ 2.7 billion years) to early Proterozoic in age. On the claims, a sequence of metamorphosed and folded rocks of sedimentary origin with swarms of strongly folded gabbroic dikes. The succession is comparable to, and possibly correlative with, the Ospwagan Group (2.1 to 1.9 billion years), which hosts several major nickel deposits near Thompson, 125 kilometers to the southwest.

The gold prospects have similar characteristics to shear-hosted deposits found in the prolific gold belts of the Precambrian shield in eastern and northern Canada. Precambrian shear-hosted gold deposits range in size from a few thousand metric tons to over 50 million metric tons and constitute a significant source of global gold production. The region around Assean Lake has been explored periodically since the 1930's, when prospectors first discovered the Lindal, Dunbrack and Galena Island gold showings along the lake's shore. Sherritt Gordon Mines Ltd. drilled some short holes on the Dunbrack showing in 1938 and Westfield Minerals drilled two holes in 1959. In 1964, Hudson Bay Exploration & Development carried out a regional airborne electro-magnetic (EM) survey over the area, which led to the subsequent drill discovery of the small Tex zinc prospect in 1965.

From February 2001 to April 2005, NGEX Resources Inc. (Previously Canadian Gold Hunter), later jointly with VMS Ventures Inc, funded and carried out nine major programs during the intervening summer and winter field seasons. Work to date on the property by the JV partners includes significant line cutting for surface grid development, MMI geochemistry, ground magnetic surveys, induced polarization (IP) surveys, ground electro-magnetic (EM) surveys and the drilling of 183 core holes amounting to 28,566 meters. The various programs resulted in the discovery of a number of gold occurrences at Assean Lake, including the Hunt Zone and the BIF (banded iron formation) Zone among others.

The Hunt Zone is a mineralized shear reaching a width of almost 10 meters and extending over a strike length of 700 meters. It has been tested by 57 diamond drill holes (14,058 meters). Considerable fine visible gold within the Hunt Zone occurs in a high-grade shoot where grades reach as high as 27.22 g/t Au over 4.27 meters (about 3.60 meters true width). The shoot has a strike length of about 100 meters and plunges within the broader zone of gold mineralization at about -45° to the WSW.

The Hunt Zone has been traced by drilling to a depth of 250-275 meters. At that depth, the zone is disrupted by a complex, steeply dipping, fault-breccia zone. Seven deep drill holes below the fault breccia zone failed to intersect the high-grade Hunt Zone. The Hunt Zone remains open to the west above the fault breccia but grades are low.

The BIF Zone is a sulphide-bearing iron formation underlying a strike length of some 1,000 meters immediately east of the Hunt Zone. The zone has been tested by 15 core holes up to a depth of 200 meters. Gold in the BIF Zone is not visible to the naked eye and is associated with pyrite and pyrrhotite introduced into magnetite iron formation. Gold grades are generally low and erratic, typically ranging from 0.50 to 4.25 g/t over two to seven meters. Given the close spatial relationship of the BIF and Hunt gold systems, the two zones are probably part of the same mineralizing event.

### ***During the six months ended September 30, 2010,***

The Company is seeking a joint venture partner to continue exploration of the Hunt Property.

### **Subsequent Events**

There are no subsequent events to report.

### **Activities Contemplated In The Future**

The Company continues to seek joint ventures partners to pursue the exploration of this highly prospective property.

#### **CONLEY ESTATE CLAIMS, MANITOBA**

### **Historical Overview**

On October 5, 2006, the Company paid \$5,000 and signed a letter of intent to option eight claims known as the Conley Estate Claims, held for over thirty years by Bill Conley, from the trustees of his estate. This contiguous property package is over 30 square km and covers favourable rocks including major fold structures and the shear that continues some 80 km eastwards, to and beyond the Red Lake Gold camp

The Company entered into a property option agreement on January 25, 2007 with Conley Mines Ltd. ("CML") to acquire 100% of CML's right, title and interest in mineral claims referred to as Conley Estates Claims. The Company has the right to repurchase up to one half of the NSR (1.5% of Net Smelter Returns) for \$500,000 per 0.5%, for a total purchase price of \$1,500,000. The Company will pay the \$85,000, issue 300,000 common shares of the Company and expend \$500,000 on the property to earn the 100% interest. On April 2, 2009, the anniversary payment due January 24, 2009 was re-negotiated to a payment of \$7,500 and the issuance of 125,000 common shares as follows:

<b>Date</b>	<b>Amount</b>	
On Execution of Agreement	\$5,000	Paid
By January 24, 2008	\$10,000	Paid
By January 24, 2009 Re-negotiated	\$7,500	Paid
By January 24, 2010	\$20,000	Paid
By January 24, 2011	\$35,000	
<b>Total</b>	<b><u>\$77,500</u></b>	

<b>Date</b>	<b>Number of shares</b>	
On Execution of Agreement	25,000	Issued
By January 24, 2008	40,000	Issued
By January 24, 2009 Re-negotiated	125,000	Issued
By January 24, 2010	75,000	Issued
By January 24, 2011	100,000	
<b>Total</b>	<b><u>365,000</u></b>	

<b>Date</b>	<b>Expenditures (cumulative)</b>	
By January 24, 2008	\$30,000	
By January 24, 2009	\$90,000	
By January 24, 2010	\$240,000	
By January 24, 2011	\$500,000	

As of the period ending September 30, 2010, the Company has incurred \$231,053, (March 31, 2010 \$230,701) net of stock-based compensation charges of \$7,188 (March 31, 2010 \$7,188) on this property.

### **Property Description**

The Conley claims are located on the northwest side of Wallace Lake, approximately 25 km east of the San Antonio Gold Mine at the town site of Bissett in southeastern Manitoba. Access is by an all weather gravel road (PR 304) that intersects the southern part of the property and trails suitable for ATVs and snow mobiles. Boat access on Wallace Lake is also possible. The property consists of eight claims with a total area of 1,189 Ha.

E.S. Moore of the Geological Survey of Canada was the first to map the Wallace Lake belt in 1913. William Conley (presently his estate), is the registered owner of the claims, and he has worked on the property intermittently since 1958. Conley's work has consisted of prospecting, trenching, sampling and limited diamond drilling. Assessment files show that Conley is responsible in whole or in part for locating numerous areas of surficial mineralization associated with quartz veins and shear zones in a wide range of rock units. Many of the showings are highly anomalous while others have yielded spectacular samples of visible gold which have high gold content ("1.12 oz/ton Au over 3.5").

Kerr Addison Mines Ltd (1965, AF 91559) drilled seven holes in the area in 1965. Spectacular gold assays (0.97 oz/ton Au over 1.7' and 0.63 oz/ton Au over 1.5') were returned from a showing known as the 'No.1 Hi-grade'. Manitoba Mineral Resources flew an Airborne Electromagnetic and Magnetic survey in the Wallace Lake and Siderock Lake areas in 1972.

Noranda Exploration Co. performed geological work between October 1988 and June 1989. Stripping, mapping and channel and humus sampling were performed. Noranda undertook preliminary property examinations and decided that two showings (Smoky and No. 1 Hi-grade) required stripping to expose their potential. It was concluded that gold-bearing quartz veins in the Smoky showing be drill tested along their strike and down plunge extension to the northeast. As well, the No. 1 Hi-grade showing, be drill tested or an induced polarization program be carried out in the vicinity of the intersection of the noted VLF anomaly and the strike extension of the showing.

### ***Background***

Significant efforts have been directed towards understanding the detailed geological setting of the rocks that underpin the Wallace-Conley Estate property. This includes efforts in the summer of 2007 when geological mapping was conducted by Harvest Gold geologists for the Wallace Lake area, including the Wallace-Conley Estate property. Reports by government geologists indicate that the rocks that underlie the property are the same age and composition as the Balmer Formation in the Red Lake Gold Camp.

These have been referred to frequently as the "Balmer Equivalent rocks" and underscore the significance this holds for the property. The geology of the property consists of a basement of felsic volcanic and felsic intrusive rocks that are overlain by mafic and felsic volcanic rocks, oxide-carbonate-sulphide-iron formation and younger mafic volcanic rocks and clastic sedimentary rocks. Pillowed flows have been reported by several geologists.

The Company has undertaken a line cutting program with a total of 15.14 km of grids (25 lines) cut on the property to prepare for geochemical sampling and prospecting and mapping. Gold anomalies were defined in both sampling media. In particular the soil geochemical anomalies on the Smokey Claim, immediately south of the Wanipigow River, This gold plus copper and lead anomaly is observed to be along strike from gold-base metal bearing quartz veins on the west shore of Wallace Lake. The high grade veins found to date on the Conley Estate Option appear, from the descriptions in published reports, to be San Antonio '16-type' veins, which are high-grade single vein. The '38 type' veins are larger stockwork vein systems that tend to be high-grade and structurally related to the '16-type' vein. To date there has been no focused exploration for the more prolific San Antonio '38-type' veins on the property.

### ***During the six months ended September 30, 2010,***

No activities took place on the property during the six months ending September 30, 2010. In June 2010 the Company issued 75,000 common shares and made the payment of \$20,000 in fulfillment of the property payment obligation for 2010 set out in the option agreement.

### ***Subsequent Events***

There have been no subsequent events on the property.

### ***Activities Contemplated In The Future***

The Company is seeking a partner to explore the property.

## **RICE LAKE CLAIMS, MANITOBA (Cud)**

### ***Historical Overview***

Through an agreement dated June 23, 2008, the Company was granted an option to acquire, subject to a 2% NSR, a 100% interest in the property located in the Rice Lake Greenstone Belt, Manitoba, Canada, for the following consideration:

<b>Date</b>	<b>Amount</b>
Upon execution of the option agreement	\$5,000 Paid

<b>Date</b>	<b>Number of shares</b>
On Execution of Agreement	200,000 Issued

The Company also has the option to purchase 50% of the NSR for a purchase price of \$1,000,000.

### **Property Description**

The property is located 7 km from the gold mining community of Bissett, Manitoba where San Gold Resources Corporation (TSX-V: SGR) is operating two mines and a mill. The Company is interested in the claim for its potential to host similar mineralization to San Gold's nearby #2 and #3 gold zones.

### ***Background***

Little exploration has taken place on the claim which is located adjacent to San Gold's #3 zone. The #3 zone appears to be dipping onto the Cud claim and future work will focus on this exploration model. The property has good road access and drill hole collars on the neighboring San Gold property come within 50 meters of the Cud Claim property line.

### ***During the six months ended September 30, 2010***

No work was carried out on the property during the period.

### ***Subsequent Events***

There are no subsequent events to report.

### ***Activities Contemplated In The Future***

The Company is considering drill testing for the down dip extension of San Gold's #3 zone and also investigating potential partners for the project.

## RESULTS FROM OPERATIONS

### Selected Information

The Company's consolidated financial statements for the six months ended September 30, 2010 (the "Consolidated Financial Statements") have been prepared in accordance with Canadian generally accepted accounting principles and practices. Currency amounts are in Canadian dollars, except where stated otherwise. The following selected financial information is taken from the Consolidated Financial Statements and should be read in conjunction with those statements.

Financial Results	For the six months ended		
	September 30, 2010	September 30, 2009	September 30, 2008
Net loss	\$ 313,212	\$ 2,099,143	\$ 274,739
Basic loss per share	0.01	0.05	0.01

  

As at:	September 30, 2010	March 31, 2010	March 31, 2009
<b>Balance Sheet Data</b>			
Cash and short-term investments	\$ 467,314	\$ 266,046	\$ 480,023
Mineral properties	2,258,520	1,671,450	5,891,936
Total assets	2,797,882	1,970,133	6,441,893
Shareholders' deficit	(7,642,642)	(7,329,430)	(2,569,860)

### Six Months Ended September 30, 2010 compared with Six Months Ended September 30, 2009

The Company incurred a net loss of \$313,212 for the six months ended September 30, 2010; a decrease of \$1,785,931, compared to \$2,099,143 for the six months ended September 30, 2009. The result primarily was no property impairment which at September 30, 2009 there was a property impairment of \$1,951,802. There was an increase of \$165,871 for administration and operating costs which is a result of an increase in stock-based compensation of \$95,548 and an increase of \$89,074 in investor relation services which include more advertising, investor relation consultant retained and a larger number of press releases in the period. There was a decrease of \$18,750 in office costs

#### Investor relations

Investor relations expenses for the six months ended September 30, 2010 were \$91,991, an increase of \$89,074, from \$2,917 for the six months ended September 30, 2009. The increase is the result of retaining an IR consultant, increase number of press releases and more spent on advertising through additional mail blasts and conferences.

#### Stock-based compensation

The Company granted to directors, officers, employees and consultants of the Company incentive stock options to purchase up to 1,668,35 common shares exercisable at a price of \$0.15 per share for a 5 year term which some had vesting restrictions resulting in a stock-based compensation charge of \$130,525 of which \$95,548 being expensed and \$34,977 being capitalized.



### Operating expenses

During the six months ended September 30, 2010 the Company had a decrease of \$18,750 in general and administrative expenses. A decrease in Geological consulting fees, Consulting fees, Professional fees of \$40,753 was offset by an increase in transfer agent and regulatory fees and office operating costs of \$22,003.

### Management fees

During the six months ended September 30, 2010, the Company paid out the fees according to the amended contractual agreements as indicated in the related party note in this document.

### SUMMARY OF QUARTERLY RESULTS

	Three months ended			
	September 30, 2010	June 30, 2010	March 31, 2010	December 31, 2009
Net loss	\$ (110,840)	\$ (202,372)	\$ (2,619,934)	\$ (40,493)
Basic loss per share	0.00	0.00	(0.06)	0.00

	Three months ended			
	September 30, 2009	June 30, 2009	March 31, 2009	December 31, 2008
Net loss	\$ (2,030,868)	\$ (68,275)	\$ (263,844)	\$ (232,526)
Basic loss per share	(0.05)	0.00	(0.01)	(0.01)

#### Balance Sheet Data

As at:	September 30, 2010	June 30, 2010	March 31, 2010	December 31, 2009
Working capital/ (deficit)	\$ 357,797	\$ 646,087	\$ (10,561)	\$ (32,243)
Mineral properties	2,258,520	2,041,017	1,671,450	4,197,058
Total assets	2,797,882	3,082,951	1,970,133	4,438,809
Shareholders' equity	2,652,446	2,723,817	1,678,270	4,183,019

  

As at:	September 30, 2009	June 30, 2009	March 31, 2009	December 31, 2008
Working capital	\$ 114,619	\$ 241,995	\$ 350,810	\$ 440,408
Mineral properties	4,053,992	5,952,861	5,891,936	6,003,441
Total assets	4,443,684	6,433,750	6,441,893	6,628,949
Shareholders' equity	4,209,012	6,238,880	6,290,885	6,491,063

### LIQUIDITY AND CAPITAL RESOURCES

As at September 30, 2010, the Company has cash of \$467,314. The Company has slowed its utilization of its cash resources on administrative requirements and the funding of Manitoba projects while it concentrates on the Rosebud drill program. The Company has no significant income, and will rely on replenishing cash balances by capital fundraising.

The Company's operations to date have been primarily financed by sales of equity securities. The Company continues to seek capital through various means including the issuance of equity and/or debt.

The financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future.

### OUTSTANDING COMMON SHARE DATA

During the six month period ended September 30, 2010, the Company issued 13,275,000 common shares. The Company issued the 75,000 common shares for mineral properties and 13,000,000 for a non-brokered private placement and 200,000 on the exercise of stock options.

As at September 30, 2010, the Company had 57,918,245 common shares issued and outstanding.

As at the date of this MD&A, the Company had 57,918,245 common shares issued and outstanding.

## **RELATED PARTY TRANSACTIONS**

Except as disclosed elsewhere in these financial statements, related party transactions are in the normal course of operations and are measured at their exchange amounts, which is the amount of consideration paid or received as agreed by the parties. Related party transactions are as follows:

### **a. Contractual commitments with related parties**

- i) On January 1, 2008, the Company entered into a management agreement with an officer and director to fulfil the role as President for a period of 5 years. On October 1, 2008, the Company reduced fees for an amended monthly fee of \$2,500. On September 1, 2009, the 5 year agreement was cancelled and a daily fee rate arrangement was instituted.
- ii) On January 1, 2008, the Company entered into a management agreement with an officer and director to fulfil the role as Chief Executive Officer for a period of 5 years. On October 1, 2008, the Company reduced fees for an amended monthly fee of \$2,500. On September 1, 2009 another amendment was done to adjust the monthly rate back to \$4,000 per month.
- iii) The Company entered into an independent contractor agreement with a director to fulfil the role as Exploration Geologist for a period of three years for an amended monthly fee of US\$7,500. On October 1, 2009 another amendment was done to adjust the monthly rate back to US\$10,000 per month.

### **b. Transactions with related parties**

The Company incurred expenditures for various services provided by directors and officers and corporations controlled by directors and officers of the Company during the period ended September 30, 2010 as follows:

- i) The Company paid or accrued \$64,832 (Sept 30, 2009 - \$83,845), in geological consulting fees to directors of the Company of which \$58,124 (Sept 30, 2009 - \$63,046) have been capitalized to mineral property expenditures as consulting services and property investigation costs and \$6,708 (Sept 30, 2009 - \$20,799) has been expensed to operations.
- ii) The Company paid or accrued \$32,400 (Sept 30, 2009 - \$27,900) in management fees to directors of the Company.
- iii) As of September 30, 2010, amounts due to related parties were \$140,374 (Sept 30, 2009 \$55,789) which were \$78,076 (Sept 30, 2009 - \$55,789) owing to a company related through directors of the Company for shared administration costs and \$62,298 (Sept 30, 2009 - \$76,000) owing to a director and an officer of the Company for management fees and geological fees. These amounts are non-interest bearing and have no fixed terms of repayment.
- iv) As of September 30, 2010, the amount paid to related parties in advance of services received were \$Nil (Sept 30, 2009 - \$4,000) which were recorded in receivables.

As of September 30, 2010 the Company paid or accrued \$Nil (Sept 30, 2009, \$2,396) which were amounts paid to a company related through an officer of the Company for option payments of the Garcia Flats Property (note 6)

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

## **SUBSEQUENT EVENTS**

Subsequent to September 30, 2010, the Company paid \$29, 398 for the RW property claims.

## **RISKS AND UNCERTAINTIES**

The Company is in the mineral exploration and development business and as such is exposed to a number of risks and uncertainties that are not uncommon to other companies in the same business. Exploration for mineral resources involves a high degree of risk, and the cost of conducting programs may be substantial and the likelihood of success is difficult to assess. The Company attempts to mitigate its exploration risk through joint ventures with other companies.

Beyond exploration risk, management is faced with other possible risks which include the following:

### Metal Price Risk

The price of gold greatly affects the value of the Company and the potential value of its properties and investments. This, in turn, greatly affects its ability to form joint ventures and the structure of any joint ventures formed.

### Financial Market Risk

The Company is dependent on the equity markets as its sole source of operating working capital and the Company's capital resources are largely determined by the strength of the resource markets and by the status of the Company's projects in relation to these markets, and its ability to compete for the investor support of its projects.

### Title Risk

The Company has investigated its right to explore and exploit its properties and, to the best of its knowledge, has title to properties in which it has a material interest. However, the results of the Company's investigations should not be construed as a guarantee of title.

### Environmental Risk

The Company seeks to operate within environmental protection standards that meet or exceed existing requirements in the country in which the Company operates. Present or future laws and regulations, however, may affect the Company's operations. Future environmental costs may increase due to changing requirements or costs associated with exploration and the developing, operating and closing of mines. Programs may also be delayed or prohibited in some areas. Although minimal at this time, site restoration costs are a component of exploration expenses.

### Value Risk

There is no certainty that the properties which the Company has deferred as assets on its consolidated balance sheet will be realized at the amounts recorded. These amounts should not be taken to reflect realizable value.

Should one or more of these risks and uncertainties materialize, or should underlying assumptions prove incorrect, then actual results may vary materially from those described on forward-looking statements. The Company has not

completed a feasibility study on any of its properties to determine if it hosts a mineral resource that can be economically developed and profitably mined.

#### **OFF-BALANCE SHEET ARRANGEMENTS**

The Company did not enter into any off-balance sheet arrangements during the period.

#### **MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS**

The information provided in this report, including the financial statements, is the responsibility of management. In the preparation of these statements, 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 the accompanying interim consolidated financial statements.

#### **CAUTION REGARDING FORWARD LOOKING STATEMENTS**

Statements contained in this MD&A that are not historical facts are forward-looking statements (within the meaning of the Canadian securities legislation and the U.S. Private Securities Litigation Reform Act of 1995) that involve risks and uncertainties. Forward-looking statements include, but are not limited to, statements with respect to the future price of metals; the estimation of mineral reserves and resources, the realization of mineral reserve estimates; the timing and amount of estimated future production, costs of production, and capital expenditures; costs and timing of the development of new deposits; success of exploration activities, permitting time lines, currency fluctuations, requirements for additional capital, government regulation of mining operations, environmental risks, unanticipated reclamation expenses, title disputes or claims, limitations on insurance coverage and the timing and possible outcome of pending litigation. In certain cases, forward-looking statements can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or state that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved". Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such risks and other factors include, among others, risks related to the integration of acquisitions; risks related to operations; risks related to joint venture operations; actual results of current exploration activities; actual results of current reclamation activities; conclusions of economic evaluations; changes in project parameters as plans continue to be refined; future prices of metals; possible variations in ore reserves, grade or recovery rates; failure of plant, equipment or processes to operate as anticipated; accidents, labour disputes and other risks of the mining industry; delays in obtaining governmental approvals or financing or in the completion of development or construction activities, as well as those factors discussed in the sections entitled "Risks and Uncertainties" in this MD&A. Although the Company has attempted to identify important factors that could affect the Company and may cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. The forward-looking statements in this MD&A speak only as of the date hereof. The Company does not undertake any obligation to release publicly any revisions to these forward-looking statements to reflect events or circumstances after the date hereof to reflect the occurrence of unanticipated events.

Forward-looking statements and other information contained herein concerning the mining industry and general expectations concerning the mining industry are based on estimates prepared by the Company using data from publicly available industry sources as well as from market research and industry analysis and on assumptions based on data and knowledge of this industry which the Company believes to be reasonable. However, this data is inherently imprecise, although generally indicative of relative market positions, market shares and performance characteristics. While the Company is not aware of any misstatements regarding any industry data presented herein, the industry involves risks and uncertainties and is subject to change based on various factors.

#### **INTERNAL CONTROLS OVER FINANCIAL REPORTING**

There have been no changes in the Company's internal control over financial reporting that occurred during the Company's most recent year end that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting.

#### **APPROVAL**

The Board of Directors of Harvest Gold Corporation has approved the disclosure contained in this MD&A. A copy of this MD&A will be provided to anyone who requests it.

#### **CRITICAL ACCOUNTING POLICIES**

Management has prepared the consolidated financial statements of the Company in accordance with Canadian generally accepted accounting policies and are stated in Canadian dollars. The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect amounts reported in the financial statements. Actual results could differ from those estimates.

#### **RECENT ACCOUNTING POLICY CHANGES**

##### **International Financial Reporting Standards ("IFRS")**

In February 2008, the AcSB confirmed that Canadian GAAP for publicly accountable enterprises will be converged with IFRS effective in calendar year 2011, with early adoption allowed starting in calendar year 2009. IFRS uses a conceptual framework similar to Canadian GAAP, but there are significant differences on recognition, measurement and disclosures. In the period leading up to the changeover, the AcSB will continue to issue accounting standards that are converged with IFRS, thus mitigating the impact of adopting IFRS at the changeover date. The International Accounting Standard Board (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 at the conversion date are known.

For the Corporation, the changeover to IFRS will be required for interim and annual financial statements beginning on April 1, 2011. In order to prepare for the changeover to IFRS, the Company has developed an IFRS conversion plan comprised of the following:

- (a) Identification of differences in Canadian GAAP and IFRS accounting policies and choices and their impacts on the Company's financial statements.
- (b) Selection of the Company's continuing IFRS policies.
- (c) Changes in note disclosures.
- (d) Information technology and data system requirements.
- (e) Disclosure controls and procedures, including investor relations and external communications plans related to the IFRS conversion.

(f) Identification of impacts of IFRS conversion on Internal Controls over Financial Reporting.

It is not practically possible at this time to quantify the impact of these differences. The Company expects to make changes to processes and systems in time to enable the Company to record transactions under IFRS for the fiscal year ending March 31, 2011 and ensure that they may be presented for comparative purposes in all fiscal 2012 financial reporting.

**Business Combinations – Section 1582**

In January 2009, the CICA issued Section 1582, Business Combinations, which will provide the Canadian equivalent to International Financial Reporting Standard IFRS 3, Business Combinations, and replace the existing Section 1581, Business Combinations. The new standard will apply prospectively to business combinations for which the acquisition date is on or after January 1, 2011. Earlier adoption is permitted as of the beginning of a fiscal year, in which case an entity would also early adopt Section 1601, Consolidated Financial Statements and Section 1602, Non-controlling Interests. Management does not expect that the adoption of this new standard will have significant impact on the Company's financial statements.

**Consolidated Financial Statements – Section 1601**

In January 2009, the CICA issued Handbook Section 1601, Consolidated Financial Statements, which establishes standards for the preparation of consolidated financial statements and will replace the existing Handbook Section 1600, Consolidated Financial Statements. The new standard is effective for interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Earlier adoption is permitted as of the beginning of a fiscal year, in which case an entity would also early adopt Handbook Section 1582, Business Combinations, and Handbook Section 1602, Non-Controlling Interests. Management does not expect that the adoption of this new standard will have significant impact on the Company's financial statements.

**Non-Controlling Interests – Section 1602**

In January 2009, the CICA issued Handbook Section 1602, Non-Controlling Interests, which establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. It is equivalent to the corresponding provisions of International Financial Reporting Standard IAS 27, Consolidated and Separate Financial Statements. The new standard is effective for interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Earlier adoption is permitted as of the beginning of a fiscal year, in which case an entity would also early adopt Section 1582, Business Combinations, and Section 1601, Consolidated Financial Statements. Management does not expect that the adoption of this new standard will have significant impact on the Company's financial statements.

**Going concern issue**

The Company is in the exploration stage and has no revenue or income from operations. The Company has limited capital resources and has to rely upon the sale of equity and/or debt securities for cash required for exploration and development purposes, for acquisitions and to fund the administration of the Company. Since the Company does not expect to generate any revenues from operations in the near future, it must continue to rely upon the sales of its equity or debt securities or joint venture agreements to raise capital. It follows that there can be no assurance that financing, whether debt or equity, will be available to the Company in the amount required by the Company at any particular time or for any period and that such financing can be obtained on terms satisfactory to the Company.

The Company's financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future.

The continuing operations of the Company are dependent upon its ability to obtain the necessary financing to meet its ongoing commitments and further its mineral exploration programs.

The Company may encounter difficulty sourcing future financing in light of the recent economic downturn. The current financial equity market conditions and the inhospitable funding environment make it difficult to raise capital through the private placements of shares. The junior resource industry has been severely affected by the world economic situation as it is considered speculative and high-risk in nature, making it even more difficult to fund. While the Company is using its best efforts to achieve its business plans by examining various financing alternatives, there is no assurance that the Company will be successful with any financing ventures.

#### **OTHER INFORMATION**

Additional information is available on the Company's website at [www.harvestgoldcorp.com](http://www.harvestgoldcorp.com).