



## Management' Discussion & Analysis

For the Quarter Ended April 30, 2010

### INTRODUCTION

*The following Management' Discussion and Analysis (MD&A) relates to the financial condition and results of operations of **Tagish Lake Gold Corp.** (the "Company" or "**Tagish**"), for the quarter ending **April 30, 2010**. The MD&A is prepared to conform to National Instrument 51-102F1 and has been approved by the Company's Audit Committee and Board of Directors prior to release. Readers are encouraged to consult the Company's audited consolidated financial statements and corresponding notes to the financial statements for the year ended October 31, 2009 for additional details, which are available on the Company's website and on SEDAR. Readers are cautioned that the MD&A contains forward-looking statements and that actual events may vary from management's expectations. The financial statements and MD&A are presented in Canadian dollars and have been prepared in accordance with Canadian Generally Accepted Accounting Principles ("Canadian GAAP"). The MD&A has been prepared as of June 29, 2010.*

The Company's shares are listed on the TSX-V (trading symbol – "TLG").

### **The Company obtained creditor protection under the Companies' Creditors arrangement Act ("CCAA").**

On April 9, 2010, the Company obtained creditor protection under the Companies' Creditors arrangement Act ("CCAA"). The CCAA Order imposes a stay on any enforcement proceedings.

The Company's day to day operations did continue without interruption. The Company remained in good standing with its Registrar and Transfer Agent.

The CCAA process is aimed to allow the Company to deal comprehensively with its debt burden and to restructure its operations. The Company had over \$7,000,000 in total current liabilities as of January 31, 2010, including secured and unsecured amounts due to its trade and general creditors, and it is currently unable to meet those liabilities as they become due.

On May 7, 2010, the creditor protection under CCAA provided in the Initial Order was confirmed and extended to July 7, 2010. At the same time the Court granted an order that the time for holding the annual general meeting of shareholders of the Company be postponed until further Order of the Court and a claims process for the Company's creditors was approved. In accordance with the claim process, the creditors were required to present their proof of claims to the monitor before 4:30 pm on June 11, 2010.

The monitor has received proof of claims from creditors and subject to reviewing the legitimacy of the proof of claims, the claims total \$8,722,983. Although the Company's records reflected outstanding debt of \$7,396,140, it is frequent in the reorganization process to have proof of claims amounts that do not totally align with the Company books. The monitor will notify

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creditors before July 7, 2010 those with claims that are unfounded or not properly supported. A claim resolution process will then be engaged. In the course of the Company's reorganization, all claims will be finally reconciled and determined.

The six directors, who were appointed in late November, 2009, are committed to restructuring the Company's affairs and to quickly resuming development of the Mt. Skukum properties.

## **Overview of Business**

Tagish Lake Gold Corp. is a Canadian-based exploration company with a 100% interest in the Skukum Mineral District in south-central Yukon Territory. Three identified deposits of high-grade gold and gold/silver are in the Mineral District;

- a) past producer Mount Skukum,
- b) Skukum Creek and
- c) Goddell Gully.

Extensive additional exploration potential has been demonstrated by previous operators and owners. Located 80 km (about one hour drive) from Whitehorse, capital of the Yukon, the Skukum Mineral District is accessible year round by an all-weather road. A 270 t/d mill from the 1980s still remains on the property. A 55-man all-season camp is also on site.

Skukum Creek is the most advanced deposit in the portfolio in terms of high-grade gold and silver, accessibility of the resource, underground work, metallurgy and demonstrated viability. The work on the deposit has been ongoing through adit access on two levels and a decline. Currently known zones are subvertical and above the proposed lower adit access. Multiple zones can also be accessed from different levels. This deposit is located 6 kilometers by all-weather haul road from the mill and ancillary facilities.

The Goddell Gully and Mount Skukum deposits are also linked to the central facility by an all-weather road, as are a number of high potential exploration targets throughout the 178 km<sup>2</sup> property. Once production at Skukum Creek is achieved, a fast track program to production is planned for these other deposits.

The Company conducted a pre-feasibility study in 2003, which was last updated in February 2008.

Measured and Indicated Resources for the Skukum Creek deposit are estimated to be over 1,020,000 tonnes with average grades of 5.68 grams of gold per tonne and 203 grams of silver per tonne, at a 5 g/t cutoff. Inferred resources are now estimated to 160,000 tonnes with average grades of 7.70 grams of gold per tonne and 176 grams of silver per tonne, at a 5 g/t cutoff.

The Company does not currently derive any revenue from operations.

## **OVERALL PERFORMANCE**

During the quarter, the Company limited exploration expenses and worked towards finding a partner/investor to continue exploration and development.



### Skukum Creek

Two employees are on site to safeguard the assets.

In the summer 2009, Chinese geologists were on site to assess the resources.

### Goddell Gully & Mount Skukum

No activities

### Financings

On April 6, 2010 the Company closed a non-brokered private placement with Yukon-Shaanxi Mining Company Inc. for a total of 14,264,000 shares at \$0.05 per share for total proceeds of \$713,200. In accordance with securities legislation currently in effect, the shares are subject to a “hold period” of four months plus one day expiring on August 7, 2010.

### Yukon-Shaanxi Mining Company

Since 2008 the Company had been in discussion with Yukon-Shaanxi Mining Company (YSM) for a possible amalgamation. On September 24, 2009, YSM terminated the Amalgamation Agreement.

On November 17, 2009, Macquarie has assigned all of its interests with respect to the interest-bearing loan of \$1,500,000 pursuant to the Credit Facility Agreement dated June 7, 2007 to Yukon-Shaanxi Mining Company Inc..

During the quarter, YSM has advanced \$146,580 to the Company.

### Results of operations – Second Quarter ended April 30, 2010

	Quarter Ended April 30, 2010	Quarter Ended January 31, 2010	Quarter Ended October 31, 2009	Quarter Ended July 31, 2009	Quarter Ended April 30, 2009	Quarter Ended Jan 31, 2009	Quarter Ended Oct 31, 2008	Quarter Ended July 31, 2008
<b>Income statement</b>								
Total revenue	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Loss per quarter	956,789	225,443	27,810,314	200,291	193,980	230,964	(424,205)	333,383
Loss per Share	0.007	0.002	0.230	0.001	0.001	0.001	(0.001)	0.003

For the second quarter ended April 30, 2010, the Company realized a net loss of \$956,789 or \$0.007 per share, compared to a loss of \$193,980 or \$0.001 per share in 2009.

The accounts that have varied substantially during the quarter compared to the same quarter the previous year are as follows:



	Q2 2010	Q2 2009	Difference	Explanation
Management fees	532,479	41,150	491,329	In 2010, 11,981,700 options were issued to directors and consultant and the Company recorded \$532,479 as stock based compensation.
Write-down of Resource Properties	84,246	0	84,246	In 2010, management considered the carrying value of the property and recorded an impairment charge to reduce the carrying amount to \$1,500,000.
Professional fees	182,610	37,673	144,937	In 2010, increase of professional fees due to CCAA process.

### Results of operations – Six months ended April 30, 2010

For the six months ended April 30, 2010, the Company realized a net loss of \$1,182,231 or \$0.009 per share, compared to a loss of \$424,945 or \$0.002 per share in 2009.

The accounts that have varied substantially during the six months ended April 30 compared to the same period in the previous year are as follows:

	2010	2009	Difference	Explanation
Management fees	542,479	150,800	391,679	In Q2 2010, 11,981,700 options were issued to directors and consultant and the Company recorded \$532,479 as stock based compensation.
Professional fees	192,785	79,840	110,945	In 2010, increase of professional fees due to CCAA process.
Write-down of Resource Properties	149,955	0	149,955	In 2010, management considered the carrying value of the property and recorded an impairment charge to reduce the carrying amount to \$1,500,000.



## Resource Properties

During the quarter \$84,246 was spent on the resource properties. The expenses related to site supervision, equipment rental and other expenses to the camp. The Skukum Creek, Goddell and Charleston mineral blocks are part of the Skukum Property, which consists of a total of 982 mineral claims in the Whitehorse Mining District, Yukon.

Investment in and expenditures on resource properties	October 31, 2009	Incurred during Q1 2010	Incurred during Q2 2010	April 30, 2010
<b>Skukum Creek</b>				
Acquisition costs	265,573	0	0	265,573
Geological & geophysical	3,288,325	0	0	3,376,325
Underground work & equipment rental	10,473,954	0	0	10,473,954
Drilling	1,151,182	0	0	1,151,182
Site supervision	843,647	0	0	843,647
Camp	1,114,424	62,064	74,317	1,229,073
Road work	774,150	2,700	9,928	786,778
Environmental	596,508	0	0	596,508
Assaying	344,229	0	0	344,229
Engineering & Other	687,762	0	0	687,762
Other	451,718	945	0	452,663
	19,991,473	65,709	84,246	20,119,695
Impairment	(18,491,473)	(65,709)	(84,246)	(18,619,695)
<b>Total Skukum Creek</b>	<b>1,500,000</b>	<b>0</b>	<b>0</b>	<b>1,500,000</b>
<b>Goddell</b>				
Acquisition costs	395,443	0	0	395,443
Geological & geophysical & Underground work	9,864,957	0	0	9,864,957
Drilling	77,379	0	0	77,379
Assaying	13,681	0	0	13,681
	10,351,460	0	0	10,351,460
Impairment	(10,351,460)	0	0	(10,351,460)
<b>Total Goddell</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Charleston</b>				
Geological & geophysical	10,637	0	0	10,637
	10,637	0	0	10,637
Impairment	(10,637)	0	0	(10,637)
<b>Total Charleston</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>TOTAL</b>	<b>1,500,000</b>	<b>0</b>	<b>0</b>	<b>1,500,000</b>



## **Liquidity & financial condition**

At April 30, 2010 the Company has cash of \$82,538 (October 31, 2009, \$9,716), a working capital deficiency of \$6,711,534 (October 31, 2009 \$6,795,548) and is essentially insolvent unless future financing initiatives and/or restructuring are successful. While the Company has been successful in raising debt and equity funds in the past, it is uncertain whether it will be able to raise sufficient funds in the future.

As at April 30, 2010, the Company had accounts payable and accrued liabilities of \$4,333,452 (October 31, 2009 \$4,284,882), bank loan of NIL\$ (October 31, 2009 - \$1,500,000), secured loan from YSM due immediately of \$1,884,421 and advances from YSM of \$1,054,686. The Company has other advances of \$71,114 due within the next year and \$52,467 due in 2018.

The Company took a bank loan of \$1,500,000 with Macquarie in 2007 pledging all of the assets of the Company as collateral. The original due date was June 9, 2009. Since the loan was not repaid in June 2009, the interest according to the Credit Facility was increased from LIBOR plus 2.5% to LIBOR plus 4.5 %.

In April 2008, the Company was in default and Macquarie served the Company a Notice of Intention to enforce its security but Macquarie did not take further actions.

On November 17, 2009, Macquarie has assigned all of its interests with respect to the interest-bearing loan of \$1,500,000 pursuant to the Credit Facility Agreement dated June 7, 2007 to Yukon-Shaanxi Mining Company Inc..

As at April 30, 2010, the Company owes \$2,939,107 to YSM. It consists of:

- \$1,884,421 for the bank loan bought from Macquarie which bears interest at LIBOR plus 4.5%. All of the assets of the Company are pledged as collateral.
- \$1,054,686 for advances and interest. The advances are unsecured and bear interest at prime plus 5% per annum and have no specified terms of repayment.

Six vendors including YSM have filed claims against the Company to collect payment on outstanding balances owed to them by the Company. These amounts are included in accounts payable and accrued liabilities.

The ongoing future of the Company is contingent upon CCAA reorganization, ongoing financial support from YSM or another party, or additional equity financing. The current financial equity market conditions, the challenging funding environment and the low price of the Company's common shares make it difficult to raise funds by placement of common shares.

There can be no assurance, however, that the Company will be able to obtain continued financial support from YSM or sufficient additional resources from other sources, nor can there be any assurance that the creditors will accept the proposal. The financial support from YSM is not in the normal course of business for the Company or the industry.

If the Company is unsuccessful in generating resources from one or more of the anticipated sources and is unable to replace any shortfall with resources from another source, it will not be able to meet its obligations and its operations would be materially, adversely affected.



The Company does not currently derive any revenue from operations and its ability to conduct continuing operations, including the acquisition and exploration of mineral properties, is based on the ability to raise financing.

There can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favorable. If adequate financing is not available when required, the Company may be required to delay, scale back or eliminate various programs and may be unable to continue operating. The Company may seek such additional financing through debt or equity offerings, but there can be no assurance that such financing will be available on terms acceptable to the Company, or at all. Any equity offering will result in dilution to the ownership interests of the Company's shareholders and may result in dilution to the value of such interests.

The Company's revenues, if any, are expected to be in large part derived from the mining and sale of gold, silver, or interests related thereto. The economics of developing and producing gold-silver from the Company's properties are affected by many factors, including the cost of operations, variations in the grade of ore mined and the prices of gold and silver. Depending on the prices of gold and silver, the Company may determine that it is impractical to commence commercial production. The prices of gold and silver have fluctuated widely in recent years. Gold and silver prices are affected by many factors beyond the Company's control, including anticipated changes in international investment patterns and monetary systems, economic growth rates, political developments, extent of sales of reserves by governments and shifts in the private supply of and demand for gold and silver. The supply of gold consists of a combination of new mine production and existing stocks held by governments, producers, financial institutions and consumers. If the market price for gold should fall below the Company's full production costs and remain at such levels for any sustained period of time, the Company would experience losses and might decide to discontinue development of projects on its properties.

Acquisition and exploration costs of mineral properties are deferred in the Company's accounts. These costs will be amortized when production is attained. Where properties are abandoned or operations discontinued, costs relating to these properties are written off.

### **Total debts and obligations are due as follows:**

<b>Debts &amp; obligations</b>	<b>Payments Due by period</b>				
	<b>Total</b>	<b>Less than 1 year</b>	<b>1-3 years</b>	<b>4-5 years</b>	<b>After 5 years</b>
Secured loan from YSM	1,884,421	1,884,421	0	0	0
Unsecured loan from YSM	1,054,686	1,054,686	0	0	0
Accounts payable and accrued liabilities	4,333,452	4,333,452	0	0	0
Advances due within a year	71,114	71,114	0	0	0
Advances due after a year	52,467		0	0	52,467
Capital lease obligations	0	0	0	0	0
Operating leases	35,044	13,741	21,303	0	0
Purchase obligations	0	0	0	0	0
Other long term obligation	0	0	0	0	0
<b>Total</b>	<b>7,431,184</b>	<b>7,357,414</b>	<b>21,303</b>	<b>0</b>	<b>52,467</b>



## Capital Resources & Outstanding Share Data

The following table summarizes our outstanding share capital as at April 30, 2010:

Security	April 30, 2010
Shares Authorized: Unlimited	
Common shares issued and outstanding:	144,081,204
Stock Options	12,981,700
Warrants	201,600
Fully diluted Common shares	157,264,504

No shares, warrant or options were issued between April 30, 2010 and June 30, 2010.

## Off-Balance Sheet Arrangements

The Company has not entered into any off-balance sheet transactions.

## Transactions with Related Parties

There were no advances to directors as of April 30, 2010.

### During the Quarter Ended April 30, 2010, the Company:

- i) incurred directors fees of \$18,000 to six directors: Robert Chafee, Graham Dickson, Sun Feng, Neil Steenberg, Ren Xiaohua and Peter Holbek.

### Accounts payable, accrued liabilities and loan due to related party as at April 30, 2010 include:

- i) \$66,000 payable to directors for directors' fees. Robert Chafee \$36,000, Graham Dickson \$6,000, Sun Feng \$6,000, Neil Steenberg \$6,000, Ren Xiaohua \$6,000 and Peter Holbek \$6,000.
- ii) \$43,589 payable to a director, Robert Chafee, for advances made to the Company by way of notes. The notes are unsecured, bear interest at 12% per annum payable bi-annually in arrears on June 30 and December 31; \$2,500 matured on December 31, 2010, and \$35,000 matures on December 31, 2018.

## Proposed Transactions

None

## Subsequent Events

On May 3, 2010, the receivable of \$500,000 from the private placement was received and deposited in the bank account



On May 7, 2010, the creditor protection under CCAA provided in the Initial Order was confirmed and extended to July 7, 2010. At the same time the Court granted an order that the time for holding the annual general meeting of shareholders of the Company be postponed until further Order of the Court and a claims process for the Company's creditors was approved. In accordance with the claim process, the creditors were required to present their proof of claims to the monitor before 4:30 pm on June 11, 2010.

The monitor has received proof of claims from creditors and subject to reviewing the legitimacy of the proof of claims, the claims total \$8,722,983. Although the Company's records reflected outstanding debt of \$7,396,140, it is frequent in the reorganization process to have proof of claims amounts that do not totally align with the Company books. The monitor will notify creditors before July 7, 2010 those with claims that are unfounded or not properly supported. A claim resolution process will then be engaged. In the course of the Company's reorganization, all claims will be finally reconciled and determined.

## **Critical Accounting Estimates**

The Company's Discussion and Analysis of its financial condition and results of operations, including the discussion on liquidity and capital resources, are based on its financial statements that have been prepared in accordance with Canadian Generally Accepted Accounting Principles (GAAP). The preparation of these financial statements requires management to make estimates and judgments that affect reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an ongoing basis, management re-evaluates its estimates and judgments, particularly those related to the determination of the impairment of long-lived assets. Management bases its estimates and judgments on historical experience, contractual arrangements and commitments and on various other assumptions that it believes are reasonable in the circumstances. Changes in these estimates and judgments will impact the amounts recognized in the financial statements, and the impact may be material. Management believes the following critical accounting policies require more significant estimates and judgments in the preparation of the financial statements.

### **Going Concern:**

The financial statements have been prepared on the going concern basis, which assumes the realization of assets and liquidation of liabilities in the normal course of operations. If the Company was not to continue as a going concern, it would likely not be able to realize on its assets at values comparable to the carrying value or the fair value estimates reflected in the balances set out in the preparation of the consolidated financial statements. The Company anticipates the need to raise additional private placement debt or equity funds or through joint venture arrangements or to get the ongoing financial support from Yukon-Shaanxi Mining Company Inc. ("YSM") or another party to accomplish its budgeted expenditures. These private placements are not assured. Failure to raise additional funds may result in the Company being unable to complete its planned programs, curtailing operations or writing down its assets.

### **Capitalization of exploration and development costs:**

For Canadian GAAP purposes, the Company capitalizes mineral exploration and development costs incurred. The recoverability of the capitalized costs includes considerations primarily of management's exploration and holding plans and expectations with respect to the property, potential mineralization, costs to recover, commodity prices and the potential for third party agreements on development. Certain of these factors are beyond the Company's control.

**Impairment of long-lived assets:**

The Company reviews its property, plant and equipment and mineral properties quarterly to determine whether the value of the asset in the accounts will be recoverable in the future. This process involves comparing the fair value of the assets in a reporting unit to the carrying value in the accounts. In the event the carrying value of the assets in the account exceeds the fair value, the excess is charged to operations in the period when this determination has been made.

**Asset retirement obligation:**

Reclamation costs are estimated at their fair value based on the estimated timing of reclamation activities and management's interpretation of the current regulatory requirements in the jurisdiction in which the Company operates. Changes in regulatory requirements and new information may result in revisions to these estimates. The estimation of the asset retirement obligations on the properties in Yukon is minimal as there is no production.

**Future income taxes:**

The Company uses the asset and liability method of accounting for taxes. Under this method, future income tax assets and liabilities are recognized based on temporary differences between accounting and tax bases of assets and liabilities as well as the benefit of losses available to be carried forward for future years for tax purposes. Future income tax assets and liabilities are measured using enacted or substantively enacted tax rates and laws that will be in effect when differences are expected to reverse.

**Stock-based compensation:**

The Company uses the Black-Scholes option pricing model to evaluate the fair value of stock options granted which requires the usage of several estimates: estimated outstanding life of the stock options granted, risk free rate and volatility. Results using the Black-Scholes model differ from real world prices due to simplifying assumptions of the model.

**IMPACT OF ADOPTION OF NEW ACCOUNTING POLICIES****RECENT ACCOUNTING PRONOUNCEMENTS**

Recent accounting pronouncements issued which may impact us in the future are as follows:

**Amendments to Section 1400 – Going-Concern**

Handbook Section 1400, "General Standards of Financial Statement Presentation" requires management to assess an entity's ability to continue as a going concern. When management is aware of material uncertainties related to events or conditions that may cast doubt on an entity's ability to continue as a going concern, those uncertainties must be disclosed. In assessing the appropriateness of the going concern assumption the standard requires management to consider all available information about the future which is, at least, but not limited to, twelve months from the balance sheet date. Adoption of the standard had no impact on the Company's financial statements.

**FUTURE ACCOUNTING STANDARD**

International Financial Reporting Standards ("IFRS")

**IFRS Convergence**

In February 2008, the Canadian Accounting Standards Board confirmed January 1, 2011 as the changeover date to move financial reporting for Canadian publicly accountable enterprises to the International Financial Reporting Standards ("IFRS").



### **Formation**

The CFO participated in training sessions given by the Canadian Institute of Chartered Accountants (CICA). The objective of those trainings was to compare Canadian GAAP to IFRS and some sessions were specific to the mineral and mining sector. As IFRS is expected to change prior to 2011, the CFO is looking for any changes impacting the Company.

### **Accounting Policies impacted**

The detailed analysis of the accounting policies impacted by the IFRS convergence is expected to be completed throughout 2010. Overall, a lot of effort will be put in the financial statements presentation as IFRS requires more disclosure. Based on the analysis of expected accounting differences conducted so far, following is a non-exhaustive list of the IFRS accounting policies that could have a potential impact on the financial statements of the Company.

### **First Time adoption (IFRS 1)**

IFRS 1 provides guidance to entities on the general approach to be taken when first adopting IFRS. The underlying principle of IFRS 1 is retrospective application of IFRS standards in force at the date an entity first reports using IFRS. IFRS 1 acknowledges that full retrospective application may not be practical or appropriate in all situations and prescribes:

- \* Optional exemptions from specific aspects of certain IFRS standards in the preparation of the Company's opening balance sheet; and
- \* Mandatory exceptions to retrospective application of certain IFRS standards.

Additionally, to ensure financial statements contain high-quality information that is transparent to users, IFRS 1 contains disclosure requirements to highlight changes made to financial statement items due to the transition to IFRS.

### **Impairment (IAS 36, IAS36)**

IFRS required the use of a one-step impairment test (impairment testing is performed using discounted cash flows) rather than the two-step under Canadian GAAP (using undiscounted cash flow as a trigger to identify potential impairment loss). IFRS requires reversal of impairment losses (excluding goodwill) where previous adverse circumstances have changed; this is prohibited under Canadian GAAP.

Impairment testing should be performed at the asset level for long-lived assets and intangible assets. Where the recoverable amount cannot be estimated for individual assets, it should be estimated as part of a Cash Generating Unit ("CGU").

### **Share-based payments (IFRS 2)**

Per IFRS, the forfeiture rate, with respect to share options, needs to be estimated by the Company at the grant date instead of recognizing the entire compensation expense and only record actual forfeitures as they occur. For graded-vesting features, IFRS requires each installment to be treated as a separate share option grant, because each installment has a different vesting period and hence the fair value of each installment will differ.

### **Mineral property interest, exploration and evaluation costs (IFRS 6)**

Under IFRS, the Company would be required to develop an accounting policy to specifically and consistently identify which expenditures on exploration and evaluation activities will be recorded as assets. Unlike IFRS, Canadian GAAP indicates that exploration costs may initially be capitalized if the Company considers that such costs have the characteristics of property, plant and equipment. Exploration and evaluation assets shall be classified as either tangible or intangible according to the nature of the assets acquired.



### **Information systems**

The accounting processes of the Company are simple since it is still at the exploration stage and no major challenges are expected at this point to operate the accounting system under the IFRS. Nevertheless, some Excel spreadsheets will probably have to be adapted to support the change made in accounting policies. The Company has yet to establish if historical data will have to be regenerated to comply with some of the choices to be made under IFRS 1. As the Company will perform its accounting under Canadian GAAP from November 2010 to October 2011, it has yet to determine how it will generate in parallel the accounting under IFRS so that in 2011-12 it has the comparative available. Once the extent of the adjustments needed to convert to IFRS will be established, processes will be put in place effective November 2010 to generate the dual accounting.

### **Impact on the business**

The business processes of the Company are simple and no major challenges are expected at this point to operate under IFRS. The Company has no foreign currency transactions, no hedging activities, no debt and no capital obligations. The Company doesn't expect that IFRS will have an impact on the requirements or business processes when it enters in flow-through financing. The Company has no compensation arrangements that will be affected by the IFRS implementation. The Company's Stock Option Plan is not affected by ratios or financial targets. Business process will be monitored through 2010 to detect unsuspected impact.

### **Internal Controls**

Since the Company is a TSX Venture issuer, management does not make representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting, as defined in National 52-109. Management is responsible for ensuring that processes are in place to provide them with sufficient knowledge to support their certification of the financial statements and MD&A, more specifically assessing that the SEDAR filings are presenting fairly the results of the Company. Management will make sure that once the convergence process is completed, it can still certify its filings.

### **Financial Instruments and Other Instruments**

All financial instruments are classified as one of the following: held-to-maturity, loans and receivables, held-for-trading, available-for-sale, or other financial liabilities. Financial assets and liabilities held-for-trading are measured at fair value with gains and losses recognized in net income. Financial assets held-to-maturity, loans and receivables, and other financial liabilities are measured at amortized cost using the effective interest method. Available-for-sale instruments are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss) and reported in shareholders' equity. Any financial instrument may be designated as held-for-trading upon initial recognition.

Transaction costs that are directly attributable to the acquisition or issue of financial instruments that are classified as other than held-for-trading, which are expensed as incurred, are included in the initial carrying value of such instruments.

### **RISK ASSESSMENT**

There are numerous risks involved with gold mining and exploration companies and the Company is subject to these risks. The Company's major risks (in no particular order) and the



strategy for managing these risks are as follows:

**Gold price volatility:**

The price of gold has been historically volatile and this volatility will likely continue both near-term and long-term. The Company is not a producer. Conservative projections are utilized in forecasts.

**Technical Risks:**

Resource estimates involve a certain level of interpretation and professional judgment. The Company opted to utilize the services of MineTech International Inc. in its 43-101 compliant estimate for Skukum Creek project as of August 31, 2007. MineTech International Inc. also prepared a resource estimate prior to 2007 on the Skukum Creek project and is quite familiar with the property.

**Environmental risk:**

Environmental factors must be taken into account at all stages of project development and during mining operations. The Company understands that it is critical to long-term success to operate in an environmentally conscious manner.

**Safety risk:**

The mining business can present some significant safety risks during all phases of project/mine life. The Company has taken steps to mitigate these risks, of which the most significant has been implementation of safety programs for employees and contractors.

**Political risk:**

The mining business is subject to political risk, which varies considerably from country to country and, on a lesser scale, from jurisdiction to jurisdiction within a given country. Management has mitigated this risk by limiting its operations to Canada. While no jurisdiction is perfect, Canada is very politically stable.

**Ability to raise capital:**

The availability of capital is dependent on both macro-economic factors and the Company's track record in utilizing capital. Management attempts to use capital resources as efficiently as possible, while being aware if the need to invest money in the location of future gold-bearing ore bodies.

**Exploration for future gold resources and reserves:**

Exploration can be a very capital-intensive undertaking for the Company. Management understands this risk and attempts to spend as efficiently as possible. The Company determines an appropriate level of exploration expenditures during the budgeting process and the results of these programs are assessed to determine future level of exploration activity.

**Changes to Internal Controls**

There have not been any changes in the Company's internal control over financial reporting that occurred during the Company's most recent interim period that have materially affected, or are reasonably likely to materially affect the Company's internal control over financial reporting.

**FORWARD-LOOKING STATEMENTS**

Statements in this MD&A that are forward-looking are subject to various risks and uncertainties concerning specific factors. Such forward-looking information represents management's best



judgment based on information currently available. No forward-looking statement can be guaranteed and actual figures may vary materially. The Company does not assume the obligation to update any forward looking statement.

**CAUTIONARY NOTE REGARDING RESOURCES**

Readers should refer to continuous disclosure documents filed by Tagish at [www.sedar.com](http://www.sedar.com), for further information on mineral resources, which is subject to the qualifications and notes set forth therein [www.tagishgold.com](http://www.tagishgold.com)

**ADDITIONAL INFORMATION**

Additional information may be examined or obtained through the internet by accessing the Company's website at [www.tagishgold.com](http://www.tagishgold.com) or by accessing the Canadian System for Electronic Data Analysis and Retrieval (SEDAR) website at [www.sedar.com](http://www.sedar.com).