



("Nuukfjord" or "the Company")

**FORM 51-102F1  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE THREE AND NINE MONTH PERIOD ENDED JULY 31, 2010**

## **Introduction**

This management's discussion and analysis (MD&A) of Nuukfjord Gold Ltd. and its subsidiary, Storgold Resources Ltd, is the responsibility of management and covers the three and nine month period ending July 31, 2010. The MD&A takes into account information available up to and including August 30, 2010 and should be read together with the unaudited consolidated Financial Statements and notes for the quarter ended July 31, 2010 and with the audited consolidated financial statements, notes and MD&A for the periods ended October 31, 2009, December 31, 2009 and the Prospectus, all of which are available on the SEDAR website at [www.sedar.com](http://www.sedar.com).

Throughout this document the terms *we, us, our, the Company* and *Nuukfjord* refer to Nuukfjord Gold Ltd. All financial information in this document is prepared in accordance with Canadian generally accepted accounting principles (GAAP) and presented in Canadian dollars unless otherwise indicated.

## **Forward-Looking Statements**

Some of the statements contained in this document constitute forward-looking information within the meaning of the Securities Act (British Columbia), Securities Act (Ontario), Securities Act (Nova Scotia) and the Securities Act (Alberta). Forward-looking information includes disclosure regarding possible or anticipated events, conditions or results of operations which are based on assumptions about future economic conditions and courses of action, and includes future oriented financial information with respect to prospective results of operations or financial position or cash flow that is presented either as a forecast or a projection. Forward-looking information is often, but not always, identified by the use of words such as seek, anticipate, believe, plan, estimate, expect and intend; statements that an event or result is due on or may, will, should, could, or might occur or be achieved; and other similar expressions.

More specifically, forward-looking information contained here may include, without limitation, statements concerning Nuukfjord's plans for mineral properties in Greenland, the timing and amount of estimated future production and mine life, expected future prices of minerals, mineral reserve and mineral resource estimates, estimated capital and operating costs of the project, estimated capital pay-back period, estimated asset retirement obligations, timing of development and permitting time lines; all of which involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking information.

Forward-looking information contained here is based on material factors and assumptions and is subject to a variety of risks and uncertainties, which could cause actual events or results to differ materially from a

conclusion, forecast or projection in the forward-looking information. These include, without limitation, material factors and assumptions relating to, and risks and uncertainties associated with, the availability of financing for activities when required and on acceptable terms, the accuracy of the interpretation of drill results and the estimation of mineral resources and reserves, the geology, grade and continuity of mineral deposits, the consistency of future exploration, development or mining results with our expectations, metal price fluctuations, the achievement and maintenance of planned production rates, the accuracy of component costs of capital and operating cost estimates, current and future environmental and regulatory requirements, favourable governmental relations, the availability of permits and the timeliness of the permitting process, the availability of shipping services, the availability of specialized vehicles and similar equipment, costs of remediation and mitigation, maintenance of title to mineral properties, industrial accidents, equipment breakdowns, contractor's costs, remote site transportation costs, materials costs for remediation, labour disputes, the potential for delays in exploration or development activities, timely completion of future mineral reserve or resource estimates, timely completion of scoping or feasibility studies, the inherent uncertainty of production and cost estimates and the potential for unexpected costs and expenses, commodity price fluctuations, currency fluctuations, continuing global demand for base metals, expectations and beliefs of management and other risks and uncertainties as discussed in our Management's Discussion & Analysis. Although Nuukfjord has attempted to identify important factors that could 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. Should one or more of these risks and uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from any conclusions, forecasts or projections described in the forward-looking information. Accordingly, readers are advised not to place undue reliance on forward-looking information. Except as required under applicable securities legislation, we undertake no obligation to publicly update or revise forward-looking information, whether as a result of new information, future events or otherwise.

## Reserves and Resources

National Instrument 43-101 (43-101) of the Canadian Securities Administrators – Standards of Disclosure for Mineral Projects – requires that each category of mineral reserves and mineral resources be reported separately. Readers should refer to Nuukfjord's continuous disclosure documents available at [www.sedar.com](http://www.sedar.com) for this detailed information, which is subject to the qualifications and notes therein set forth.

## Description of Business

Nuukfjord is based in Vancouver and was incorporated on July 14, 2009 pursuant to the *Business Corporations Act* (British Columbia) and commenced business at that time. On April 27, 2010 the Company completed its Initial Public Offering ("IPO") by way of Prospectus, and began trading on the Toronto Stock Exchange (the "TSX" or "Exchange") under the symbol "NUU".

The Company is an exploration stage company in the business of acquiring, exploring and developing natural resource properties in Greenland. The Company has acquired all the issued and outstanding shares of Storgold Resources Ltd. ("Storgold") which holds an option to acquire up to a 65% interest in a 1,277km<sup>2</sup> property located in the Nuuk Fjord area of southwest Greenland (the "Property") from NunaMinerals A/S ("Nuna") subject to the terms of an agreement more particularly described in the Financial Statements. Refer to the Property and Exploration Summary below for more information on the project.

Since the commencement of business the Company has (i) acquired Storgold, (ii) raised sufficient funds to advance an initial \$3,000,000 toward the Phase 1 work program on the Property; (iii) completed the Company's IPO, raising \$9,000,000 and commenced trading on the TSX.

## Performance Summary

The following is a summary of significant events and transactions that occurred during the quarter ended July 31, 2010:

1. The Company advanced \$1,500,000 as required by the option agreement to Nuna Minerals A/S. This brought the aggregate to \$3,500,000 advanced to Nuna and completed Phase A, and the Company has earned an initial 15% interest.
2. The Company appointed D. Georg Hochwimmer as a director. Dr. Hochwimmer is the founder of the financial services firm General Research GmbH which for the past 10 years has provided corporate finance and advisory services to the mining and metals sector. He has extensive institutional and retail contacts throughout Europe and specializes in corporate and financial advice for emerging growth companies and in strategically placed financings. The addition of Dr. Hochwimmer's experience and knowledge to the Nuukfjord board will serve to broaden exposure throughout the European market and provide key insights to assist moving the company's assets forward
3. The Company engaged First Canadian Capital Corp. a Toronto-based investor-relations service provider, to act as a marketing and investor-relations consultant for the company. First Canadian provides corporate communications, investor-relations and market-awareness services to emerging small-cap and mid-cap public companies listed on North American stock exchanges. Under the terms of the agreement, Nuukfjord will pay First Canadian \$6,000 per month for a 12-month initial term and grant an option to acquire 75,000 shares, exercisable at 50 cents per share. The options are granted and will vest in accordance with the company's stock option plan.
4. The Company began drilling and regional exploration at the Nuukfjord gold project in Greenland. The planned program will include a 20-hole, 4,000-to-5,000-metre diamond drill program at the Storo gold deposit. The Storo deposit extends for at least 800 metres and is open for expansion along strike and down-dip. The Company is concurrently conducting regional-scale exploration on other high-priority areas within the under-explored 150-kilometre Nuukfjord Archean gold belt with the objective of generating additional drill targets
5. The Company appointed Aaron Keay as Chief Executive Officer. Mr. Keay is a co-founder of Nuukfjord and is responsible for overseeing the Company's business development, marketing and financing. He is a founding partner of Inform Capital Partners where he has been responsible for structuring and completing debt and equity financings for both public and private companies. Mr. Keay has developed a significant retail and institutional capital market network. Mr. Keay currently sits as a director on the board of Minaurum Gold and Valhalla Resources.

## Property and Exploration Summary

### Property Description, Area and Location

The Property covers an area of approximately 1,277 km<sup>2</sup> and encompasses much of the auriferous potential of the Nuuk Gold Province, southwest Greenland. The Property is located in the Nuuk Fjord area of southwest Greenland. The seven blocks are within a rectangular area defined by latitudes 63°45'N to 65°30'N and longitudes 51°40'W to 49°30'W and extend northeast for 150 km from 20 km south of Nuuk, the capital of Greenland.

The Property covers the known gold prospects in the Nuuk Gold Province and favourable geology believed to have excellent potential for new discoveries. The area has similar geological history to Archean greenstone belts in Ontario and Quebec, Canada however mineralized host rocks have been exposed to higher pressure and temperature metamorphic conditions; mainly amphibolite facies metamorphism.

### Exploration by Nuukfjord Gold Ltd

The Company is earning its interest in the Property by initially funding exploration with Nuna acting as operator. Nuna's personnel have gained experience in exploring the Property through programs conducted since 1991. To date, the company has earned a total of 15% in the project, by way of exploration expenditures.

The 2009 field season financed by the Company concentrated on the Qussuk prospect area with a diamond drilling program of 17 holes (1,976m); 13 holes at Swan North, three at Swan and one at Alma zones. The target zones, auriferous garnet-biotite- quartz-sulphide zones, were intersected, core logged and sampled and submitted for analyses. Surface saw channel sampling included: Alma-15 profiles with total length of 82.5m, and Swan North-8 profiles with total length of 95m. A total of 34 sediment samples were collected from drainage systems to the east and northeast of Swan and Swan North.

At Storø, seven sites were selected for drill pad preparation for the 2010 drilling program. About 15-20 holes of drilling was planned for the 2010 exploration season testing the down dip and northern strike extents of the BD and Main Zones.

At Igasoq a 54 sediment sampling program was carried out.

Refer to the Technical Report and the Prospectus at [www.sedar.com](http://www.sedar.com) for more information. Below is the Mineral Property Interest table from the July 31, 2010 unaudited consolidated financial statements.

	Nuukfjord (Greenland)	
	July 31, 2010	October 31, 2009
<b>Exploration costs</b>		
Balance, beginning of period	\$ 1,589,080	\$ -
Assays	123,073	249,391
Drilling	342,069	323,377
Equipment rental and maintenance	173,816	21,663
Field work, field personnel and geological consulting	681,555	480,741
Management fees	22,500	-
Project administration and report preparation	91,961	201,213
Travel and transportation	667,184	312,695
	<u>2,102,158</u>	<u>1,589,080</u>
Balance, end of period	<u>3,691,238</u>	<u>1,589,080</u>
<b>Acquisition costs</b>		
Balance, beginning of period	1,727,389	-
Issuance of common shares	-	1,662,500
Other acquisition costs	-	64,889
Balance, end of period	<u>1,727,389</u>	<u>1,727,389</u>
	\$ 5,418,627	\$ 3,316,469

## Exploration Targets

The Company's primary exploration target is the Storø Gold deposit (Qingaaq). Near term emphasis is on definition drilling and expansion of the Main and BD zones mineralization; including the tonnage potential of the BD and Main zones, in the down dip and on-strike directions.

The Storø North Gold Prospect (Aappalaartoq) is located about 4 kilometres north of the Storø Gold Deposit; also located on Storø island in central Nuukfjord, about 40 km northeast of Greenland's capital city Nuuk. First discovered in 1991 by Nuna Oil, the Storø North prospect is the structural mirror of the Storø Deposit, having the same stratigraphy and similar gold mineralization. Exploration completed to date includes a total of 6 diamond drill holes (~1,700m), geological mapping and numerous surface samples. Storø North gold mineralization occurs in sheeted quartz veins 5-10m thick which are traced over 1.3 km, hosted in metamorphosed (mid to upper amphibolite facies) greenstones.

Late-Archean gold mineralization outcrops on the southeast facing slope of Aappalaartoq Mountain and is part of a larger gold mineralized tract which comprises a number of gold prospects within a 15 km<sup>2</sup> area between the two distinctive mountain ranges Qingaaq (Storø) and Aappalaartoq (Storø North). Anomalous gold mineralization has been mapped continuously along the 4 km stretch between Storø and Storø North.

## Future Exploration Plans

The Company's 2010 exploration program represents a continuation of the definition of the Storø Gold Deposit with seven drill sites established to provide platforms for diamond drilling and plus additional regional exploration work. The budget for the 2010 drilling & regional exploration is estimated to be \$3,900,000. Contingent on the success of the 2010 drill/regional program additional drilling will follow in 2011.

The primary objective of the recommended 2010 work program is to expand mineralization at the Storø Deposit and test for possible strike and dip extensions. Additional regional scale and gold showing refinement exploration work will be carried out at Storø North, Isua, Bear Island and Semisitiaq; with the near term goal to prepare these gold mineralized zones for drill testing.

*Michael Moore, P. Geo., a Qualified Person under the meaning of Canadian National Instrument 43-101 and an Officer of the Company, is responsible for the technical content of this Management Discussion and Analysis.*

## Results of Operations

The financial statements reflect the financial condition of the Company's business from its inception on July 14, 2009 to October 31, 2009 and for the three and nine month period ended July 31, 2010.

During the nine month period ended July 31, 2010 the Company incurred a loss of \$2,097,616 as compared to a loss of \$1,248,755 for the period from incorporation on July 14, 2009 to July 31, 2009. These losses include non-cash-based deductions for amortization of \$336 (2009 - \$Nil), a financing fee of \$40,000 (2009 - \$Nil), and stock-based compensation of \$1,219,936 (2009 - \$1,242,150). Excluding non-cash-based deduction, the loss for the nine month period ended July 31, 2010 was \$837,344 compared to \$6,605 for the period from incorporation on July 14, 2009 to July 31, 2009.

Significant expenditures include consulting fees \$121,910 (July 31, 2009 - \$Nil), financing fee \$40,000 (July 31, 2009 - \$Nil), interest expense \$27,329 (July 31, 2009 - \$Nil), investor relations and promotional \$82,422 (July 31, 2009 - \$Nil), office and miscellaneous \$203,986 (July 31, 2009 - \$198), professional fees \$83,858 (July 31, 2009 - \$Nil) and stock-based compensation \$1,219,936 (July 31, 2009 - \$1,242,150). The

significant expenditures are as a result of the Company completing its IPO during the period and commencing trading on the TSX. The Company also granted 3,875,000 options upon commencement of trading.

## Summary of Quarterly Results

The following table is a summary of Nuukfjord's results for the four most recently completed quarters and the period from incorporation on July 14, 2009 to July 31, 2009.

	Three Month Period Ended				
	31-Jul-10	30-Apr-10	30-Jan-10	31-Oct-09	** 31-Jul-09
	\$'000	\$'000	\$'000	\$'000	\$'000
Total Assets	\$ 10,964	\$ 11,354	\$ 4,085	\$ 4,196	\$ 1,814
Mineral Properties	5,419	3,846	3,695	3,316	1,727
Working Capital (deficiency)	5,190	7,243	(429)	(262)	16
Shareholders' Equity	10,793	11,280	3,462	3,096	2,244
Net Income (loss)	(488)	(1,495)	(114)	(34)	(1,249)
Earnings (loss) per share	\$ (0.01)	\$ (0.07)	\$ (0.01)	\$ (0.01)	\$ (0.08)

\*\* Period from incorporation on July 14, 2009 to July 31, 2009.

The variability in Nuukfjord's net loss over the last the four quarters and the period from incorporation on July 14, 2009 to July 31, 2009 resulted primarily from the changing levels in our capital expenditures, stock-based compensation, finance charges, and office and administrative expenses. Changing levels in capital expenditures expenses and general and administrative costs fluctuate independently according to activities in Greenland and corporate activities including the completion of the IPO.

Significant items during the previous periods include:

During the three month period ended July 31, 2010 the Company completed its first full three month period listed on the TSX. During this period the Company advanced \$1,500,000 as required by the option agreement to Nuna Minerals A/S and the Company began drilling and regional exploration at the Nuukfjord gold project in Greenland. The advance brought the aggregate to \$3,500,000 advanced to Nuna and completed Phase A, with which the Company earned an initial 15% interest. The Company also engaged First Canadian Capital Corp. a Toronto-based investor-relations service provider to act as a marketing and investor-relations consultant for the Company. Under the terms of the agreement, Nuukfjord will pay First Canadian \$6,000 per month for a 12-month initial term and grant an option to acquire 75,000 shares, exercisable at 50 cents per share. Company completed its IPO and listing on the TSX.

During the three month period ended April 30, 2010 the Company completed its IPO and listing on the TSX. The Company issued 18,000,000 shares at \$0.50 per share for gross proceeds of \$9,000,000. The Company paid \$630,000 and issued 100,000 common shares valued at \$50,000 as finders' fees and paid \$45,000 and issued 20,000 common shares valued at \$10,000 as a corporate finance fee. The Company also paid \$228,799 as other share issuance costs. The brokers were also given 1,260,000 brokers' warrants valued at \$294,620. Each warrant is exercisable at \$0.50 for one share for a period of two years. The Company also granted 3,875,000 incentive stock options to directors, officers and consultants effective on the listing date. The Options are exercisable at \$0.50 per share for a period of five years.

During the three month period ended January 31, 2010 the Company entered into loan agreements for proceeds of \$500,000 to ensure it would meet its obligations to Nuna under the option agreement. The loans bear interest at 15% per annum and were repayable at the earliest of (i) within five days following the Company's first day of trading on the TSX, (ii) April 30, 2010, or (iii) at the election of the lender in the event of default. The Company issued 100,000 special warrants as a financing fee valued at \$40,000 to the lenders which converted to common shares of the Company upon the closing of the IPO.

During the period from incorporation on July 14, 2009 to July 31, 2009 the Company's loss includes stock-based compensation of \$1,242,150 for certain shares issued to directors, officers and founders of the Company, of which the Company placed 7,550,000 of these shares in Escrow. Mineral Properties and Deferred acquisition costs includes the \$1,662,500 for the 6,650,000 common shares the Company and the \$64,889 of reimbursed prior expenditures paid as the cost of acquiring Storgold.

## Liquidity

Nuukfjord's mineral exploration and development activities do not provide a source of income and we therefore have a history of losses, working capital deficiencies and an accumulated deficit. However, given the nature of our business, the results of operations as reflected in the net losses and losses per share do not provide meaningful interpretation of our valuation.

**Operating Activities:** The Company does not generate cash from operating activities. Net cash used by the Company for operating activities for the nine month period ended July 31, 2010 was \$799,876 compared to \$198 for the period from incorporation on July 14, 2009 to July 31, 2009.

**Investing Activities:** Nuukfjord's capital assets include equipment and its interest in the Nuuk Fjord property in Greenland. Net cash used by the Company in investing activities for the nine month period ended July 31, 2010 was \$3,270,804 compared to \$500,000 for the period from incorporation on July 14, 2009 to July 31, 2009. During the nine month period ended July 31, 2010 the significant outflows were for expenditures on mineral property interests of \$3,085,589 and exploration advances of \$182,962 compared to \$500,000 for expenditures on mineral property interest during the period from incorporation on July 14, 2009 to July 31, 2009.

**Financing Activities:** During the nine month period ended July 31, 2010, the Company received net cash inflows of \$9,440,000 from the issuance of capital stock and loans payable, compared to \$587,500 for the period from incorporation on July 14, 2009 to July 31, 2009. The Company has financed its operations and capital investments to date primarily through the issuance of common shares and loans payable. Inflows were received from the Company completing its IPO for gross proceeds of \$9,000,000, the Company issued 1,012,500 shares at \$0.40 per share for proceeds of \$405,000 and the Company received subscriptions receivable of \$35,000. The Company incurred share issuance and deferred finance costs of 875,509 during the nine month period ended July 31, 2010.

## Off-Balance Sheet Arrangements

At July 31, 2010, the Company had no material off-balance sheet arrangements such as guarantee contracts, contingent interest in assets transferred to an entity, derivative instruments obligations or any obligations that trigger financing, liquidity, market or credit risk to the Company.

## Contractual Obligations for the Next Five Years

The following table sets out the contractual obligations of the Company, including payments to be made, for the next five years:

Contractual Obligation	Payments Due by Period				
	Total	Less than 1 year	1 – 3 years	4 – 5 years	After 5 years
Long Term Debt	nil	nil	nil	nil	nil
Capital Lease Obligations	nil	nil	nil	nil	nil
Operating Leases	nil	nil	nil	nil	nil
Purchase Obligations <sup>1</sup>	nil	nil	nil	nil	nil
Other Long Term Obligations	nil	nil	nil	nil	nil
Total Contractual Obligations	nil	nil	nil	nil	nil

Note: After acquiring an initial 15% interest, all further payments under the Property Option Agreement are optional to the Company.

## Capital Resources

The Company may continue to seek capital through public markets by issuing common shares pursuant to private placements. The Company manages its capital structure to maximize its financial flexibility making adjustments to it in response to changes in economic conditions and the risk characteristics of the underlying assets and business opportunities. The Company does not presently utilize any quantitative measures to monitor its capital and is not subject to externally imposed capital requirements.

## Share Capital

As at the date of this report, the Company had an unlimited number of common shares authorized for issuance with 39,602,500 common shares issued and outstanding.

The Company has the following incentive stock options outstanding at the date of this report:

Number	Exercise price	Expiry date
<b>Stock options</b>		
3,700,000	\$ 0.50	April 27, 2015
75,000	0.50	May 17, 2012
<b>Broker Warrants</b>		
1,260,000	\$ 0.50	April 27, 2012

## Related Party Transactions

During the nine month period July 31, 2010 the Company:

- Paid or accrued management fees of \$52,500 (July 31, 2009 - \$Nil) to a director of the Company

- b) Paid or accrued geological consulting fees of \$22,500 (July 31, 2009 - \$Nil) to an officer of the Company.
- c) Paid or accrued professional fees of \$27,500 (July 31, 2009 - \$Nil) to officers of the Company.
- d) Paid or accrued directors fees of \$30,000 (July 31, 2009 - \$Nil) to directors of the Company.

The transaction was in the normal course of operations and was measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

## Proposed Transactions

Other than the closing of the IPO there is currently no proposed transaction under consideration.

## Critical Accounting Policies and Estimates

Nuukfjord's accounting policies are described in Note 2 of its audited consolidated financial statements as at October 31, 2009 and December 31, 2009. Management considers the following policies to be the most critical in understanding the judgments that are involved in the preparation of our consolidated financial statements and the uncertainties that could impact its results of operations, financial condition and cash flows:

- Use of estimates

The preparation of consolidated financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the year. Actual results could differ from these estimates. Significant accounts that require estimates relate to the impairment of mineral property interests, valuation allowance applied against future income tax assets and stock-based compensation.

- Mineral property interests

All costs related to the acquisition, exploration and development of mineral property interests are capitalized by property. If economically recoverable ore reserves are developed, capitalized costs are reclassified as mining assets and amortized using the unit of production method. When a property is abandoned, all related costs are written off to operations. If, after management review, it is determined that the carrying amount of a mineral property is impaired, that property is written down to its estimated net realizable value. A mineral property is reviewed for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable.

The amounts shown for mineral properties do not necessarily represent present or future values. Their recoverability is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof.

- Income taxes

Income taxes are recorded using the asset and liability method whereby future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the

asset is realized or the liability settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that enactment or substantive enactment occurs. To the extent that the Company does not consider it more likely than not that a future tax asset will be recovered, it provides a valuation allowance against the excess.

- Stock-based compensation

The Company uses the fair value method whereby the Company recognizes compensation costs over the vesting period for the granting of all stock options and direct awards of stock. Any consideration paid by the option holders to purchase shares is credited to capital stock.

- Financial instruments

Financial instruments are required to be classified as held-for-trading, held-to-maturity, available-for-sale, loans and receivables, or other financial liabilities. All financial instruments and derivatives are measured in the balance sheet at fair value, except for loans and receivables, held-to-maturity investments and other financial liabilities, which are measured at amortized cost. Subsequent measurement and changes in fair value will depend on their initial classification. Held-for-trading financial instruments are measured at fair value and changes in fair value are recognized in net income. Available-for-sale financial assets are measured at fair value and changes in fair value are recognized in other comprehensive income until the instrument is derecognized or impaired.

## New accounting standards

### *Business combinations, non-controlling interest and consolidated financial statements*

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 1582 is applicable for the Company's business combinations with acquisition dates on or after January 1, 2011. Early adoption of this Section is permitted. Section 1601 together with Section 1602 establishes standards for the preparation of financial statements. Section 1601 is applicable for the Company's interim and annual financial statements for its fiscal year beginning November 1, 2011. Early adoption of this Section is permitted and all three Sections must be adopted concurrently.

### *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 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 transition date of November 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended October 31, 2011. The conversion to IFRS may have a material effect on our:

- reported financial position and results of operations;
- systems of internal controls and procedures over financial reporting, including related business processes;
- information technology and data systems;
- disclosure controls and procedures;

- current financial reporting training curriculum; and
- downstream business activities such as our contractual arrangements, debt covenants, and tax planning arrangements.

The Company is currently assessing the financial reporting impact of the transition to IFRS and the changeover date. We are in the process of completing our detailed technical analysis of Canadian GAAP-IFRS accounting differences. Furthermore, IFRS accounting standards, and the interpretation thereof, are constantly evolving and therefore are subject to change through the end of 2011. Consequently, we will continuously monitor IFRS accounting developments and update our conversion plan and public disclosure as necessary.

## Financial Instruments and Risk Management

### *Financial Instruments*

Cash is carried at fair value using a level 1 fair value measurement. The carrying value of receivables and accounts payable and accrued liabilities approximated their fair value because of the short-term nature of these instruments.

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

### *Risk Management*

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

#### *Credit risk*

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets including cash. The Company limits exposure to credit risk on liquid financial assets through maintaining its cash with high-credit quality financial institutions.

#### *Liquidity risk*

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at July 31, 2010, the Company had a cash balance of \$5,329,474 to settle current liabilities of \$170,598.

#### *Market risk*

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices. The Company does not have a practice of trading derivatives.

##### a) Interest rate risk

The Company's financial assets exposed to interest rate risk consist of cash balances. The Company's current policy will be to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the

credit ratings of its banks. As at July 31, 2010, the Company did not have any investments in investment-grade short-term deposit certificates.

b) Foreign currency risk

The majority of the Company's business is conducted in Greenland in Canadian dollars and the Danish kroner. As such, the Company is exposed to a foreign currency risk in fluctuations among the Canadian dollar, and the Danish kroner. Fluctuations in the exchange rate among the Canadian dollar, and the Danish kroner may have a material adverse effect on the Company's business, financial condition and operating results.

c) Price risk

The mining industry is heavily dependent upon the market price of the metals or minerals being mined. There is no assurance that, even if commercial quantities of mineral resources are discovered, a profitable market will exist for their sale. There can be no assurance that mineral prices will be such that the Company's properties can be mined at a profit. Factors beyond control of the Company may affect the marketability of any minerals discovered. The price of gold has experienced volatile and significant price movements over short periods of time, and is affected by numerous factors beyond the Company's control.

## Risk Factors

Companies in the exploration stage face a variety of risks and investments are highly speculative. While unable to eliminate all of them, the Company aims at managing and reducing such risks as much as possible. The Company faces a variety of risk factors such as project feasibility and practically, risks related to determining the validity of mineral property title claims, commodities prices and environmental laws and regulations. Management monitors its activities and those factors that could impact them in order to manage risk and make timely decisions. Readers are referred to the Company's Prospectus, located on SEDAR at [www.sedar.com](http://www.sedar.com), for a full list of applicable risk factors.

## Disclosure Controls and Procedures

Disclosure Controls and Procedures (DC&P) are designed to provide reasonable assurance that information required to be disclosed is recorded, processed, summarized and reported within the time periods specified in accordance with the Canadian securities legislation, and include controls and procedures designed to ensure that information required to be disclosed is accumulated and communicated to management, including the CEO and CFO, as appropriate to allow timely decisions regarding required disclosure.

There has been no changes in the Company's disclosure controls during the three months ended July 31, 2010 that has materially affected, or is reasonably likely to materially affect, its disclosure controls.

## Management's Report on Internal Control over Financial Reporting

Internal Controls over Financial Reporting (ICFR) are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with Canadian GAAP and the transition to IFRS. ICFR can only provide reasonable assurance and may not prevent or detect misstatements. Projections of an evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate due to changes in conditions, or that the degree or compliance with the policies and procedures may deteriorate.

During the quarter ended July 31, 2010, there were no changes in our ICFR that have materially affected, or reasonably likely to materially affect, our internal control over financial reporting.

Based on their inherent limitations, DC&P and ICFR may not prevent or detect misstatements, errors or fraud. Control systems, no matter how well conceived or operated, can provide only reasonable, but not absolute, assurance that the objectives of the control systems are met.

## Subsequent Events

Subsequent to July 31, 2010, the Company announced the initial Storo drill results completed for the Nuukfjord Gold Project in Greenland. A total of 15 diamond drill holes have been completed for a total of 2,225 meters from nine pad locations. Five holes targeted the BD Zone and ten targeted the Main Zone (& also the underlying BD Zone). A drill plan map is available on the company website illustrating hole locations and individual hole details.

### Storo Highlight Drill Results

#### Phase 1 Highlight Storø Diamond Drill Results

DDH	From meter	To meter	Interval * meter	Gold gpt
<b>51</b>	83.00	86.55	3.55	0.64
	98.00	99.46	1.46	1.43
<b>52</b> including	57.60	60.82	<b>3.22</b>	<b>7.65</b>
	60.00	60.82	0.82	10.40
	66.28	66.90	0.62	8.92
	148.00	151.00	<b>3.00</b>	<b>3.49</b>
<b>53</b> including	133.50	135.32	<b>1.82</b>	<b>7.79</b>
	134.35	135.32	0.97	13.10
<b>54</b> including including And And And	<b>22.25</b>	<b>51.00</b>	<b>28.75</b>	<b>6.74</b>
	22.25	22.88	0.63	<b>21.00</b>
	<b>39.00</b>	<b>49.00</b>	<b>10.00</b>	<b>15.02</b>
	31.00	32.00	1.00	<b>11.50</b>
	40.00	41.00	1.00	<b>87.50</b>
	46.00	47.00	1.00	<b>38.70</b>
	134.50	136.00	1.50	<b>6.38</b>
<b>57</b> including	25.78	32.00	6.22	0.99
	25.78	29.50	3.72	1.26
<b>58</b>	35.00	35.70	0.70	<b>19.20</b>
<b>60</b>	30.00	31.50	1.50	1.80
<b>61</b> including	45.62	50.00	<b>4.38</b>	<b>2.30</b>
	45.62	47.00	1.38	4.47

\* Interval lengths are not true widths.

Recent Storø surface mapping and geological review by Nuukfjord have expanded on earlier structural interpretations revealing that gold bearing quartz veins, along with essential sulphide mineralization, are bound within a structural corridor defined by the axial plane of a broad anticline which plunges -45 degrees to the east-northeast (about 065 degrees). Holes 62 to 65 tested the east-northeastward extension of the Main and BD Zones, while holes 57 to 61 were collared below the Qingaaq mountain ridge top investigating the down dip extension of known surface BD Zone gold mineralization. Drill hole 54 is an infill hole and was collared within the

central portion of the Main Zone; earlier historical drill results within this immediate area are also highly anomalous in gold. Holes 55, 56, 59, and 62 to 65 yielded generally narrow intervals of weakly anomalous gold values.

### **Objectives for the 2010 Calendar Year**

The Company's short term business objectives are to complete the initial exploration program on the Property. Refer to the Future Exploration Plans section above or the Prospectus which is available on the SEDAR website at [www.sedar.com](http://www.sedar.com) for a summary of the Company's initial exploration program.