

Lounor Exploration Inc.

Management's Discussion and Analysis Report (For the Fiscal Year ending March 31, 2010)

This management's discussion and analysis report ("MD&A") provides an analysis of our financial condition and results of operations to enable a reader to assess material changes for the fiscal year ended March 31, 2010, in comparison with the same period of last year. This management's discussion and analysis report was prepared as at July 16, 2010; it is intended to complement and supplement our financial statements. Our financial statements and this management's discussion and analysis report are intended to provide investors with reasonable basis for assessing our results of operation and our financial performance.

Lounor Exploration Inc. (Lounor), incorporated under Part 1A of the Quebec Companies Act, is an exploration company operating in Canada. As at the date of this MD&A, the Company holds mining properties in Quebec (Queylus, Carqueville 1, Nickel, Sylvie and Zinc) and in Ontario (Harker, Tiger Gold and Munro). Lounor is listed on the TSX Venture under the symbol LO and on the Frankfurt Exchange under the symbol LE2A.

MINING PROPERTIES

Queylus Property

In January 2007, Lounor asked Diagnos to prepare a report to determine all the areas that seemed to represent interesting targets for mining exploration and most particularly the different types of mineralization with a high potential of interest by using the prediction system "Cards" developed by Diagnos.

The Queylus Property comprises 3,600 hectares and is located in the Chibougamau mining camp. Many gold and copper showings were discovered on the property. In the 60's and 70's, Soquem and Valco Inc. explored the property and intercepted low grade copper mineralization over widths going from 46 meters to 216 meters.

In 1997, Lounor acquired the Queylus property and was looking for a gold-copper porphyry system. Lounor drilled over 40 diamond drill holes with encouraging results.

Following a geological report obtained recently from a consultant, Explor completed two short drill holes in the spring of 2010. The consultant recommends additional work.

Carqueville 1 Property

In February 2007, the Company entered into a purchase agreement for the acquisition of 26 mining claims located in the Carqueville, Celoron and Dalet Townships. In consideration for these claims, the Company issued 300,000 common shares and paid \$3,000 cash.

The geology of the property is characterized by the presence of ultramafic rocks favorable for the discovery of copper, nickel and platinum group mineralization.

The Company has conducted line cutting and geophysical ground surveys. The Company carried out 24 drill holes and sub-economic values of copper and nickel were obtained. The Company didn't realized new exploration work on this property and the property was written off during the fiscal year ended March 31, 2010.

Nickel Property

In November 2007, the Company entered into an agreement to acquire a mining property representing nine mining claims. To acquire a 100 % interest, Lounor issued 100,000 common shares and the vendor retained a 2% NSR in the property.

The property is contiguous to a large low grade nickel deposit that was once owned by Dumont Nickel Corporation and now by Royal Nickel Inc. The Royal Nickel Property consists of 56 claims in the Launay & Trecesson Townships, 17 km west of Amos, with an indicated resource of 400,000,000 tons grading 0.325% Ni as reported in the Northern Miner Canadian Mines Handbook of 1988-1989 (Northern Miner, January 2, 1971 of 455,000,000 tons of 0.324 Ni). Royal Nickel Inc., a private company, is currently conducting a 10,000 meter drilling program on the property. The mineralized zones are contained in ultra mafic rocks. In general, the geological structure is a serpentinized, magnetite bearing dunite containing olivine with pentlandite, azurite, millerite as nickel bearing minerals.

Exploration work was executed on this property and the results were disappointing. During the first quarter ending June 30, 2010, the property was written off.

Sylvie Property

In June 2009, the Company entered into two agreements to acquire a total of 30 mining claims located in the Brassani Township in the mining division of Val-d'Or, Province of Quebec.

For the first agreement, Lounor paid \$10,000 and issued 250,000 common shares at signature to acquire a 100% interest in 20 mining claims. The vendors have retained a 2% NSR in the Property. For the second agreement, Lounor paid \$15,000 to pay for a geological study and issued 100,000 common shares to acquire a 100% interest in 10 mining claims. The vendors have retained a 2% NSR in the property.

The Sylvie property is located to the east of recent high grade gold discoveries made in the Barry-Urban district. Mineralization in the district is of the form of shear zone related quartz-carbonate veins, spatially related to magnetite, pyrite, carbonate, biotite and albite alteration. Diagnos Inc. has determined targets that highlight the property for potential gold mineralization as well as for its potential for base metals. Significant input anomalies have been observed to lie in the center of the property and this type of response obtained is often associated with large sulphide lenses. The property has never been drilled and only geophysical surveys (VLS) have been done.

The Company has realized stripping and sampling work. Lounor has executed line cutting and geophysical work on a part of the property. The Company has returned part of these claims (Diagnos) that it has optioned because the preliminary works could not determine targets. However, Lounor has kept claims in this sector. The Company doesn't have immediate plan for this property.

McCorkill Property

In July 2009, the Company acquired a total of 4 mining claims in the McCorkill Township in the mining district of Chibougamau, Province of Québec. To acquire a 100% interest in the McCorkill Property, Lounor will pay a total amount of \$30,000 and issue 600,000 common shares over a three-year period. The vendors have retained a 2% NSR in the Property.

The property is located to the east of the traditional Chibougamau mining camp. Significant Megatem anomalies have been detected in the center of the acquired property and the type of response obtained is often associated with large sulphide lenses. The property has never been drilled and only geophysical surveys (Max-Min and mag) have been done.

The Company has completed line cutting work and a max-min survey on the ground. The work allowed to locate very precise drill targets.

This property was drilled in 2009 and the results were negative. During the first quarter ending June 30, 2010, the property was written off.

Zinc (Bernières) Property

In April 2010, Lounor acquired a total of 17 units located in the Bernières Township, in the mining district of Val-d'Or, province of Quebec. To acquire a 100 % interest in the property, Lounor will pay \$15,000 at signature and will issue 1,000,000 common shares over a two year period. The vendor has kept a 1,5% NSR royalty in the property.

The property is located to the east of the Matagami mining camp. Significant Megatem anomalies have been detected in the center of the acquired property and the type of response obtained is often associated with large sulphide lenses. The property has never been drilled and only geophysical surveys (Max-Min and mag) have been done.

The Company plans to execute geophysical survey and drilling on this property in 2010.

Harker Property

In January 2008, the Company entered into an option agreement to acquire a 100% interest in this property. To comply with this agreement, the Company already issued 600,000 shares and paid \$150,000. According to the agreement, the Company still has to pay \$50,000 and issue 200,000 common shares in the coming year.

The Harker property is located 5 km south of the Destor Porcupine Fault Zone (DPFZ) host of many important gold mines including the Timmins - Porcupine Gold Camp (65 millions ounces of gold). The Holt McDermot Mine (1.3 million ounces) and the Harker Halloway Mine (1.4 million ounces) are located on the DPFZ about 5 km north –northeast of the property.

A siliceous horizon, whether it is rhyolite, silicified basalt or silica-rich variolitic basalt, is the gold prospective horizon. Au-rich assays are obtained on this horizon, the values indicated by diamond drilling are erratic and on average below potential ore-grade over 396 metres (1,300 feet) long.

The **84** holes completed by Lounor to date have intersected the mineralized zones. The results of the program have proven the **gold zone** to be over **425 metres in strike length** and to a vertical depth of **225 metres**. It is **open to the east, to the west and at depth**.

The 84 holes completed by Lounor to date have intersected the mineralized zones. The continuity of the structure and the gold zones contained herein are an important feature of the mineralization in the Harker area.

The Harker-Hurd Zone is interpreted to be an extensive zone of gold mineralization measuring at least 425 m along strike and 225 m of depth and remains open along strike to the east, the west and at depth. Mineralization, which is plunging to the east, occurs in silicified and albitized mafic volcanic rocks with approximately 5% dissemination pyrite mineralization. Gold mineralization is similar to the neighbouring Holt-McDermott Zone.

The gold mineralization at Harker-Hurd is distributed with a similar pattern to that of the Holt-McDermott gold mine where gold mineralization is found in high grade ore shoots within a broader envelop of lower grade gold mineralization that plunges to the east.

All drill holes were realized on only 2 claims. The Company plans to continue drilling at depth.

Tiger Gold Property

In October 2008, the Company entered into an agreement to acquire a 50% interest in 24 mining claims. Lounor paid \$75,000 cash, issued 300,000 common shares at the date of signature and Lounor will have to make additional payments totalizing \$50,000 in cash and issue 300,000 additional shares and complete exploration work for \$1,400,000 over a period ending in 2011. The vendors have retained a 3% NSR Royalty in the property.

The Tiger Gold Property is contiguous to the Harker Gold Project on which a drilling program is currently being conducted. The Cryderman Fault crosses the Harker Property and continues onto the Tiger Gold Property. Several historical gold intercepts have been noted and were obtained during the 1980's by Perrex Gold Exploration. Perrex's best hole had gold values of 0.648 oz/t Au over 5.0 feet (Hole PX-88-34).

The Harker Gold Property and the Tiger Gold Property are located 5 km south of the Destor Porcupine Fault Zone (DPFZ) which has hosted many important gold mines in the Timmins - Porcupine Gold camp (>65 millions ounces of gold produced). The Holt McDermot Mine (1.3 million ounces) and the Harker Halloway Mine (1.4 million ounces) are located on the DPFZ about 5 km north – northeast of the property.

The consultant has completed the compilation of the Tiger Gold Property. He was able to determine that the Cryderman Fault that crosses the whole property has never been drilled. It is the same fault that crosses the Harker Property. Drilling is scheduled on the Tiger Gold Property in 2010 on two targets.

Munro Property

The Munro Property was acquired because many junior exploration companies were interested by the Matheson mining sector, located in Ontario. Claims staking followed the nickel discovery of Golden Chaled Inc. in the Matheson sector. This property will be reevaluated in the coming months. The property has already been written off.

Person Responsible of the Technical Information

The qualified person pursuant to National Instrument 43-101, responsible of the technical information of the Company is Mr. Christian Dupont, Ph. Engineer.

GLOBAL PERFORMANCE

During the fiscal year ended March 31, 2010, the Company closed seven private placement of an amount of \$1,706,000, out of which \$214,700 was for the working capital and \$1,491,300 was for exploration expenditures.

During the fiscal year ended March 31, 2010, the Company acquired three mining properties: Sylvie, McCorkill and Marriot, but this property was sold. Lounor has written off Fiedmont and Carqueville 1 because the results obtained were disappointing.

In April 2009, the Company granted 1,335,000 stock options to its directors, officers and consultants, which can be exercised at a price of \$0.15 per share, for a period of three years.

FINANCIAL DATA

Our financial statements were prepared in conformity with generally accepted accounting principles in Canada, and all monetary values contained in this MD&A are expressed in Canadian currency.

Significant Financial Data (Audited)

YEAR ENDED MARCH 31	2010	2009	2008
	\$	\$	\$
Total Assets	2,974,553	2,217,169	874,631
Total Liabilities	583,622	157,929	121,593
Earnings	12,849	11,246	15,491
Net loss	1,179,956	683,186	1,094,613
Net loss per share on a diluted basis	0.03	0.03	0.07

The fiscal year ending March 31, 2010 closed with a net loss of \$1,179,956 compared to a net loss of \$683,186 for the fiscal year ended March 31, 2009 and compared to a net loss of \$1,094,613 for the fiscal year ended March 31, 2008. The net loss of 2009 is lower than in 2008 and 2010. It can be explained by the increase in exploration expenditures and by the write-off of mining properties.

The expenditures with the most important variations are the following:

The consultant fees increased, going from \$368,500 in 2009 to \$503,311 in 2010. This increase is caused by the fact that the Company incurred these expenses to be better known from the financial community.

The professional fees went from \$145,062 in 2009 to \$105,410 in 2010. This variation is linked mainly to legal fees and secretarial fees. The general administrative expenses have increased, going from \$137,700 in 2009 to \$172,578 in 2010. The registration, listing fees and information to the shareholders expenses have decreased, going from \$76,579 in 2009 to \$49,864 in 2010. This decrease is mostly linked to the information to shareholders item and also because the Company closed less private placements than in the last fiscal year. The Company recorded \$375,428 (\$23,960 in 2009) in penalties and taxes under Part XII.6.

QUARTERLY INFORMATION (unaudited)

	March 31	Dec. 31	Sept. 30	June 30	March 31	Dec. 31	Sept. 30	June 30
	2010	2009	2009	2009	2009	2008	2008	2008
Total assets	2,974,553	3,239,225	2,484,333	2,178,339	2,217,169	2,234,652	2,101,685	1,018,571
Total liabilities	583,622	109,799	172,477	119,272	157,929	77,192	91,318	336,716
Revenue	2,878	3,133	2,775	4,063	3,173	2,895	2,489	2,689
Net loss (net gain)	382,319	184,230	194,002	419,405	65,159	296,278	294,986	26,763
Net loss (net gain) per share on a diluted basis	0.01	0.00	0.01	0.01	0.001	0.01	0.01	0.002

STATEMENTS OF EARNINGS

Revenues

Being a mining exploration company, the Company does not generate significant earnings so Lounor has to secure its survival by issuing capital-stock. The revenues registered come from another company that shares the same office spaces, equipment and administrative personnel.

Summary of the administrative expenses for the last fourth quarters

	March 31, 10	Dec. 31,09	Sept. 30, 09	June 30, 09
General administrative expenses	41,891	49,335	31,208	50,144
Penalties and taxes under part XII.6	375,428	0	0	0
Professional fees	32,700	12,085	47,635	12,990
Consultants fees	154,504	141,307	104,000	103,500
Regis., listing fees & shareholders' inf.	13,874	11,188	13,498	11,304
Stock-based compensation	(42,075)	0	0	174,885
Amortization	587	436	436	436

- a) During the quarter ending June 31, 2009, the general administrative expenses have increased in comparison with the other quarters because the Company participated in the PDAC in Toronto to make the Company known from the financial community.
- b) As at March 31, 2010, the Company recorded an amount of \$375,428 in anticipation of an assessment for penalties and taxes under Part XII.6 for exploration expenditures non-realized.

- c) As at September 30, 2009, the professional fees are higher in comparison with the other quarters because the Company recorded tax specialist fees.
- d) Consultants' fees increased considerably in the quarter ending March 31, 2010 because the Company recorded supplementary fees of the President.
- e) Amortizations were adjusted during the last quarter as well as the stock-based compensation.

During the fiscal year ending March 31, 2010, the net loss before taxes is \$1,488,056 compared to \$1,003,386 for the same period of last year. Almost all of the expenses items have increased in comparison with the same period of last year. The Company recorded \$375,428 (\$23,960 in 2009) in penalties and taxes under Part XII.6 and has written off two mining properties as well as their deferred exploration expenditures for an amount of \$405,399 (\$175,118 in 2009). This explains why the loss is higher in this fiscal year. Also, the increase on the other expenses items for the same period ending in 2010 is in relation with the activities of Lounor. However, the Company recorded a gain upon disposal of placements for an amount of \$158,290 (\$ in 2009) and a gain upon disposal of mining property for an amount of \$87,500 (\$0 in 2009).

FOURTH QUARTER

The last quarter of the fiscal year 2010 recorded a net loss of \$382,319 compared to \$65,159 at the last quarter ending March 31, 2010. This difference can be explained mainly by the recording of penalties and taxes under Part XII.6 for an amount of \$375,428. The equity financings of the last quarter are for \$342,000 and the Company did exploration work for an amount of \$581,437.

CASH FLOWS

During the fiscal year ending March 31, 2010, the Company succeeded in raising \$1,706,000 in private placements. In connection with these financings, the Company disbursed \$60,563 in issuance fees.

During the fiscal year ended March 31, 2010, the Company disbursed in investment activities an amount of \$764,297, out of which \$105,766 for the acquisition of mining properties, 1,053,216 in deferred exploration expenses and \$127,395 in advance for exploration work, \$5,000 for the acquisition of fixed assets and \$20,000 in advance to a related company. However, Lounor also recorded \$262,290 following the disposal of placement as well as \$30,000 following the disposal of a mining property. These investment activities are directly linked to the sectors of activity of the Company.

Since the statutory exploration works exceed the amount of cash available as at March 31, 2010, Lounor will have to complete other non-flow-through share issuances. Lounor's management will have to continue to work with the financial community to promote its projects.

The Company anticipates that it will need at least an amount of \$500,000 in order to absorb its administrative expenses during the next fiscal year.

BALANCE SHEET

As at March 31, 2010, our total assets are \$2,974,553 compared to \$2,217,169 as at March 31, 2009. The important variations between the two periods are principally due to the increase in the deferred exploration expenses and the acquisition of mining properties. The creditors' level went from \$157,929 as at March 31, 2009 to \$583,622 as at March 31, 2010. The deferred exploration expenses have increased, going from \$1,518,030 in 2009 to \$2,242,935 in 2010. Shareholders' equity went from \$2,059,240 as at March 31, 2009 to \$2,390,931 as at March 31, 2010. The Company's management is currently working on finding non flow-through sources of financing in order to realize its future projects. As at March 31, 2010, the working capital is negative at \$357,849 while it was at 69,753 as at March 31, 2009.

Contingencies

In accordance with the flow-through shares agreements, the shortfall of expenses is amounting approximately \$1,244,900. This amount had to be incurred before December 31, 2009. As the exploration expenses were not completed within the prescribed deadlines, there is an important financial risk for the Company and also an important risk for the investors. Therefore, during the fiscal year, the Company recorded in accounts payable and accrued liabilities an amount of \$311,228 as penalty.

SOURCE OF FINANCING

During the fiscal year ending March 31, 2010, the Company completed seven private placements for a total of \$1,706,000. Since the beginning of the new fiscal year, the Company has completed two private placements totaling \$342,000.

The following table shows the private placements realized by Lounor and their use of proceeds.

Date	Financing		Use of Proceeds	Objectives
March 2009	Flow-through shares	\$121,500	Exploration expenditures in Ontario	Completed
	Common shares	\$13,500	Working capital	
June 2009	Flow-through shares	\$72,000	Exploration expenditures in Ontario	Completed
		\$48,000	Exploration expenditures in Quebec	
	Common shares	\$30,000	Working capital	
August 2009	Flow-through shares	\$225,000	Exploration expenditures in Ontario	Completed
Sept. 2009	Common shares	\$40,000	Working capital	
	Flow-through shares	\$40,800	Exploration expenditures in Ontario	Will have to incur \$5,596 at the latest on December 31, 2010
		\$64,000	Exploration expenditures in Quebec	Completed
	Common shares	\$26,200	Working capital	
Nov.	Flow-through shares	\$250,000	Exploration expenditures in Ontario	Will be completed at the latest on December 31, 2010
		\$250,000	Exploration expenditures in Quebec	Will have to incur \$232,892 at the latest on December 31, 2010
Dec. 2009	Flow-through shares	\$220,000	Exploration expenditures in Ontario	Will be completed at the latest on December 31, 2010
	Common shares	\$55,000	Working capital	
Dec. 2009	Flow-through shares	\$143,200	Exploration expenditures in Ontario	Will be completed at the latest on December 31, 2010
		\$56,800	Exploration expenditures in Quebec	
	Common shares	\$50,000	Working capital	
April 2010	Flow-through shares	\$194,000	Exploration expenditures in Ontario	Will be completed at the latest on December 31, 2011
	Common shares	\$26,000	Working capital	
June 2010	Flow-through shares	\$97,600	Exploration expenditures in Ontario	Will be completed at the latest on December 31, 2011
	Common shares	\$24,400	Working capital	

These financings help to stabilize and reestablish the financial condition of the Company but Lounor knows that it will have to realize other non flow-through financings in order to be able to operate in the coming year.

OBLIGATION AND CONTRACTUAL COMMITMENTS

Funds Reserved for Exploration

Funds reserved for exploration represent proceeds of public financing not yet incurred in exploration. The Company must use these funds for mining exploration activities in accordance with restrictions imposed by those financings. The Company has to incur in exploration expenditures an amount of \$908,488 prior to December 31, 2010 and an amount of \$291,600 prior to December 31, 2011. As at the date of the MD&A, the Company does not have the necessary cash to respect these financial commitments. In order to comply with its commitments, Lounor absolutely has to close other non flow-through financings.

In October 2008, the Company entered into an agreement pursuant to which Lounor will acquire a 50% interest in the Tiger Gold Property. To comply with this agreement, the Company paid \$75,000 cash, issued 300,000 common shares at the date of signature and Lounor will have to make additional payments totalizing \$50,000 in cash and issue 300,000 additional shares and complete exploration work for \$1,400,000 over a period ending in 2011.

In connection with the acquisition of the Harker Property, the Company entered into an agreement pursuant to which Lounor will acquire 100% of this property. To comply with the agreement, the Company has already issued 600,000 shares and paid \$150,000. According to this agreement, Lounor still has to make a final payment of \$50,000 and to issue 200,000 shares in the coming year.

In connection with the acquisition of the McCorkill Property, the Company entered into an agreement pursuant to which Lounor will acquire 100% of this property. To comply with this agreement, the Company issued 150,000 shares at the date of signature. According to this agreement, Lounor still has to pay a total of \$30,000 and issue a total of 450,000 shares over a three-year period.

The Company entered into a management agreement with a private company. This service contract is for the management of the Company's mining exploration projects. This contract was renewed for an undetermined period since it was terminating on December 31, 2008. The private company incurs the majority of expenses incurred in connection with the exploration projects and invoices the costs to Lounor Exploration Inc. by increasing these expenses by 15%. The two parties reserve the right to terminate the agreement at any time.

During the fiscal year ending March 31, 2010, the Company entered into a rental agreement for a vehicle. According to the agreement, the payments are estimated at \$12,410 in 2011.

Long-Term Debt

The Company has no long-term debt.

The royalties on the mining properties are as follows:

Queylus	1%	Sylvie	2%	Tiger Gold	3%
Munro	2 %	Nickel	2%	McCorkill	2%
Carqueville	2 %	Harker	2%	Fiedmont	2%
Zinc	1.5%				

RELATED PARTY TRANSACTIONS AND COMMERCIAL OBJECTIVES

Gilles Fiset

During the fiscal year ending March 31, 2010, the Company incurred consultant fees for an amount of \$159,311 (\$168,000 in 2009) with the president of the Company.

These transactions are concluded in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed upon by the parties.

Advance to a related company for an amount of \$20,000 comes from a company which has a director in common with Lounor Exploration Inc. and as at the date of the MD&A, the advance has been reimbursed.

CHANGES IN ACCOUNTING POLICIES

Financial Instrument – Disclosures

During the year, in accordance with the applicable transitional provisions, the Company adopted revised section 3862 of the CICA Handbook, “Financial Instruments-Disclosures”. This section was amended to enhance disclosures about fair value measurements and the liquidity risk of financial instruments. All financial instruments recognized at fair value on the balance sheet must be classified in three fair value hierarchy levels, which are as follow:

Level 1: valuation based on quoted prices (unadjusted) observed in active markets for identical assets or liabilities;

Level 2: valuation techniques based on inputs other than quote prices in active markets that are either directly or indirectly observable;

Level 3: valuation techniques with significant unobservable market inputs.

The results of the application of these new standards are included in note 15 and their application did not have a significant impact on the Company's financial statements.

Goodwill and Intangible Assets

During the year, the Company adopted the new Section 3064 “Goodwill and Intangible Assets”. The new section states that upon their initial identification, intangible assets are to be recognized as assets only if they meet the definition of an intangible asset and the recognition criteria. As for subsequent measurement of intangible assets, goodwill and disclosure, Section 3064 carries forward the requirements of the old Section 3062 “Goodwill and Other Intangible Assets”. The adoption of these recommendations did not have effect on the Company's financial statements.

Future Accounting Changes

Business Combinations, Consolidated Financial Statements and Non-Controlling Interests

In January 2009, the CICA issued three new accounting standards: Section 1582, “Business Combinations”, Section 1601, “Consolidated Financial Statements”, and Section 1602, “Non-controlling interests”. These new standards will be effective for years beginning on or after January 1st, 2011. The Company is in the process of evaluating the requirements of these new standards.

Section 1582 replaces Section 1581, and establishes standards for the accounting for a business combination. It provides the Canadian equivalent to International Financial Reporting Standard IFRS 3, "Business Combinations". The section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting year beginning on or after January 1st, 2011. Sections 1601 and 1602 together replace Section 1600, "Consolidated Financial Statements". Section 1601, establishes standards for the preparation of consolidated financial statements. Section 1602 applies to interim and annual consolidated financial statements relating to years beginning on or after January 1st, 2011.

Section 1602 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" and applies to interim and annual consolidated financial statements relating to years beginning on or after January 1st, 2011.

International Financial Reporting Standards (IFRS)

The CICA plans the convergence of Canadian generally accepted accounting principles (GAAP) to International Financial Reporting Standards (IFRS) on a transition period ending in 2011. The Company will adopt the IFRS for interim financial statement that will end on June 30, 2011. The Company expects this transition to have an effect on its accounting methods, presentation of financial information and information systems.

The Company is currently going through the assessment and evaluation phase of its IFRS implementation project to determine the effect on its processes, systems and financial statements upon adoption.

Other New Standards

Other new standards have been published but they should not have a significant impact on the Company's financial statements.

SIGNIFICANT ACCOUNTING POLICIES

Financial Instruments

Financial assets and financial liabilities are initially recognized at fair value and their subsequent measurement is dependent on their classification as described below. Their classification depends on the purpose, for which the financial instruments were acquired or issued, their characteristics and the Company's designation of such instruments. Transaction date accounting is used.

Held for Trading

Held for trading financial assets are financial assets typically acquired for resale prior to maturity or that are designated as held for trading. They are measured at fair value at the balance sheet date. Fair value fluctuations including interest earned, interest accrued, gains and losses realized on disposal and unrealized gains and losses are included in earnings. Cash is classified as held for trading asset.

Loans and Receivables

Loans and receivables are accounted for at amortized cost using the effective interest method. Other receivables are classified as loans and receivables.

Other Liabilities

Other liabilities are recorded at amortized cost using the effective interest method and include all financial liabilities, other than derivative instruments. Accounts payable and accrued liabilities are classified as other liabilities.

Transaction costs

Transaction costs related to financial assets held for trading are treated as expenses at the time they are incurred. Transaction costs related to available-for-sale financial assets and loans and receivables are added to the carrying value of the asset and transaction costs related to other liabilities are netted against the carrying value of liability. They are then recognized over the expected life of the instrument using the effective interest method.

Effective Interest Method

The Company uses the effective interest method to recognize interest income or expense which includes transaction costs or fees, premiums or discounts earned or incurred for financial instruments.

Fixed Assets

Fixed assets are accounted for at cost. Amortization of fixed assets is based on their useful life using the declining method at rate of 20%.

Mining Properties and Deferred Exploration Expenses

Costs related to the acquisition and exploration of mining properties are capitalized by property until the commencement of commercial production. If commercially profitable, ore reserves are developed; capitalized costs of the related property are reclassified as mining assets and amortized according to the unit of production method. If it is determined that capitalized acquisition, exploration costs are not recoverable over the estimated economic life of the property, or if the project is abandoned, the project is written down to its net realizable value. The Company's management reviews the carrying values of assets on a regular basis to determine whether any write-downs are necessary.

The recoverability of amounts recorded for mining properties and deferred exploration expenses depends on the discovery of economically recoverable reserves, confirmation of the Company's interest in the mining claims, the ability of the Company to obtain the necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof. The amounts shown for mining properties and deferred exploration expenses do not necessarily represent present-time or future values.

Impairment of Long-lived Assets

Long-lived assets are tested for recoverability whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognized when their carrying value exceeds the total undiscounted cash flows expected from their use and eventual disposition. The amount of the impairment loss is determined as the excess of the carrying value of the asset over its fair value.

Revenue Recognition

Other revenues are recognized when there is convincing evidence of the existence of an agreement, as the price is fixed or determinable and collection is reasonably assured.

Flow-Through Shares

The Company has financed a portion of its exploration activities through the issuance of flow-through shares. Shares issued through flow-through financing are recorded at their selling price. Under the terms of the flow-through share agreements, the tax benefits of the exploration expenses are renounced in favour of the investors. The Company records the tax effect related to renounced deductions on the date that the Company renounces the deductions to investors provided there is reasonable assurance that the expenses will be incurred.

Fair Value of the Warrants

Proceeds from placements are allocated between shares and warrants issued according to their relative fair value on a pro-rata basis using the Black-Scholes method to determine the fair value of warrants issued.

Share Issuance Expenses

Share issuance expenses are recorded as an increase of the deficit in the year in which they are incurred.

Funds Reserved for Exploration

Funds reserved for exploration represent proceeds of public financing not yet incurred in exploration. The Company must use these funds for mining exploration activities in accordance with restrictions imposed by these financing.

Cash and Cash Equivalents

The Company's policy is to present cash and temporary investments having a term of three months or less from the acquisition date in cash and cash equivalents.

Accounting Estimates

The preparation of financial statements in accordance with Canadian GAAP requires management to make estimates and assumptions that affect the amounts recorded in the financial statements and notes to financial statements. The estimates are based on management's best knowledge of current events and actions that the Company may undertake in the future. Significant estimates include the carrying value of mining properties and deferred exploration expenses, calculation of amortization of fixed assets and calculation of stock-based compensation expenses. Actual results may differ from these estimates.

Basic and Diluted Loss per Share

The basic loss per share was calculated using the weighted average of shares outstanding during the fiscal year. The diluted loss per share, which is calculated with the treasury method, is equal to the basic loss per share due to the anti-dilutive effect of share purchase options and warrants.

Stock-based Compensation and Other Stock-based Payments

The Company accounted for in earnings stock-based compensation provided to employees and directors, and stock-based payments to non-employees, using the fair value-based method. The fair value of stock options at the grant date is determined according to the Black-Scholes option pricing model. Compensation expenses are recognized over the vesting period of the stock options.

Mining Properties Options Agreements

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

Future Income and Mining Taxes

The Company uses the asset and liability method of accounting for income taxes. Under this method, future tax assets and liabilities are recognized for tax consequences attributable to differences between the financial statements carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using enacted or substantively enacted tax rates that are expected to apply to taxable income in the years during which those temporary differences are likely to be recovered or settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the year that includes the enactment date.

The Company establishes a valuation allowance against future income tax assets if, based on available information, it is more likely than not that some or all of the future tax assets will not be realized.

RISKS FACTORS

Exploration Risks

Exploration and mining involve a high degree of risk. Few exploration properties end up going into production. Other risks related to exploration and mining activities include unusual or unforeseen formations, fire, power failures, labor disputes, flooding, explosions, cave-ins, landslides and shortages of adequate or appropriate manpower, machinery or equipment.

The development of a resource property is subject to many factors, including the cost of mining, variations in the quality of the material mined, fluctuations in the commodity and currency markets, the cost of processing equipment, and others, such as aboriginal claims, government regulations including regulations regarding royalties, authorized production, import and export of natural resources and

environmental protection. Depending on the price of the natural resources produced, the Company may decide not to undertake or continue commercial production. There can be no assurance that the expenses incurred by the Company to explore its properties will result in the discovery of a commercial quantity of ore. Most exploration projects do not result in the discovery of commercially viable mineral deposits.

Environmental and Other Regulations

Current and future environmental laws, regulations and measures could entail unforeseeable additional costs, capital expenditures, restrictions or delays in the Company's activities. Environmental regulations and standards are subject to constant revision and could be substantially tightened, which could have a serious impact on the Company and its ability to develop its properties economically. Before it commences mining a property, the Company must obtain environmental permits and the approval of the regulatory authorities. There is no assurance that these permits and approvals will be obtained, or that they will be obtained in a timely manner. The cost of complying with government regulations may also impact the viability of an operation or altogether prevent the economic development of a property.

Financing and Development

Development of the Company's properties therefore depends on its ability to raise the additional funds required. There can be no assurance that the Company will succeed in obtaining the funding required. The Company also has limited experience in developing resource properties, and its ability to do so depends on the use of appropriately skilled personnel or signature of agreements with other large resource companies that can provide the required expertise.

Commodity Prices

The factors that influence the market value of gold and any other mineral discovered are outside the Company's control. Resource prices can fluctuate widely, and have done so in recent years. The impact of these factors cannot be accurately predicted.

Risks Not Covered by Insurance

The Company may become subject to claims arising from cave-ins, pollution or other risks against which it cannot insure itself or chooses not to insure itself due to the high cost of premiums or other reasons. Payment of such claims would decrease and could eliminate the funds available for exploration and mining activities.

Disclosure Controls and Procedures

The Company's President and the Chief Financial Officer are responsible for establishing and maintaining the Company's disclosure controls and procedures in accordance with the Multilateral Instrument 52-109 of the Canadian Securities Administrator. These controls and procedures have been evaluated as at March 31, 2010 and have been determined to be effective.

Internal Controls over Financial Reporting

The Company's President and the Chief Financial Officer are responsible for establishing and maintaining the Company's internal controls over financial reporting in accordance with Multilateral Instrument 52-109 of the Canadian Securities Administrators. Furthermore, the Chief Executive Officer and Chief Financial Officer have elaborated an internal control system pertaining to financial reporting that gives a reasonable assurance as to the reliability of the financial information reported and the preparation of the financial statements in accordance to the GAAP.

ADDITIONAL INFORMATION FOR VENTURE ISSUERS WITHOUT SIGNIFICANT REVENUE

The Company discloses the information on deferred exploration expenses in the note 6 of the annual financial statements ended March 31, 2010.

The Company doesn't have any research and development expenses.

The Company doesn't have other deferred expenses than the mining properties and the deferred exploration expenses.

The general administrative expenses for the fiscal year ended March 31, 2010, are made up of the following expenses:

Promotion and assessment:	\$6,229
Office supplies and expenses	\$18,659
Rent	\$13,200
Electricity and property taxes	\$271
Bank interests and bank charges	\$2,898
Telecommunications	\$9,711
Traveling and representation expenses	\$101,758
Car expenses	<u>\$19,852</u>
For a total amount of	\$172,578

INFORMATION ON OUTSTANDING SHARES

As at March 31, 2010, the share-capital of the Company is comprised of 46,904,118 common shares issued and outstanding. At the date of this MD&A, Lounor's share capital is comprised of 50,184,120 common shares issued and outstanding.

The Company has a stock option plan outstanding and the maximum number of options is 3,300,000. As at July 16, 2010, no option was exercised.

Stock Options

<u>Number</u>	<u>Exercise Price</u>	<u>Expiration Date</u>
760,000	\$0.20	06-20-2010
510,000	\$0.20	01-23-2011
<u>1,335,000</u>	\$0.15	04-03-2012
2,605,000		

Warrants

As at July 16, 2010, the outstanding warrants are as follows:

<u>Number</u>	<u>Price</u>	<u>Expiration Date</u>
1,959,096	\$0.30	07-18-2010
555,556	\$0.24	07-18-2010
5,755,516	\$0.26	08-15-2010
606,000	\$0.24	05-15-2010
83,334	\$0.24	10-03-2010
136,364	\$0.30	10-03-2010
4,142,857	\$0.10	12-05-2010
166,667	\$0.23	12-19-2010
1,125,000	\$0.15	04-03-2011
1,250,000	\$0.15	06-15-2011
2,208,335	\$0.15	08-21-2011
1,091,666	\$0.155	09-18-2011
3,125,000	\$0.20	11-25-2011
1,833,333	\$0.19	12-01-2011
1,666,667	\$0.19	12-30-2011
733,334	\$0.19	04-21-2012
<u>406,668</u>	\$0.19	06-03-2012
26,845,393		

Options issued to brokers and intermediaries

As at July 16, 2010, the options issued to brokers and intermediaries are as follows:

<u>Number</u>	<u>Price</u>	<u>Expiration Date</u>
460,441	\$0.26	08-15-2010
48,480 ⁽¹⁾	\$0.18	08-15-2010
<u>250,000⁽²⁾</u>	\$0.16	11-25-2011
758,921		

- (1) These options give the right to the subscriber to acquire one unit at a price of \$0.18. Each unit is comprised of one share accompanied by a warrant at a price of \$0.24. One warrant gives the right to buy one share at a price of \$0.24 per share.
- (2) These options give the right to the subscriber to acquire one unit at a price of \$0.16. Each unit is comprised of one share accompanied by a warrant at a price of \$0.20. One warrant gives the right to buy one share at a price of \$0.20 per share

STRATEGY AND PERSPECTIVE

The Harker property is a high quality property and we planned to increase our exploration efforts on this property. In fact, we are reviewing our financing possibilities on this Ontario property in order to multiply considerably the drilling feet. This property has become the “flagship” property of Lounor. In 2008, we have optioned the Tiger Gold property which is contiguous to the Harker property following our recent results and our interpretation of the sector.

We have collected \$342,000 in financings since April 2010. The majority of these funds will be used to drill the Harker-Tiger property. The current drill campaign is aiming at the lens that we are drilling since the beginning (84 drill holes to date) but at a depth of 225 meters and more. This area represents approximately 20% of the property along the favorable horizon. The mineralized zone is open to the west and to the east as well as at depth.

The interest of the financial markets for gold confirms the rightness of our decision to concentrate our efforts on gold properties. Our strategy consists in increasing our efforts to accelerate the development of our gold projects.

ADDITIONAL INFORMATION AND CONTINUOUS DISCLOSURE

This report was prepared as at July 16, 2010. The Company regularly discloses additional information in press releases and quarterly reports on the Internet site of SEDAR (www.sedar.com) and on its web site (www.lounor.com).

CERTIFICATE

This management’s discussion and analysis report was approved by the board of directors.

(s) Gilles Fiset
Gilles Fiset, President
July 16, 2010