



# LOUNOR

EXPLORATION INC.

**Management Discussion and Analysis Report  
(For the Nine-Month Period ended December 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 third quarter ended December 31, 2010, in comparison with the same period of last year. This MD&A report was prepared as at February 21, 2011, and should be read in conjunction with the Company's unaudited interim financial statements for the period ended December 31, 2010 and the Company's audited financial Statement dated March 31, 2010, including the accompanying notes. This MD&A and our financial statements are intended to provide investors with reasonable basis for assessing our results of operations 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, Nickel, Sylvie and Zinc) and in Ontario (Harker, Munro and Tiger Gold). Lounor is a reporting issuer in Alberta, British Columbia and Quebec and is listed on the TSX Venture under the symbol LO and on the Frankfurt Exchange under the symbol LE2A.

## **MINING PROPERTIES**

### **Queylus Property**

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.

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 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.

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

### **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. These claims were written off during the last quarter ended June 30, 2010. However, Lounor keeps the other claims in this sector.

### **Zinc (Bernières) Property**

In April 2010, Lounor acquired a total of 17 mining 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 2011.

### **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 **90** 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 **200 metres**. It is **open** to the **east**, to the **west and at depth**.

The 90 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 200 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% disseminated 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. A new drill program is planned in the coming weeks.

### **Tiger Gold Property**

In October 2008, the Company entered into an agreement to acquire a 50% interest in 24 mining claims. Lounor paid \$100,000 cash, issued 450,000 common shares at the date of signature and Lounor will have to one last payment totalizing \$25,000 in cash and issue 150,000 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.

### **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.

### **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)**

<b>YEAR ENDED MARCH 31</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
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

## **QUARTERLY INFORMATION (unaudited)**

	Dec. 31	Sept. 30	June 30	March 31	Dec. 31	Sept. 30	June 30	March 31
	2010	2010	2010	2010	2009	2009	2009	2009
Total assets	3,421,159	3,357,882	3,074,800	2,974,553	3,239,225	2,484,333	2,174,339	2,217,169
Total liabilities	462,829	537,178	655,007	583,622	109,799	172,477	119,272	157,929
Revenue	5,504	6,840	4,755	2,878	3,133	2,775	4,063	3,173
Net loss (net gain)	214,629	242,189	450,728	382,319	184,230	194,002	419,405	65,159
Net loss (net gain) per share on a diluted basis	0.00	0.00	0.01	0.01	0.00	0.01	0.01	0.001

## ***STATEMENTS OF EARNINGS***

### ***Revenue***

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

### ***Expenses***

As at December 31, 2010, the loss before taxes of the Company is \$214,629 compared to \$184,230 as at December 31, 2009. The general administrative expenses have decreased, going from \$49,335 in 2009 to \$39,569 in 2010 as well as the consultants' fees, going from \$141,307 in 2009 to 139,700 in 2010. The registration, listing fees and Information to the shareholders' expenses have increased, going from \$11,188 in 2009 to \$22,538 in 2010 as well as the professional fees, going from \$12,085 in 2009 to \$17,375 in 2010.

### **Summary of the administrative expenses for the last fourth quarters**

	<b>Dec. 31</b>	<b>Sept. 30,</b>	<b>June 30,</b>	<b>March 31,</b>
	<b>2010</b>	<b>2010</b>	<b>2010</b>	<b>2010</b>
General administrative expenses	39,569	48,114	30,803	41,891
Penalties and part XII.6 taxes	0	0	0	375,428
Professional fees	17,375	26,375	9,946	32,700
Consultants fees	139,700	119,934	122,536	154,504
Regis., listing fees &shareholders' inf.	22,538	18,570	10,976	13,874
Stock-based compensation	0	35,600	0	(42,075)
Amortization	951	436	436	587

- a) During the quarter ended September 30, 2010, the general administrative expenses are higher compared to the other quarters. The items that have fluctuated the most are publicity and traveling expenses.
- 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 March 31, 2010, the professional fees are higher in comparison with the other quarters because the Company recorded tax specialist fees.
- d) Consultants' fees increased in the quarter ending March 31, 2010 because the Company recorded supplementary fees to its President.
- e) As at December 31, 2010, the item registration, listing fees and shareholders' information have

increased because the Company has recorded supplementary expenses following the annual meeting of shareholders and pertaining to two private placements.

- f) As at March 31, 2010, the Company has recorded an adjustment to the stock-based compensation. As at September 30, 2010, the Company recorded \$35,600 in compensation because management granted stock options.

## CASH FLOWS

During the three-month period ended December 31, 2010, the Company cashed in \$320,000 following one private placement.

During the quarter ended December 31, 2010, the Company disbursed \$152,831 in exploration expenses and \$4,415 for the acquisition of fixed assets. These investment activities are directly linked to the sectors of activity of the Company.

The Company has already closed two non-flow-through private placements but since the statutory exploration works exceed the amount of cash available as at December 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.

## BALANCE SHEET

As at December 31, 2010, our total assets amount to \$3,421,159 compared to \$2,974,553 as at March 31, 2010. The creditors' level went from \$583,622 as at March 31, 2010 to \$462,829 as at December 31, 2010. The deferred exploration expenses have increased, going from \$2,242,935 as at March 31, 2010 to \$2,514,829 as at December 31, 2010. Shareholders' equity went from \$2,390,931 as at March 31, 2010 to \$2,958,330 as at December 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 December 31, 2010, the working capital is negative at \$234,167 while it was at negative at \$357,849 as at March 31, 2010.

## SOURCE OF FINANCING

Date	Financing		Use of Proceeds
Nov. 2009	Flow-through shares	\$250,000	Exploration expenditures in Quebec
Dec. 2009	Flow-through shares	\$220,000	Exploration expenditures in Ontario
	Common shares	\$55,000	Working capital
Dec. 2009	Flow-through Shares	\$143,200	Exploration expenditures in Ontario
		\$56,800	Exploration expenditures in Quebec
	Common shares	\$50,000	Working capital
April 2010	Flow-through Shares	\$194,000	Exploration expenditures in Ontario
	Common shares	\$26,000	Working capital
June 2010	Flow-through shares	\$97,600	Exploration expenditures in Ontario
	Common shares	\$24,400	Working capital
Sept. 2010	Common shares	\$339,000	Working capital
Sept. 2010	Flow-through shares	\$112,500	Exploration expenditures in Ontario
		\$112,500	Exploration Expenditures in Quebec
	Common shares	\$25,000	Working capital
Dec. 2010	Flow-through shares	\$216,000	Exploration expenditures in Ontario
		\$72,000	Exploration expenditures in Québec
	Common Shares	\$32,000	Working capital

## Contingencies

In accordance with the flow-through shares agreements signed in 2008 and 2009, the shortfall of expenses for the Company is amounting approximately \$1,244,900. This amount had to be incurred before December 31, 2009. Therefore, during the fiscal year ended March 31, 2010, the Company recorded in accounts payable and accrued liabilities an amount of \$311,228 as penalty. The Company has to incurred prior to December 31, 2010, \$254,754 in exploration expenditures on its Quebec properties and \$171,053 for its Ontario Properties. 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.

## **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 \$620,100 on its properties in Ontario and an amount of \$184,500 on its properties in Quebec and that at the latest on December 31, 2011. To comply with its obligations, Lounor will absolutely have 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 \$100,000 cash, issued 450,000 common shares and Lounor will have to make additional payments totalizing \$25,000 in cash and issue 150,000 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 800,000 shares and paid \$150,000. According to this agreement, Lounor still has to make a final payment of \$50,000 in February 2011.

In September 2010, the Company entered into an agreement pursuant to which Lounor retained the services of a company to provide investor relations. The fees are \$6,500 per month for the duration of the two-year contract, which will terminate in September 2012. Furthermore, the Company has granted 800,000 stock options to this company at a price of \$0.12 per share. These options will expire in September 2011.

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%	Harker	2%
Zinc	1.5%				

## **RELATED PARTY TRANSACTIONS AND COMMERCIAL OBJECTIVES**

### Gilles Fiset

During the first quarter ended December 31, 2010, the Company incurred consultant fees with its President for an amount of \$39,000 and \$117,000 for the nine-month period.

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.

## **CHANGES IN ACCOUNTING POLICIES**

### **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 1601 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.

## **FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

The Company's activities are exposed to financial risks: market risk (including currency risk and interest rate risk), credit risk and liquidity risk.

### **a) Market Risks**

#### **Fair Value**

Fair value estimates are made at the balance sheet date, based on relevant market information and other information about the financial instruments. Fair value of cash, other receivables and accounts payable and accrued liabilities approximate carrying value due to their short-term.

#### **Fair Value Hierarchy**

Cash and investments are measured at fair value and they are categorized in Level 1. This valuation is based on data observed in the market.

#### **Interest Rate Risk**

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The financial assets and liabilities are not exposed to interest rate risk because they don't bear interest.

#### **Currency Risk**

The Company is not exposed to currency fluctuations as all transactions occur in Canadian dollars.

### **b) Credit Risk**

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Financial instruments that potentially subject the Company to credit risk mainly consist of cash, taxes receivables and others receivable. The credit risk on cash is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies. As the majority of its receivables are with the governments of Quebec and Canada in the form of sales taxes receivables, the credit risk is minimal.

### **c) Liquidity Risk**

Liquidity risk is the risk that the Company will not be able to meet the obligations associated with its financial liabilities. At the end of December 2010, the management is optimistic to get sufficient funds to meet its financial liabilities and future financial liabilities from its commitments. Considering the importance of the future commitments of the Company, the risk is high that the management meets difficulty to have amount required for its future projects. Considering the non-respect of some flow-through shares agreements and the importance of the future commitments of the Company, the risk is high that the management will have difficulties to obtain the financial resources required for its future projects.

#### **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 December 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.

### **Forward Looking Statements**

Certain statements in this document that are not supported by historical facts are forward-looking, which means that they are subject to risks, uncertainties and other factors that may result in actual results differing from those anticipated or implied by such forward-looking statements. There are many factors that may cause such a disparity, notably unstable metals prices, the impact of fluctuations in foreign exchange markets and interest rates, poor reserves estimates, environmental risks (more stringent regulations), unexpected geological situations, unfavorable mining conditions, political risks arising from mining in developing countries, changing regulations and government policies (laws or policies), failure to obtain required permits and approval from governmental authorities, or any other risk related to mining and development.

## ADDITIONAL INFORMATION FOR VENTURE ISSUERS WITHOUT SIGNIFICANT REVENUE

The Company discloses the information on deferred exploration expenses in the note 6 of the interim financial statements ended December 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 three-month period ended December 31, 2010, are made up of the following expenses:

Promotion and assessment:	\$2,981
Office supplies and expenses	\$7,252
Rent	\$4,314
Electricity and telephone	\$3,744
Traveling and representation expenses	\$16,254
Financing Fees, permits and assessment	\$433
Car expenses	<u>\$4,591</u>
For a total amount of	\$39,569

## INFORMATION ON OUTSTANDING SHARES

As at December 31, 2010 as well as at the date of this MD&A, the share-capital of the Company is comprised of 56,874,001 common shares issued and outstanding.

The Company has a stock option plan outstanding and the maximum number of options is 5,000,000. As at February 21, 2011, no option has been exercised.

### Purchase Stock Options

<u>Number</u>	<u>Exercise Price</u>	<u>Expiration Date</u>
510,000	\$0.20	01-23-2011
800,000	\$0.12	09-01-2011
1,335,000	\$0.15	04-03-2012
<u>600,000</u>	\$0.12	09-28-2012
3,245,000		

## Warrants

As at February 21, 2011, the outstanding warrants are as follows:

<u>Number</u>	<u>Price</u>	<u>Expiration Date</u>
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
4,142,857	\$0.10	12-05-2011
1,833,333	\$0.19	12-01-2011
1,666,667	\$0.19	12-30-2011
733,334	\$0.19	04-21-2012
406,668	\$0.19	06-03-2012
1,666,667	\$0.20	09-20-2012
2,118,750	\$0.11	09-28-2012
<u>2,285,714</u>	<u>\$0.18</u>	<u>12-06-2012</u>
23,653,991		

## Options issued to brokers and intermediaries

As at February 21, 2011, the options issued to brokers and intermediaries are as follows:

<u>Number</u>	<u>Price</u>	<u>Expiration Date</u>
250,000 <sup>(1)</sup>	\$0.16	11-25-2011

(1) 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 since its acquisition, we have increased our exploration budgets significantly. Most of our financings have been raised to diamond drill the Harker property. This property has become our flagship property. In 2008, we optioned the Tiger Gold property to protect a geological fault, following our geological interpretation of the sector.

We now believe that we have two parallel gold zones. The second parallel gold structure will be drill tested during the up-coming drill program. Positive results could increase significantly the potential of our Harker Property.

Since 2008, our drilling returned many economic gold values. We already defined a large gold system. Our property is contiguous to the Holt-McDermott mine and SAS released a new gold discovery with gold values and widths similar to our results.

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 the Harker property.

**ADDITIONAL INFORMATION AND CONTINUOUS DISCLOSURE**

This report was prepared as at February 21, 2011. The Company regularly discloses additional information in press releases and quarterly reports on the Internet site of SEDAR ([www.sedar.com](http://www.sedar.com)) and on its web site ([www.lounor.com](http://www.lounor.com)).

**CERTIFICATE**

This MD&A is approved by the board of directors.

(s) Gilles Fiset  
Gilles Fiset  
February 21, 2011