RAINY RIVER RESOURCES LTD.

MANAGEMENT'S DISCUSSION & ANALYSIS

FOR THE NINE MONTH PERIOD ENDED

JUNE 30, 2010

INTRODUCTION

This Management's Discussion and Analysis ("MD&A") dated August 11, 2010 includes financial information from, and should be read in conjunction with, the unaudited interim consolidated financial statements of Rainy River Resources Ltd. (the "Company") for the three and nine months ended June 30, 2010. Please refer to the cautionary notes at the end of this MD&A. The Company reports its financial position, results of operations and cash flows in accordance with Canadian generally accepted accounting principles ("GAAP") in Canadian dollars (unless otherwise stated).

Rainy River Resources Ltd. is a Canadian mineral exploration company based in Toronto, Ontario (effective in the quarter ended June 30, 2010, when it moved it's corporate office from Vancouver, British Columbia). The Company's principal focus is its Rainy River Project, located 107 kilometers west of Fort Frances in the southwest corner of northern Ontario. The Company does not have any assets or mineral properties that are in production, however, on March 2, 2010, the Company announced an updated NI 43-101 compliant gold and silver resource estimate for the Rainy River Property. A 0.4 grams of gold per tonne ("g/t") block cut-off for open pit and a 3.0 g/t gold ("Au") cut-off for underground mineral resources indicated resources totaling 2.659 million ounces of gold and 3.314 million ounces of silver at an average gold grade of 1.3 g/t, and inferred resources totaled 2.37 million ounces of gold and 6.041 million ounces of silver at an average gold grade of 1.2 g/t. Cut-off grades are based on a gold price of US$850 per ounce gold and a gold metallurgical recovery of eighty-five percent, without considering revenues from other metals.

The Company's shares trade on the TSX Venture Exchange ("TSX-V") under the symbol "RR". The Company is a reporting issuer in British Columbia, Alberta and Ontario.

Additional information on the Company is available on SEDAR at www.sedar.com.

CORPORATE ACTIVITIES

Corporate Highlights

On May 12, 2010, the Company announced that it has agreed in principle to a Memorandum of Understanding with the Fort Frances Chiefs Secretariat, representing the seven First Nations communities most likely to be affected by the continued exploration and development of the Rainy River Project, that was formally executed at a signing ceremony held at the Company's Project site on May 13, 2010.

On May 18, 2010, the Company announced the appointment of Nicholas J. Nikolakakis as Vice President and Chief Financial Officer, effective July 5, 2010. Mr. Nikolakakis is a financial professional with significant experience in corporate finance activities in the mining industry.

On May 31, 2010, the Company announced the retirement of Nelson W. Baker as Vice Chair and director.

On June 17, 2010, the Company announced the appointment of Richard Pettit, a Chartered Accountant, and James Excell, a Metallurgical Engineer, to the Company's Board of Directors. Messrs. Pettit and Excell will serve as independent directors.

On June 21, 2010, the Company, along with Northern Superior Resources Inc. ("Northern Superior"), announced that they have entered into an agreement whereby Northern Superior has granted the Company an option to earn a 51% joint venture interest in the eastern half of Northern Superior's 100% owned Ti-pa-haa-kaa-ning/Big Dam gold property in northwestern Ontario (the "TPK Property"). To earn its 51% interest, the Company must fund $9.4 million in exploration expenses over a 3 year period, make a cash payment of $300,000 upon receipt of regulatory approval and a further $1.3 million in January 2011, and complete three equal annual private placements of common shares of Northern Superior of $500,000 each for a total equity investment of $1.5 million. The Company may terminate the option after completing its year one obligations. This agreement is subject to acceptance by the TSX-V.

As of June 30, 2010, the Company had approximately $61.4 million in its treasury. The additional funds raised have allowed the Company to accelerate both its exploration drilling program and pre-development studies.

PROPERTY HIGHLIGHTS

Rainy River Project

In June 2005, the Company acquired, from Nuinsco Resources Limited ("Nuinsco"), the right to earn a 100% interest in the Rainy River Project consisting of 17,252.18 acres (6,981.71 hectares) situated along a 25 kilometre segment of an under-explored and poorly exposed greenstone belt in Ontario. Prior to the purchase agreement, Nuinsco had completed 217 diamond drill holes (49,515 metres) and 597 reverse circulation ("RC") holes in the Richardson Township area of the project and had discovered and partially defined two gold zones, the 17 and 433, under approximately 23 metres of glacial till within an auriferous 6 km² caldera sequence consisting of pyritized felsic volcanic rocks. The polymetallic, gold-rich volcanogenic sulphide mineralization appears to be geologically similar to the Bousquet area gold deposits in Quebec. The Rainy River Project was acquired by the Company because management believed the potential for expanding the 17 and 433 Zones and discovering other, similar gold zones was high.

Following a comprehensive due-diligence study of the historical drill core and a compilation of all technical data available for the Project, the Company initiated a two-pronged exploration effort involving: (1) defining the economic potential and ultimate size of the 17 and 433 gold zones by systematic drilling along strike and down plunge; and (2) searching for new gold zones within the 6 km² auriferous caldera complex. Also, in the fall of 2005, a program of geological mapping, soil sampling, prospecting and limited diamond drilling was initiated by the Company near Off Lake in the northeast corner of the project area where the overburden cover is much thinner. This work discovered a 4 x 9 km intrusive complex, the Off Lake Felsic Dyke Complex, which contains porphyry-hosted gold mineralization compatible with the volcanic-hosted mineralization in Richardson Township.

In all, including the Nuinsco drilling, a total of five gold zones (ODM17 which includes a major western "ODM" extension of Nuinsco's original 17 Zone, 433, Cap, Beaver Pond and West) had been discovered by December 2007, all within the 6 km² auriferous caldera complex. Of the five gold zones, three (ODM17, Beaver Pond and West) occur along the 17 Gold Trend which has been traced by reverse circulation till and bedrock sampling methods for about 3 km in strike length. The 433 Zone lies north of and stratigraphically below the large ODM17 Zone whereas the Cap Zone is south of and stratigraphically above this zone. The Company's principal focus up to December 2007 was to define the ODM17 Zone with drill holes spaced 30 to 60 m apart over an 800 m strike length and to a vertical depth of 350 m and to drill the upper part of the Beaver Pond, 433 and Cap Zones as part of a NI 43-101 mineral resource estimate. On February 28, 2008, the Company released the results of an independent NI 43-101 resource estimate prepared by Caracle Creek International Consulting ("CCIC") for holes drilled to December 19, 2007 on the above zones. At a 0.50 g/t Au cut-off, the NI 43-101 gold resource estimate totalled 1,386,000 ounces of contained gold classified in the "indicated" category and 2,233,000 ounces of contained gold in the "inferred" category.

In early October 2007, the Company initiated a metallurgical test with SGS Laboratories in Lakefield, Ontario to determine gold recovery rates for the mineralization in the ODM17 Zone. The results, received in late January 2008, demonstrated that high gold recoveries are obtainable using a simple combination of gravity separation followed by flotation of the gravity tailings. Twenty-one composited 12 m half-core samples of three grade ranges were tested and an average of 94% of the gold was captured on the basis of approximately 25% recovery via gravity separation and the remainder by flotation of the gravity tailings. Additional testing is required to optimize final gold extraction from the pyritic flotation concentrate.

In early 2008, a new gold zone, the HS, was discovered between the ODM17 and 433 Zones. Throughout 2008 and 2009, the Company continued its aggressive diamond drilling program in Richardson Township, typically employing three to four drill rigs except for a brief reduction to two rigs in November-December 2008 at the height of the global economic downturn. A fifth rig was added in October 2009. The drilling has focused on: (1) upgrading the resources of the ODM17, 433 and HS Zones from the inferred to indicated category by closing the hole spacing from 60 m to 30 m; (2) extending these resources to greater depth; and (3) identifying new gold zones within high-priority target areas generated by reverse circulation drilling, primarily along the western extension of the ODM17, 433 and Cap Trends. In March 2009, a deep drill hole, No. 329, intersected high-grade gold and silver mineralization at depth below the Beaver Pond Zone. In December 2009, the deep mineralization was extended up-plunge with high-grade intersections in Holes 402 and 446 including an exceptional 352.84 g/t (10.29 oz/t) gold over 6.0 metres in Hole 446 (news release dated January 18, 2010). In September 2009, the near-surface South Zone was discovered 200 metres southwest of the Cap Zone beside the conceptual open pit. Significant gold intersections were also obtained west along strike from the Beaver Pond Zone.

In June 2008, the Company engaged the services of SRK Consulting ("SRK") to update the gold resources as drilling progresses. Also, Klohn Crippen Berger Ltd. ("KCBL") was engaged to conduct environmental, socio-economic and geotechnical studies in the resource area. KCBL delivered a preliminary environmental/socio-economic report to the Company on February 5, 2009 and a preliminary geotechnical report on February 6, 2009; additional studies are ongoing. SRK delivered a Draft Memo to the Company on May 27, 2009, containing a revised NI 43-101 compliant resource estimate encompassing all drill holes completed and assayed to December 15, 2008. The full final report was received and publicly distributed on July 10, 2009. SRK's study was more comprehensive and rigorous than CCIC's initial study as considerable infill drilling had been completed and parameters such as open pit versus underground mining, pit slopes, gold recovery rates and mining and processing costs were considered. Based on a gold price of US$800 per ounce with no allowance for silver credits, a cut-off grade of 0.4 g/t Au for open pit mining to a maximum depth of 450 m and 3.0 g/t Au for underground mining below the pit, and a gold recovery rate of 85 percent, SRK estimated the following resources:

1. *Indicated* resources of 2.225 million ounces of gold and 3.375 million ounces of silver at an average gold grade of 1.24 g/t.
2. *Inferred* resources of 1.807 million ounces of gold and 4.548 million ounces of silver at an average gold grade of 0.88 g/t.

SRK's resource estimate showed a 61 percent year-over-year increase in indicated resources from CCIC's estimate, primarily through conversion of inferred resources through infill drilling. In addition, approximately 1.1 million ounces of gold mineralization at the same 0.4 g/t cut-off grade as the open pit resources were identified below and proximal to the proposed open pit. While none of this additional mineralization qualified as a mineral resource and there was no certainty that any of the mineralization would be converted to resources in the future because continuity and reasonable prospects for economic extraction had not been demonstrated, the Company viewed the mineralization as a good measure of exploration progress in the immediate area of the proposed pit and thus of the potential for increasing the indicated and inferred resources through further drilling.

In July 2009, the Company initiated a drainage and road construction program to improve access to low-lying areas of the property that were previously accessible for drilling only in the winter months. The program was completed in November and has significantly improved the efficiency of the drilling operations by allowing both the exploration and infill holes to be placed where they are most needed. As a result, new high-grade mineralization was discovered at the previously flooded beaver pond and the hole spacing on the ODM17 and 433 Zones was tightened to a uniform 30 m to a depth of 350 m as needed to upgrade inferred resources to indicated resources. With more targets now accessible, a sixth diamond drill was added in January 2010. A seventh rig tested targets beneath Off Lake in February 2010. In addition, a 28-hole reverse circulation (RC) drilling program was completed in November 2009 to develop new gold targets for the diamond drills in the previously inaccessible areas. Seven follow-up RC holes were added in February 2010 and two prime new targets were identified from strong, coincident gold-in-till and gold-in-bedrock anomalies.

To help guide the resource drilling, the Company is working with SRK to regularly update the resource figures. On March 2, 2010, the Company announced the following updated NI 43-101 compliant gold and silver resource estimate based on a 0.4 g/t Au block cut-off for open pit and 3.0 g/t Au cut-off for underground mineral resources, a gold price of US$850 per ounce gold and a gold metallurgical recovery of eighty-five percent, without considering revenues from other metals:

1. Indicated resources totaling 2.66 million ounces of gold and 3.314 million ounces of silver at an average gold grade of 1.3 g/t.
2. Inferred resources totaling 2.37 million ounces of gold and 6.04 million ounces of silver at an average gold grade of 1.2 g/t.

The above and other parameters used in the updated estimate were similar to those for the May 2009 estimate except that a shallower, more conservative pit depth of 380 metres rather than 410 metres was employed. Therefore the increase in total resources was mainly due to additions to the underground resources.

In the second quarter of 2010, the Company commenced scoping studies to examine the economics of different mining operation scenarios, including the possible advantages of a strictly underground mining operation compared to a combined open pit and underground mining operation. These studies are expected to be followed by a preliminary economic assessment in calendar 2011. Environmental, geotechnical and metallurgical studies are ongoing, along with additional road construction to improve drilling efficiency. This work is being directed from a new corporate office that was established in Toronto, Ontario in April 2010.

Since acquiring the property in 2005 through to June 30, 2010, the Company has completed a total of 527 diamond drill holes aggregating approximately 283,000 metres or 283 kilometres (including deepening shallow holes and replacing failed holes) and 279 RC holes in the Richardson Township area, principally within the 6 km² mineralized core of the caldera. In addition, in the Off Lake area during the same period, the Company has drilled a total of 36 diamond drill holes totaling 8,514 metres and 23 RC holes to test targets identified by prospecting within the fertile Off Lake Felsic Dyke Complex. In the two areas combined, the Company has completed a grand total of 563 diamond drill holes totaling approximately 292,000 metres (292 kilometres) and 302 RC holes.

Included in the above life-of-project totals are 28 new diamond drill holes totaling 11,735 metres and 42 hole extensions totaling 15,381 metres, completed in Richardson Township, 4 new diamond drill holes totaling 614 metres completed in the Off Lake area and 34 new RC holes drilled in the Richardson Township area during the three months ended June 30, 2010. The new diamond drilling in Richardson Township consisted mainly of infill holes on the ODM17 and 433 Zones to further define the gold resources in these zones and of extensions to earlier holes to test the depth potential of these zones. The RC drilling filled in, at 100 m spacing, six gaps in the existing RC coverage of the caldera gold anomaly. The diamond drilling in the Off Lake area tested an exhalite horizon that stratigraphically underlies the mineralized Off Lake Felsic Dyke Complex.

Exploration costs for the nine months ended June 30, 2010 totaled $14.0 million, of which $8.8 million was for diamond drilling. Based on the December 2009 expenditure plan approved by the Board, the diamond drilling budget for the fiscal year ending September 30, 2010, assuming 62,800 m of drilling, was $8.3 million, with a further $6.4 million for geological, engineering and other planned expenditures including reverse circulation drilling. Due to the results of much of the drilling exceeding expectations, the Board authorized management to increase the budget to complete 109,000 m of drilling by the end of the 2010 calendar year, increasing the expenditure budget to $12.6 million for diamond drilling, and to move forward with a preliminary economic assessment following the scoping studies.

In connection with the original purchase of the Rainy River Project, the Company was obligated to pay a bonus of $2,500,000 on commencement of commercial production from the property and a quarterly royalty of $1 per ton of ore produced from the property, subject to an annual consumer price index adjustment. In December 2008, the Company completed an agreement with Nuinsco pursuant to which the Company purchased Nuinsco's right to the production tonnage royalty and the bonus payment due on the property. Under the terms of the agreement, the Company made a cash payment of $500,000 and issued a total of 200,000 common shares valued at $130,000.

The property also had a 3% NSR on production, the first 1% of which could be purchased for $125,000. In May 2009, the Company completed an agreement with the underlying vendors pursuant to which the Company purchased their right to the 3% NSR by making a cash payment of $475,000 and issuing a total of 600,000 common shares valued at $1,710,000.

A portion of the property remains subject to a 10% net profits interest.

As of June 30, 2010, the Company held, either directly or by way of option agreements, a 100% interest in a land package totalling 32,578 acres (13,289 hectares) in the Richardson Township and Off Lake areas. During 2009 a small parcel was optioned, which connects the two areas, and a few options and claims in the Off Lake area were dropped. Options to acquire a 60% interest in peripheral properties held by Bayfield Ventures Corp. and Western Warrior Resources Inc. were not renewed. In the second quarter of calendar 2010, two parcels totalling 121 hectares were optioned in the Richardson Township area.

The above-described exploration and development plans are based on management's current assessment of the status of the Rainy River Project and are subject to change as additional information such as new exploration results, updated resource estimates and results of the environmental studies become available; readers are cautioned that actual exploration and development activities on the Company's Richardson Township properties may vary (see the "Cautionary Notes" on page 12 of this MD&A for a more detailed discussion concerning forward-looking information). In addition, the Company's ongoing exploration and development plans are subject to a number of risks and uncertainties (see the discussion under "Risks and Uncertainties" on page 6 of this MD&A for a more detailed discussion of the principal risk factors affecting the Company's business).

All exploratory work, including all scientific and technical disclosures related to the Rainy River Project and TPK Joint Venture in Ontario and the Mud Creek Project in Minnesota described below, is carried out under the supervision of Mr. Stuart A. Averill, P.Geo., Vice-President Exploration, and Mr. Garett Macdonald, P.Eng., Vice-President Operations, both Qualified Persons as defined under NI 43-101. The disclosure in this MD&A of the work performed has been prepared under the supervision of Stuart Averill.

TPK Property

During the period ended June 30, 2010, the Company entered into an agreement whereby Northern Superior granted the Company an option to earn a 51% interest in the eastern half of Northern Superior's 100% owned Ti-pa-haa-kaa-ning/Big Dam gold property in northwestern Ontario (the "TPK Property"). To earn its 51% interest, the Company must fund $9,400,000 in exploration expenses over a three year period, make cash payment of $300,000 upon receipt of regulatory approval and a further $1,300,000 in January 2011, and complete three equal annual private placements of common shares of Northern Superior of $500,000 each for a total investment of $1.5 million. The Company may terminate the option after completing its year one obligations. This agreement is subject to acceptance by the TSX-V.

The TPK Property is located 190 km northeast of Pickle Lake, in northwestern Ontario. The 18,189 hectare property is hospitable for structurally-controlled gold deposits and contains an untested gold-grains-in-till anomaly that is as strong as and larger than the major anomaly associated with the mineralized caldera on the Rainy River Property, suggesting the presence of a cluster of potentially significant gold zones beneath the till. The Company plans to use the experience gained from its RC drilling discoveries at Rainy River to locate these gold zones. Northern Superior commenced a major RC drilling program and complementary boulder prospecting in July with diamond drilling of the RC drilling-defined targets to follow in October.

Minnesota Gold Project (Mud Creek)

During the year ended in September 30, 2006, the Company acquired a 100% interest in certain mineral leases covering 1,725 acres in St. Louis County in northwestern Minnesota, U.S.A. referred to as the Mud Creek Property. Based on mineral tenure provisions in Minnesota, subject to performance and payment of rental, these mineral leases expire September 7, 2055.

During May 2006, a field crew from Overburden Drilling Management Limited ("ODM") of Nepean, Ontario collected a total of 70 till samples on the Mud Creek Property. The till samples were transported to ODM's laboratory in Nepean for processing. The initial sampling identified four new, distinct, gold-grain anomalies which are well-removed from previously known gold occurrences. One anomaly was of particular interest since it appeared to be down-ice from a large, previously unexplored, mineralized quartz-feldspar porphyry. Further closely-spaced till sampling combined with systematic prospecting was carried out in October 2006.

A report prepared by ODM, in July 2007, recommended that the property be flown by a detailed airborne electro magnetic and magnetic survey followed by 5,000 metres of diamond drilling to test a gold-bearing porphyry complex located in Section 6 of the property. Due to the emphasis on the resource delineation at the Company's signature Ontario property, no exploration was conducted on the Mud Creek Property from 2007 to 2009. However, the recommended airborne survey was performed in June 2010 and the survey maps are being assessed to identify possible structurally-controlled gold targets.

RISKS AND UNCERTAINTIES

In addition to the usual risks associated with an investment in a business in the exploration stage of development, management and the directors of the Company believe that there are particular risk factors that should be considered in any evaluation of the Company. An investment in the Company may not be suitable for all investors. Readers are urged to review the detailed disclosure concerning the material risks and uncertainties associated with the Company's business set out in its annual MD&A dated December 11, 2009 which is available on SEDAR under the Company's filer profile (www.sedar.com).

RESULTS OF OPERATIONS

For the three month period ended June 30, 2010, the Company recorded a net loss of $2,932,610 ($0.04 per share) compared to a net loss of $538,255 ($0.01 per share) for the comparative period of 2009. The increase in loss is due to increases in stock-based compensation of $1,788,762, salaries and benefits of $200,257, travel expenses of $131,619, consulting fees of $118,310, office and miscellaneous of $141,682, and a reduction in the unrealized gain on marketable securities of $101,820, offset by an increase in future income tax recovery of $88,000.

Expenses other than stock-based compensation increased in the three month period ended June 30, 2010 compared to the corresponding period in 2009, primarily due to increases in salaries and benefits of $200,257 resulting from the hiring of a new President and CEO, a Vice President Operations and beginning to staff the Toronto office, travel expenses of $131,619 and office and miscellaneous of $141,682 due to increased overall activity, and consulting fees of $118,310 resulting from the hiring of additional management positions at head office.

For the three month period, stock-based compensation increased by $1,788,762 due a higher fair value determination on more options granted and the recording of the value of the commitment to issue shares when compared to the similar period of fiscal 2009.

For the nine month period ended June 30, 2010, the Company recorded a net loss of $5,101,871 ($0.08 per share) compared to a net loss of $2,702,379 ($0.05 per share) for the comparative period last year. The increase in loss is due to increases in stock-based compensation of $2,142,839, salaries and wages of $551,312, consulting costs of $266,468, travel costs of $266,367, regulatory and filing fees of $78,617 and reductions in interest income of $209,878, offset by an increase in future income tax recovery of $1,360,000.

For the nine month period, stock-based compensation increased by $2,142,839 due a higher fair value determination on fewer options granted or repriced in the first three quarters of fiscal 2010 and the recording of the value of the commitment to issue shares when compared to the similar period of fiscal 2009.

Expenses, other than stock-based compensation, have increased significantly in the nine months ended June 30, 2010, when compared to the previous year, primarily because of increases in salaries and wages of $551,312 resulting from the hiring of a new president and CEO and a Vice President Operations and beginning to staff the Toronto office, consulting costs of $266,468 resulting from the hiring of additional management positions at head office, travel costs of $266,367 due to increased overall activity, and regulatory and filing fees of $78,617 due to annual general meeting costs and a Part XII.6 tax related to the flow-through private placement.

The interest income decreased when compared to the previous year as a result of less funds being available for short-term investing for most of the period and significantly lower interest rates.

The increase in the future income tax recovery relates to flow-through expenditures being renounced in February 2010 (there were no flow-through expenditures renounced in fiscal 2009).

SUMMARY OF QUARTERLY RESULTS

Quarter	June 30, 2010	Mar. 31 2010	Dec. 31, 2009	Sept. 30, 2009	June 30, 2009	Mar. 31, 2009	Dec. 31, 2008	Sept. 30, 2008
Interest and miscellaneous income	$115,015	$68,987	$71,194	$157,748	$123,304	$104,004	$237,766	$278,870
Realized and unrealized gain (loss) on marketable securities	$Nil	$Nil	($73,615)	($39,600)	$100,513	($16,745)	($179,431)	($145,020)
Stock-based compensation expense	$2,271,431	$1,480,016	$596,607	$420,907	$482,669	$1,475,246	$247,300	$545,766
Expenses, net of stock-based compensation	$977,194	$868,618	$623,586	$596,716	$392,403	$387,412	$260,760	$390,314
Future income tax recovery (expense)	$201,000	$1,055,000	$278,000	$47,000	$113,000	$74,000	($13,000)	($25,000)
Income (loss) from continuing operations and net income (loss)	($2,932,610)	($1,224,647)	($944,614)	($852,475)	($538,255)	($1,701,399)	($462,725)	($777,230)
Basic and diluted earnings (loss) per share	($0.041)	($0.019)	($0.016)	($0.015)	($0.009)	($0.030)	($0.008)	($0.013)

On a quarter-by-quarter basis, earnings / loss can fluctuate significantly due to the timing of stock option grants, realized and unrealized gains/losses on marketable securities and the accounting for future income taxes primarily for flow-through expenditures renounced.

General and administrative costs have generally been within 10% of our expected cost over the last eight quarters, with the exception of the first quarter of fiscal 2009. The first quarter of fiscal 2009 was lower than planned because of reduced travel expenditures and general office expenses in response to the global economic crisis. General and administrative costs for the quarter ended September 30, 2009 were higher than the annual average because of the hiring of a new President and CEO, and the accrual for the year-end audit expense of $65,000. As a result of recent hires and the new Toronto, Ontario office, management expects general and administrative costs to remain at a level similar to the amounts incurred in the most recent two quarters.

LIQUIDITY AND CAPITAL RESOURCES

The Company has a working capital position of $59,638,088 at June 30, 2010, compared to $16,605,455 at September 30, 2009 and $66,583,202 at March 31, 2010. The working capital position at June 30, 2010 includes cash and cash equivalents of $61,395,199. The Company does not have any asset-based commercial paper investments.

During the nine months ended June 30, 2010, the Company issued a total of 15,124,460 common shares for $60,384,911 in net cash proceeds. 1,085,960 common shares were issued pursuant to the exercise of stock options for proceeds of $1,255,418; 2,924,500 common shares at $2.82 per share were issued pursuant to a flow-through private placement for net proceeds of $7,614,815; and 11,114,000 common shares were issued as part of a bought deal private placement of 11,114,000 units at $4.95 per unit for net proceeds of

$51,514,678. Each unit is comprised of one common share and one-half of one common share purchase warrant. Each whole warrant will entitle the holder to acquire one additional common share at a price of $7.10 per share for a period of 24 months.

The Company incurred $5,533,208 on mineral property acquisition and exploration costs, $141,415 on equipment purchases and used $815,474 before working capital changes on operations during the three month period ended June 30, 2010.

The Company incurred $14,246,082 on mineral property acquisition and exploration costs, $257,379 on equipment purchases and used $2,127,124 before working capital changes on operations during the nine month period ended June 30, 2010.

At June 30, 2010, receivables increased by $138,539 to $312,050 compared to $173,511 at September 30, 2009. The June 30, 2010 receivables are comprised of goods and services tax receivable of $295,467 and other receivables of $16,583. At September 30, 2009, receivables were comprised of goods and services tax receivable of $155,320 and other receivables of $18,191.

At June 30, 2010, accounts payable and accrued liabilities increased by $663,032 to $2,142,953 compared to $1,479,921 at September 30, 2009. The increase is the result of increased exploration costs due to an overall increase in planned activity.

Management believes the Company has adequate working capital to meet its property maintenance/agreement costs, to meet its working capital requirements and to carry out exploration on the Rainy River Project and other properties over the next fiscal year. The Company now expects its average monthly exploration costs to range from approximately $1,500,000 and $1,800,000 for the remainder of fiscal 2010 compared to approximately $900,000 for fiscal 2009, while its cash general and administrative expenditures are expected to average approximately $340,000 per month for the remainder of fiscal 2010, with the addition of a Toronto, Ontario office and related personnel, compared to approximately $136,000 per month for fiscal 2009. Depending on the development of the business, the Company may need to raise additional cash for working capital or other expenditures. Presently, the Company has no revenues and obtains its cash requirements through private placements, the exercise of options and warrants, if any, and the sale of available investments and marketable securities.

OFF BALANCE SHEET ARRANGEMENTS

The Company is required to make certain cash and share option payments and incur exploration costs to maintain certain of its mineral properties in good standing. These payments and costs are at the Company's discretion and are based upon available financial resources and the exploration merits of the mineral properties which are evaluated on a periodic basis.

TRANSACTIONS WITH RELATED PARTIES

During the nine months ended June 30, 2010, the Company entered into transactions with related parties as follows:

(a) paid or accrued consulting fees of $90,000 (June 30, 2009 - $90,000) to a company controlled by Nelson W. Baker, former Vice-Chair of the Board of Directors who was formerly the Company's President and Chief Executive Officer;
(b) paid or accrued consulting fees of $45,000 (March 31, 2009 - $45,000) to a company controlled by James G. Grinnell, the Company's Chief Financial Officer to July 4, 2010, who is now the Company's Controller;
(c) paid or accrued consulting fees, included in exploration costs, of $145,171 (June 30, 2009 – $41,332) and other consulting fees of $90,000 (June 30, 2009 - $50,000) to a company controlled by Stuart Averill, the Vice President, Exploration, who is also a director;
(d) paid or accrued consulting fees of $90,000 (June 30, 2009 - $50,000) to a company controlled by Gerald J. Shields the Vice President, Administration; who is also a director; and

(e) paid or accrued directors fees of $45,500 (June 30, 2009 - $nil) to Dale Peniuk and Leo Berezan, who are independent directors of the Company.

As at June 30, 2010, accounts payable and accrued liabilities includes $65,287 due to related parties (September 30, 2009 - $18,985).

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

INVESTOR RELATIONS

During the nine month period ended June 30, 2010, the Company paid or accrued for promotion and investor relations services totalling $140,800 (2009 - $110,951)**.**

SUBSEQUENT EVENTS

Subsequent to June 30, 2010, the Company:

a) issued 16,500 common shares on exercise of stock options for proceeds of $37,500;

b) issued 10,000 common shares and paid $20,000 towards a new property option agreement; and

c) issued 50,000 common shares to the Company's President and CEO pursuant to his June 2009 employment agreement.

PROPOSED TRANSACTIONS

There were no further or unreported proposed transactions as at August 11, 2010.

CHANGES IN ACCOUNTING POLICIES

New accounting pronouncements – to be applied

Amendment to Financial Instruments – Disclosures

The Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3862, Financial Instruments – Disclosures was amended to require disclosure about the inputs used in making fair value measurements, including their classification within a hierarchy that prioritizes their significance. The amendments are effective for annual financial statements for fiscal years ending after September 30, 2009. The amendments are consistent with recent amendments to financial instrument disclosure standards in International Financial Reporting Standards ("IFRS").

International Financial Reporting Standards

In February 2008, the Canadian Accounting Standards Board ("AcSB") announced that IFRS will replace Canadian GAAP for publicly-listed companies for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date for the Company will be October 1, 2011 and will require the restatement for comparative purposes of amounts reported for the year ended September 30, 2011. The Company has not yet completed a full evaluation of the impact of the adoption of IFRS on its consolidated financial statements.

The Company has developed an IFRS implementation plan to prepare for its transition and has begun analyzing the key areas where changes to current accounting policies may be required. While an analysis will be required for all accounting policies, the initial key areas of assessment will include:

- Exploration and evaluation expenditures;
- Asset impairment;
- Stock-based compensation;
- Mineral property, plant and equipment;
- Accounting for income taxes; and
- First-time adoption of International Financial Reporting Standards (IFRS 1)

As the analysis of each of the key areas progresses, other elements of the Company's IFRS implementation plan will also be addressed, including the implication of changes to accounting policies and processes, financial statement note disclosures, information technology, internal controls, contractual arrangements and employee training.

Business Combinations

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

FINANCIAL 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.

The fair value of cash and cash equivalents is measured based on level 1 of the fair value hierarchy. The carrying values of short term investments, receivables and accounts payable and accrued liabilities approximate their fair value because of the short-term nature of these instruments. Marketable securities are adjusted to fair value at each reporting period.

The Company is not subject to significant interest and credit risk arising from these instruments and the Company does not use any derivative financial instruments.

Foreign Currency Risk

The Company is exposed to foreign currency risk on fluctuations related to cash and cash equivalents, receivables and accounts payable and accrued liabilities that are denominated in foreign currencies; however, management believes the risk is not currently significant as less than 0.1% of the Company's assets and none of its liabilities as at June 30, 2010 are denominated in foreign currencies.

Interest Rate Risk

The Company has cash and cash equivalents balances, short-term investments and no interest-bearing debt. The Company's current policy is 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. In addition to cash and cash equivalents in interest-bearing demand deposits with banks of $61,395,199 (September 30, 2009 - $7,562,591), the Company has $Nil (September 30, 2009 - $10,000,000) in interest-bearing investment-grade short-term investments. A 1% change in interest rates would have an effect of approximately $610,000 on interest income for the fiscal year.

DISCLOSURE OF OUTSTANDING SHARE DATA

As at August 11, 2010, the Company had the following common shares, warrants and stock options outstanding:

Common Shares	72,554,850
Bonus Shares committed	50,000
Warrants	5,557,000
Stock Options	5,452,540
Diluted shares outstanding	83,614,390

Not included in the diluted shares outstanding amount is the 563,000 common shares the Company may be required to issue as part of existing mineral property option agreements.

CAUTIONARY NOTES

Certain statements in this document, including statements which may contain words such as "could", "expect", "believe", "will", and similar expressions, and statements related to matters that are not historical facts, are forward-looking statements. Such forward-looking statements involve known and unknown risks and uncertainties, including those set out herein, which may cause the actual results, performances, or achievements of the Company to be materially different from any future results, performance, or achievements expressed or implied by such forward-looking statements.

These unknown risks and uncertainties include, among other things, financial results, market and industry expectations, the mineral exploration industry, general economic, business and political conditions, loss or addition of key employees, stock market volatility, changes in laws and regulations, the Company's ability to compete successfully, adapt to changing industry standards and other factors.

All forward-looking statements in this document are based on management's beliefs, intentions and expectations with respect to future events and are subject to certain risks, uncertainties and assumptions as of the date of this MD&A. In light of the many risks and uncertainties that may cause future results to differ materially from those expected, the Company cannot give assurance that the forward-looking statements contained in this document will be realized. Forward-looking statements are not guarantees of future performance. The Company disclaims any intention or obligation to update or revise its forward-looking statements whether as a result of new information, future events or otherwise except as required by applicable securities law.