

# **ASTRAL MINING CORPORATION**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2010**

### **Introduction**

The following management discussion and analysis and financial review, prepared as at November 26, 2010, should be read in conjunction with the unaudited interim consolidated financial statements and related notes for the six months ended September 30, 2010 of Astral Mining Corporation ("Astral" or the "Company"). The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). Except as otherwise disclosed, all dollar figures in this report are stated in Canadian dollars. Additional information relevant to the Company can be found on the SEDAR website at [www.sedar.com](http://www.sedar.com).

### **Forward Looking Statements**

Certain information included in this discussion may constitute forward-looking statements. Forward-looking statements are based on current expectations and entail various risks and uncertainties. These risks and uncertainties could cause or contribute to actual results that are materially different than those expressed or implied. The Company disclaims any obligation or intention to update or revise any forward-looking statement, whether as a result of new information, future events, or otherwise.

### **Company Overview**

The Company was incorporated under the Company Act (British Columbia) on February 12, 2004 and was transitioned under the Business Corporations Act (British Columbia) on November 1, 2004. The Company completed its initial public offering and on March 1, 2006 commenced trading on the TSX Venture Exchange ("TSXV"). On March 26, 2009, the Company completed a consolidation of its share capital on a one new for ten old basis. The Company's trading symbol is "AA". The Company is a reporting issuer in British Columbia, Alberta and Ontario.

The Company is a junior mineral exploration company engaged in the business of acquiring, exploring and evaluating natural resource properties and either joint venturing or developing these properties further or disposing of them when the evaluation is completed. All of the Company's mineral property interests are currently located in Canada. As of the date of this MD&A, the Company has not earned any production revenue, nor found any proved reserves on any of its properties.

### **Exploration Projects**

The "Jumping Josephine Property" is composed of six contiguous groups of claims acquired separately by option agreements dated between April 2006 and March 2010. The entire property comprises 99 mineral claims covering 43,488Ha and measures some 29km x 25km at its' widest point. The block's easternmost extent is located 3km west of the city of Castlegar in Southern British Columbia, the property is bisected by the east-west Highway 3.

Astral controls seven crown-granted claims covering of 91.9Ha which also form part of the project. Pre-existing crown-granted mineral claims not controlled by Astral are located within the perimeter of the Jumping Josephine property and form part of the historical Granville Mountain camp to cover approximately 385Ha. When taken into account, these claims bring the effective area of the combined Jumping Josephine claim group to 43,104Ha.

Component claim groups within the Project were previously reported as separate entities. The component groups were added at different stages but are all contiguous, forming one large property and Astral has completed or is nearing completion of its obligations on many of these groups. For convenience and to avoid confusion, the agreements are grouped into two sub-categories, the "Kootenay Package" (Jumping Josephine and CP Midas groups) and the "Astral Package" (Blueberry, Ridge, Columbia Rossland and Astral CP claim groups). The Kootenay Package includes the original core of 24 Jumping Josephine claims in addition to the CP Midas claim group which Kootenay will transfer to Astral upon fulfillment of the new Jumping Josephine option agreement. The

Astral Package includes groups of claims acquired by Astral from parties other than Kootenay Gold. With the exception of the Blueberry Group, Astral now has fulfilled the requirements to claim 100% ownership of these claims.

## **Kootenay Claim Package**

### ***Jumping Josephine and CP Midas Properties, British Columbia***

In 2006, the Company entered into an option agreement with Kootenay Gold Inc. (“Kootenay Gold”) and the Company has now earned a 60% undivided interest in the 11,667 hectare Jumping Josephine Property (“JJ Property”) located in the Nelson Mining Division of southern British Columbia. The JJ Property straddles Highway 3, north of the town of Rossland and west of Castlegar.

The Company and Kootenay Gold subsequently entered into an option agreement dated December 14, 2009 whereby Astral had the right to earn the remaining 40% interest in the JJ Property from Kootenay Gold. The agreement states that in exchange for the right to increase its interest to 100%, the Company must, subject to TSXV approval, issue 4,000,000 shares of the Company to Kootenay Gold and incur \$2,000,000 in exploration expenditure over a two year period. On November 25, 2010 the Company notified Kootenay Gold that it was terminating its option to earn the remaining 40% interest in the JJ Property.

The JJ Main Zone represents the most advanced showing on the claims and comprises structurally-controlled quartz stockwork veining now intersected by drilling over a strike length of 2.25km and to vertical depths of up to 240m. Current information indicates the JJ Main Gold Zone has an estimated maximum true width of 12.6m as evidenced by Hole 13. Infill aeromagnetics, geological mapping and surface geochemistry had suggested the host structure for JJ Main’s mineralized stockwork could extend for over three kilometres. Recent drilling intersections support this idea, quartz stockwork veining carrying anomalous gold values has been intersected along the trend over a length of 2.25km. In addition, drilling has also encountered mineralization possibly representing a parallel zone hidden under an area of no outcrop.

The Company completed two phases of drilling in 2007. The Phase I drill program started in the spring of 2007 and targeted JJ Main (20 holes for 1,431m), Bonanza Pass (2 holes for 643m) and Albion-Dubrovnik areas (9 holes for 553m). The Phase II drill program comprised 5,101m in 38 holes on the JJ Main Gold Zone. In 2008 the Company carried out a 34-hole 5,071m drill program and conducted a 40 line km 3D-IP survey as well as carrying out geological mapping and trenching.

Infill drilling at JJ Main in 2008 comprised 30 HQ diamond drill holes (08JD070-100, 08JD091 abandoned) for a total of 3,632.49m; all holes intersected quartz stockwork veining within and below the known JJ Main stockwork zone. The 2008 drilling provides better definition to the mineralized zone delineated in 2007 with significant assays including 4m grading 21.04 g/t gold from Hole 08JD092. Drilled intercept density within the higher-grade mineralized shoot underneath the surface discovery zone is now approximately 20m x 20m.

Other drilling completed in 2008 included testing of two selected IP chargeability anomalies (2 holes for 893.59m) and further work along trend (2 holes for 545.73m). An independent 43-101 report detailing work on the JJ Property up to the end of 2009 by Apex Geoscience has been completed and is posted on SEDAR ([www.sedar.com](http://www.sedar.com)).

A multi-stage exploration program was recommended in the July 2009 43-101 report by Apex Geoscience, referred to above and much of the work was carried out during the 2009 field season. Phase IA included prospecting, stream sediment sampling and a large regional 5,000 point soil program over much of the northern part of the JJ Property. The program was designed to identify gold and arsenic soil anomalies related to JJ Main type gold-bearing structures with associated arsenopyrite mineralization. Phase 1B included 136m of trenching at the Highway showing, located 1.5km southwest of the drilling carried out to date along the JJ Main structure. Details of the work are included in the Apex Geoscience updated 43-101 report, posted on SEDAR ([www.sedar.com](http://www.sedar.com)).

Astral’s 2010 exploration program included a total of 644m of trenching at the Hillside (211m), Highway (222m), Big Sheep (165m) and Siren (46m) showings. Weakly anomalous results were returned from most trenches. Astral completed an additional 31 diamond drill holes for a total of 5054m during summer 2010. The program aimed to test for extensions and/or parallel mineralized zones at the JJ Main prospect. Three holes for 531m were drilled at the Big Sheep prospect area roughly 4.3km southwest of the JJ Main showing.

Drilling identified extensions of the JJ Main structure, which may be projected from JJ Main to the Highway showing, a total length of 2.25km. Results from the step out drilling were anomalous although high grade shoots such as the core of the JJ Main zone were not encountered. Best values from the 2010 drilling at JJ Main include 13.21m averaging 0.57g/t Au. Drilling also targeted a potential parallel zone 250m northwest of the JJ Main and returned best drill results of 0.5m averaging 2.90g/t Au and 1.73m averaging 1.60g/t from an area of no outcrop known as the “Cedar Zone”.

An application for bulk testing at the JJ Main Discovery Zone has been granted provisional approval pending the nomination of a suitably licensed ore treatment facility. The extraction of up to a 10,000 tonne bulk sample will provide a reconciled head grade for JJ Main Zone, useful in determining the effectiveness of assay methods where coarse gold is present. The Company has also completed a preliminary metallurgical test program on samples from JJ Main to assess the amenability of the mineralized material to modern processing methods. The results of this testwork were favourable, giving an initial indication that the JJ mineralised material would be amenable to a gravity/leach processing stream.

An infill and extension aeromagnetic and EM survey has now been completed over the greater JJ area. The 2,751 line kilometre helicopter borne survey was conducted by Aeroquest International Limited and complements earlier work done by Astral on the JJ Property and Kootenay Gold on the CP Midas claims. The new survey data has been merged with existing data and reprocessed.

All drill core samples from Astral’s programs were from NQ or HQ diameter core halved by diamond saw. Given the occurrence of visible gold often observed in the mineralized zone, a large 1,000 gram portion of each pulverized sample was analyzed for gold by the Screen Fire assay method. All reported analyses from 2007-09 were carried out by ALS Chemex in North Vancouver B.C. ALS-Chemex is an internationally-recognized analytical service provider compliant with ISO 9001:2000 for the provision of assay and geochemical services. The Vancouver laboratory has also been accredited to ISO 17025 standards for specific laboratory procedures by the Standards Council of Canada. The 2010 analytical work was completed by Eco-Tech Laboratory Ltd, owned by The Stewart Group Global and fully accredited to ISO 9001-2008 and is currently working towards 17025 accreditation. In addition to laboratory standards, the Company has included independently prepared standards into the sample sequence to assure proper quality assurance/quality control (QA/QC).

The exploration work at the JJ Property was completed under the supervision of the Company’s project geologist, Dale Brittliffe, B.Sc., P.Geo. Technical information has been reviewed by Dr. David Terry, P.Geo, a director of the Company and a Qualified Person as defined in National Instrument 43-101 (a “Qualified Person”).

## **Astral Claim Package**

### ***Blueberry Property, British Columbia***

On July 4, 2007 the Company entered into an agreement with Mineworks Ventures Inc. (“Mineworks”), a private Canadian company, to acquire a 100% interest in the 7,000 hectare Blueberry property located immediately east of the JJ Property. The Agreement was amended on June 8, 2009. The property is considered strategic due to its location. A total of 313 soil samples and 37 stream silt samples were collected on the Blueberry property during summer 2009. Soil sampling identified the Siren area on the southernmost line with maximum gold in soil value of 0.55 grams per tonne. Silts returned several anomalous values including a high of 0.535 grams per tonne gold. Surface work completed in 2010 included two small trenches for a total of 50m and no significant results in addition to infill and extension soil sampling and rock grab sampling. Recent logging activities in the Siren area have exposed additional faces and follow-up sampling is yet to be returned and compiled by Astral.

To earn a 100% undivided interest in the Blueberry property the Company must make further cash payments totalling \$15,000 and issue 4,000 common shares by June 1, 2011. During the term of the option the Company must keep the properties in good standing. Upon exercise of the option Mineworks will retain a 2.5% NSR. The Company has the right to purchase 2.0% of the NSR for a total of \$2 million.

### ***Columbia-Rossland Property, British Columbia***

On June 20, 2008 the Company announced it entered into an agreement with Mineworks to acquire a 100% interest in mineral claims known as the Columbia-Rossland claims. The claims consist of 15,000 hectares and are adjacent to the Company's Blueberry and Jumping Josephine claims.

During the summer of 2009 the company collected 481 stream silt samples from streams on the Columbia-Rossland claims. Major drainages were targeted due to the large size of the property. A maximum value of 0.23 grams per tonne was returned from the Columbia Rossland Claims. Anomalous zones in both Blueberry and Columbia-Rossland warranted follow up work during the 2010 field season. Details of the silt sampling program are contained within the most recent Apex Geoscience 43-101 report available on SEDAR ([www.sedar.com](http://www.sedar.com)). Recent soil and rock geochemistry sampling is currently being compiled by Astral.

In June 2010 Astral fulfilled the terms of the agreement with Mineworks by issuing the final 5,000 common shares, thus earning a 100% undivided interest in the Columbia-Rossland claims. Mineworks retains a 2.5% NSR, of which 2.0% is purchasable by the Company for a total of \$2 million.

### ***Ridge Property, British Columbia***

On March 1, 2010, the Company entered into an agreement with Mineworks to acquire a 100% interest in the 2,739 hectare Ridge group of claims, internal and adjacent to the Blueberry and Columbia-Rossland group of claims. As per the terms of the agreement, Astral has issued a total of 50,000 shares to Mineworks which retains a 2.5% NSR royalty. Astral may purchase 1.5% of the NSR at any time for \$2,000,000, with Mineworks retaining a 1% NSR royalty.

The Ridge claims are considered strategic due to their location.

### ***Astral CP Property, British Columbia***

On January 27, 2010, the Company staked two small claims totalling 187Ha in open ground internal to the Blueberry and CP Midas claim groups. These claims are 100% owned by Astral and are considered strategic considering they are internal to claims already controlled by the Company.

### ***Honeymoon Property***

On November 12, 2010, Astral signed a Letter of Intent whereby it may acquire a 100% controlling interest in the Honeymoon Property, located 85km northeast of Kamloops, southern British Columbia. The claim group consists of 41 BC Mineral claims totalling 18,761 hectares and is situated on the western side of Adams Lake. To earn a 100% interest in the Honeymoon property, Astral must issue 300,000 common shares, make cash payments totaling \$135,000 in increments over five years and incur exploration expenditures of \$1,000,000 over 4 years. The vendor will retain a 0.5 Net Smelter Returns Royalty which may be purchased in its entirety at any time by Astral for \$1,500,000.

The Property is within the Kootenay Terrane, underlain by rocks of the Palaeozoic Eagle Bay Assemblage and intruded by phases of the mid-cretaceous Baldy Batholith. The property contains numerous mineralized showings, soil geochemical anomalies and limited historical trenching and drilling. Parts of the property were optioned by Teck Corporation in May 1999, exploration during that year targeted a large vein system exposed at the Cam Gloria showing which returned best trench results of 2m averaging 9.26 g/t Au and diamond drill results including 1m grading 9.57 g/t Au and 128.4 g/t Ag (BC Assessment report No 26215).

Astral is compiling all publicly available data and additional geochemical data provided by the vendor in order to plan exploration activities for Spring 2011.

## Selected Financial Information

The following selected financial information is derived from the unaudited interim consolidated financial statements of the Company prepared in accordance with Canadian GAAP.

	Fiscal 2011		Fiscal 2010				Fiscal 2009	
	Sep. 30 2010 \$	Jun. 30 2010 \$	Mar. 31 2010 \$	Dec. 31 2009 \$	Sep. 30 2009 \$	Jun. 30 2009 \$	Mar. 31 2009 \$	Dec. 31 2008 \$
<b>Operations:</b>								
Interest and other income	17	Nil	1,415	3,537	8,076	7,387	2,194	28,980
Net income (loss)	(201,977)	(132,882)	(105,604)	(199,362)	(163,077)	(100,181)	194,590	(1,528,476)
Basic and diluted income (loss) per share	(0.01)	(0.02)	(0.00)	(0.04)	(0.06)	(0.04)	0.08	(0.60)
Dividends per share	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
<b>Balance Sheet:</b>								
Working capital (deficiency)	555,917	637,826	(183,491)	(124,450)	(285,445)	8,607	108,193	261,831
Total assets	5,624,912	5,144,493	3,902,448	3,832,996	3,490,078	3,339,004	3,360,670	3,431,989
Total long-term liabilities	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil

## Results of Operations

During the six month period ended September 30, 2010 (the “2010 period”), the Company reported a consolidated loss of \$334,859 (\$0.03 per share), an increase in loss of \$71,601, from the consolidated loss of \$263,258 (\$0.10 per share) for the six month period ended September 30, 2009 (the “2009 period”). The increase in loss in the 2010 period is primarily attributed to the \$33,700 increase in stock-based compensation expense and \$29,901 increase in corporate development and investor relations expense.

Excluding stock-based compensation, the Company’s operating expenses for the 2010 period were \$228,881 compared to \$198,869 for the 2009 period, an increase of \$30,012. Significant expenditures were incurred in the following categories:

- corporate development and investor relations expenses of \$37,880 were incurred during the 2010 period compared to \$7,979 during the 2009 period, an increase of \$29,901. The increase experienced during the 2010 period was due to \$6,045 for media programs, \$14,772 for investor relations, and \$17,063 for shareholder communications costs due to increase in news dissemination of financings and exploration activities. The Company did not conduct these activities during the 2009 period due to financial constraints;
- rent and office expenses of \$14,617 were incurred during the 2010 period compared to \$18,337 during the 2009 period;
- each of the Company’s non-management directors is entitled to a directors’ fee compensation of \$1,000 per month. During the 2010 period the Company recorded a total of \$21,000 (2009 - \$17,000) for directors’ fees. As at September 30, 2010, \$28,000 was outstanding;
- transfer agent fees of \$7,621 were incurred during the 2010 period compared to \$4,925 during the 2009 period, an increase of \$2,696 due to increase in financings; and
- professional fees of \$32,534 were incurred during the 2010 period compared to \$35,529 during the 2009 period, a decrease of \$2,995.

During the 2009 period the Company recorded interest and other income of \$15,463 of which \$15,360 was from recoveries of administration costs related to property joint venture partner funding exploration programs. Interest income derived in the 2010 period was a nominal amount.

During the 2010 period, the Company granted 738,500 (2009 - 187,195) stock options to its directors, employees and consultants and recorded a non-cash stock-based compensation expense of \$106,588 (2009 - 72,888). The calculation is based on the fair value of stock options granted by the Company using the Black-Scholes option pricing model which uses estimates and assumptions. It does not necessarily provide a reliable measure of the fair value of the Company’s stock options.

During the 2010 period the Company incurred \$1,173,005 (2009 - \$171,986) of expenditures to the JJ Claims, \$15,600 (2009 - \$19,418) on the Blueberry Claims, and \$1,200 (2009 - \$24,347) on the Columbia-Rosslund Claims. During the 2009 period the Company also received \$152,221 from Kootenay Gold for its share of costs on the JJ Claims. In December 2009, the Company entered into an option agreement with Kootenay Gold whereby the Company can acquire the remaining 40% interest in the JJ Claims. See “Exploration Projects” section above for further discussion.

During the 2010 period the Company completed private placements of 4,275,000 non-flow-through units and 5,447,000 flow-through units for total gross proceeds of \$1,944,400. Subsequent to September 30, 2010, the Company completed a remaining tranche of 278,000 non-flow-through units for gross proceeds of \$55,600.

During the 2010 period the Company received final TSXV approval and issued 1,500,000 common shares under the option agreement for the JJ Property; issued 2,500 common shares and made a \$15,000 cash payment under the Blueberry Claims option agreement, and issued 5,000 common shares to exercise the Columbia-Rosslund Claims option agreement.

### **Financial Condition / Capital Resources**

As at September 30, 2010, the Company had working capital of \$555,917, had not yet achieved profitable operations, had accumulated losses of \$4,915,866 since inception and expects to incur further losses in the development of its business, all of which casts substantial doubt about the Company’s ability to continue as a going concern. For the ensuing year, the Company plans to focus its exploration activities on its JJ and nearby projects. The Company anticipates that it will need to raise further financings to enable it to continue with planned exploration activities, property payments and its ongoing corporate overhead requirements. In addition, exploration activities may change due to ongoing results and recommendations or the Company may acquire additional mineral properties, which may entail significant funding or exploration commitments. The Company has relied solely on equity financing to raise the requisite financial resources. While it has been successful in the past there can be no assurance that the Company will be successful in raising future financings should the need arise. Should the Company be unable to realize on its assets and discharge its liabilities in the normal course of business, the net realizable value of its assets may be materially less than the amounts recorded on the balance sheet. The consolidated financial statements do not give effect to any adjustments that might be necessary if the Company were unable to meet its obligations or continue operations.

### **Off-Balance Sheet Arrangements**

The Company has no off-balance sheet arrangements.

### **Critical Accounting Estimates**

A detailed summary of all the Company’s significant accounting policies is included in Note 2 to the March 31, 2010 audited consolidated financial statements.

### **Changes in Accounting Policies**

#### ***Future Accounting Policies***

#### ***Business Combinations, Consolidated Financial Statements and Non-Controlling Interests***

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

Section 1582 replaces Section 1581, *Business Combinations*, and establishes standards for the accounting for a business combination. It provides the Canadian equivalent to International Financial Reporting Standards (“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 period beginning on or after January 1, 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 fiscal years beginning on or after January 1, 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 IFRS IAS 27, *Consolidated and Separate Financial Statements*, and applies to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011.

The Company does not anticipate the above new standards to have an impact on the Company's financial position and results of operations.

#### *International Financial Reporting Standards*

In January 2006, the Canadian Accounting Standards Board adopted a strategic plan, which includes the decision to move financial reporting for Canadian publicly accountable enterprises to a single set of globally accepted high-quality standards, namely, International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board. The effective implementation date of the conversion from Canadian generally accepted accounting principles ("Canadian GAAP") to IFRS is January 1, 2011, with an effective transition date of January 1, 2010 for financial statements prepared on a comparative basis. The Company is engaged in an assessment and conversion process which includes consultation with external consulting firms and expects to be ready for the conversion to IFRS in advance of January 1, 2011. As part of the conversion process, the Company has offered IFRS specific training to senior financial reporting personnel and directors.

The Company's approach to the conversion to IFRS includes three phases.

Phase One: an initial general diagnostic of its accounting policies and Canadian GAAP relevant to its financial reporting requirements to determine the key differences and options with respect to acceptable accounting standards under IFRS, was completed in 2009.

Phase Two: an in depth analysis of the impact of those areas identified under phase one, commenced in 2010.

Phase Three: the implementation of the conversion process, through the preparation of the opening balance sheet as at April 1, 2011, will be carried out in the second half of 2010.

At this point, the Company's IT accounting and financial reporting systems are not expected to be significantly impacted. Further, the Company has in place internal and disclosure control procedures to ensure continued effectiveness during this transition period.

Based on the review undertaken under Phase One and the work completed to date under Phase Two, the Company believes that IFRS will have limited impact on its current financial position. At the same time, IFRS will likely require more extensive disclosure and analysis of balances and transactions in the notes to the financial statements. The specific accounting areas the Company has focused its analysis on are outlined below together with the more salient issues under each area.

<b>Key Area</b>	<b>Canadian GAAP (as currently applied)</b>	<b>IFRS</b>	<b>Analysis and Preliminary Conclusions</b>
Capital Assets	Capital assets are recorded at historical cost.	Capital assets can be recorded using the cost (on transition to IFRS, the then fair value can be deemed to be the cost) or revaluation models.	Capital assets will likely continue to be recorded at their historical costs due to the complexity and resources required to determine fair values on an annual basis.
	Depreciation is based on their useful lives after due estimation of their residual values.	Depreciation must be based on the useful lives of each significant component within Capital assets.	Based on an analysis of Capital assets' significant components and their useful lives, it is unlikely that changes to their useful lives and, therefore, depreciation rates and expenses, will be required.

Key Area	Canadian GAAP (as currently applied)	IFRS	Analysis and Preliminary Conclusions
Resource Properties	Exploration, evaluation and development costs directly relating to unproven mineral interests are deferred until the mineral interest in which they relate is placed into production, sold or abandoned	IFRS has limited guidance with respect to these costs and currently allows exploration and evaluation costs to be either capitalized or expensed.	The existing accounting policy is likely to be maintained.
Asset Retirement Obligations	Canadian GAAP limits the definition of ARO's to legal obligations.	IFRS defines ARO's as legal or constructive obligations.	The broadening of this definition is unlikely to cause a significant change in current estimates.
	ARO is calculated using a current credit-adjusted, risk-free rate for upward adjustments, and the original credit-adjusted, risk-free rate for downward revisions. The original liability is not adjusted for changes in current discount rates.	ARO is calculated using a current pre-tax discount rate (which reflects current market assessment of the time value of money and the risk specific to the liability) and is revised every reporting period to reflect changes in assumptions or discount rates.	The change in calculation of ARO and the discounting process will likely generate some changes in the value of ARO on transition.
Impairment of Long Lived Assets	Impairment tests of its long-term assets are considered annually based on indications of impairment.	Impairment tests of "cash generating units" are considered annually in the presence of indications of impairment.	Assets will continue to be grouped under the Company's various mining operations. Currently, there are no indications of impairment and, therefore, no impairment test has been performed.
	Impairment tests are generally done on the basis of undiscounted future cash flows.	Impairment tests are generally carried out using the discounted future cash flow.	Impairment tests using discounted values could generate a greater likelihood of write downs in the future.
	Write-downs to net realizable values under an impairment test are permanent changes in the carrying value of assets.	Write downs to net realizable values under an impairment test can be reversed if the conditions of impairment cease to exist.	Potential significant volatility in earnings could arise as a result of the difference in the treatment of write-downs.
Stock-Based Compensation	Stock-based compensation is determined using fair value models (e.g. Black-Scholes) for equity-settled awards and the intrinsic model for cash-settled awards.	Stock-based compensation is determined using fair value models for all awards. However, upon settlement, cash-settled awards are adjusted to the value actually realized (intrinsic model).	The determination of the value of stock-based compensation for share appreciation rights and deferred share units, both cash-settled awards, will change and likely be more volatile under a Black-Scholes model until the awards are settled.

Key Area	Canadian GAAP (as currently applied)	IFRS	Analysis and Preliminary Conclusions
Income Taxes	There is no exemption from recognizing a deferred income tax for the initial recognition of an asset or liability in a transaction that is not a business combination. The carrying amount of the asset or liability acquired is adjusted for the amount of the deferred income tax recognized.	A deferred income tax is not recognized if it arises from the initial recognition of an asset or liability in a transaction that is not a business combination, and at the time of the transaction affects neither accounting profit nor taxable profit.	The Company does not expect the difference in recognition of deferred income tax to have any significant change in the future.
	All deferred income tax assets are recognized to the extent that it is “more likely than not” that the deferred income tax assets will be realized recognized.	A deferred tax asset is recognized if it is “probable” that it will be realized.	“Probable” in this context is not defined and does not necessarily mean “more likely than not”. The Company is in the final stages of quantifying the impact of this difference.

The above comments should not be considered as a complete list of changes that will result from the transition to IFRS as the Company’s analysis is still in progress and no final determinations have been made where choices of accounting policies are available. In addition, the accounting bodies responsible for issuing Canadian and IFRS accounting standards have significant ongoing projects that could impact the Company’s financial statements as at March 31, 2011 and in subsequent years, including projects regarding income taxes, financial instruments and joint venture accounting. In addition, there is an extractive industries project currently underway that will lead to more definitive guidance on the accounting for exploration and evaluation expenditures, but this is still in the discussion paper stage and may not be completed for some time. The Company is continuing to monitor the development of these projects and will assess their impact in the course of its transition process to IFRS.

#### **Transactions with Related Parties**

- (a) The President of the Company provides his services on a full-time basis under a contract with a private company controlled by the President of the Company for a current annual fee of \$110,000. During the six months ended September 30, 2010 the Company was billed a total of \$55,000 (2009 - \$55,000) by the President. The contract also provides that, in the event the services are terminated without cause or upon a change in control of the Company, a termination payment would include three months or eighteen months, respectively, of compensation plus a bonus amount agreed to by the parties. As at September 30, 2010, \$nil (2009 - \$41,542) remained outstanding and is included in accounts payable and accrued liabilities.
- (b) Chase Management Ltd. (“Chase”), a private company owned by a director of the Company, provides accounting, administrative and management services to the Company at a rate of \$3,000 per month plus disbursements. Chase also provides additional services as required. During the six months ended September 30, 2010 the Company was billed a total of \$38,900 (2009 - \$39,125) by Chase. As at September 30, 2010, \$7,000 (2009 - \$7,738) remained outstanding and is included in accounts payable and accrued liabilities.
- (c) During the six months ended September 30, 2010 the Company was billed \$9,000 (2009 - \$7,050) for geological services provided by a director of the Company. As at September 30, 2010, \$4,500 (2009 - \$54,706) remained outstanding and is included in accounts payable and accrued liabilities.
- (d) Certain directors, the President and the spouse of the President of the Company purchased 980,000 flow-through units for \$196,000.

Unless otherwise stated, related party transactions are measured at the exchange amount, being the amount of consideration established and agreed to by the related parties.

## **Risks and Uncertainties**

The Company's operations and results are subject to a number of different risks at any given time. These factors, include but are not limited to disclosure regarding exploration, additional financing, project delay, titles to properties, price fluctuations and share price volatility, operating hazards, insurable risks and limitations of insurance, management, foreign country and regulatory requirements, currency fluctuations and environmental regulations risks. Exploration for mineral resources involves a high degree of risk. The cost of conducting programs may be substantial and the likelihood of success is difficult to assess.

## **Investor Relations Activities**

On November 20, 2009, the Company entered into an investor relations agreement with Catalyst Xchange Corp. ("Catalyst") to provide investor relations services to the Company. The Company also granted Catalyst an option to purchase 83,000 common shares at a price of \$0.40 per share for a term of 12 months. During the three months ended June 30, 2010, the Company paid a total of \$5,000 to Catalyst. The agreement with Catalyst was terminated in May 2010.

On June 9, 2010, the Company entered into an investor relations agreement with AXINO AG ("AXINO"), to provide investor relations services and represent the Company in Europe. Under the terms of the agreement the Company will pay EUR 7,500 on a quarterly basis starting July 2010, for an initial term of one year. The Company granted AXINO an option to purchase 200,000 common shares at a price of \$0.23 per share, expiring June 8, 2011.

The Company also maintains a web site at [www.astralmining.com](http://www.astralmining.com).

## **Outstanding Share Data**

The Company's authorized share capital is unlimited common shares with no par value. As at November 26, 2010, there were 17,277,400 issued common shares and 1,190,695 stock options outstanding, at exercise prices ranging from \$0.23 to \$0.38 per share, 13,076,149 warrants outstanding, at exercise prices ranging from \$0.25 to \$0.75 per share and a finder's option for 250,000 units at an exercise price of \$0.20 per unit.