

Blue Note Mining Inc.

Management's Discussion and Analysis of Financial Condition and Results of Operations

For the Period ended December 31, 2010

Introduction

The following Management's Discussion and Analysis ("MD&A") as at April 28, 2011 of Blue Note Mining Inc. (the "Predecessor" prior to August 31, 2009 or the "Successor" or the "Corporation" or "Blue Note" subsequent to August 31, 2009) for the three-month and twelve-month periods ended December 31, 2010 and 2009 should be read in conjunction with the Corporation's interim financial statements as well as the Corporation's annual audited financial statements dated December 31, 2010. This financial information has been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). All references made to "Notes" in the MD&A correspond to the Notes to the annual audited financial statements dated December 31, 2010. All dollar amounts reported herein are expressed in Canadian dollars unless specifically stated otherwise.

Additional information relating to the Corporation is available on SEDAR at www.sedar.com.

Highlights

The three month and twelve month periods ended December 31, 2010 were highlighted by the following:

Three months ended December 31, 2010:

- Completion of \$2,298,250 Private Equity Placement;
- Option to acquire First Gold Exploration Inc.'s 50% interest in the Croinor gold project extended until May 31, 2011;
- Drilling at Chimo confirmed extension of three gold zones, including an intersection measuring 18.25 g/t of gold over 1m;
- Drilling at Croinor returned 11.81 g/t over 7.5 meters, 10.5 g/t over 6.7 meters and 29.3 g/t of gold over 5.7 meters including 78.15 g/t over 1m;
- Reduction in direct operating expenses of 29% when compared with the fourth quarter of 2009.

Twelve months ended December 31, 2010:

- Acquisition of X-Ore Resources Inc. in January 2010;
- Completion of a Positive Prefeasibility Study for the Croinor gold project July 2010;
- Preliminary agreement reached to acquire 100% of the Croinor gold project;
- Receipt of Certificate of Authorization to begin construction at Croinor gold project;
- Drilling at Croinor confirmed additional potential at depth, laterally and near surface;
- Drilling at Chimo confirmed extension of three previously identified gold mineralization zones;
- Reduction in direct operating expenses of 37% when compared with yearly results of 2009.

Cautionary Note Regarding Forward Looking Information

Certain information contained in this MD&A, including information regarding mining operations, mineral resources and exploration program performance, constitutes forward looking statements within the meaning of Canadian securities legislation. All statements, other than statements of historical fact, are forward-looking statements and are often identified by such words as "believe", "expect", "anticipate", "contemplate", "target", "plan", "intend", "continue", "budget", "estimate", "may", "will", "schedule" and other similar expressions. Readers are cautioned not to place undue reliance on forward-looking statements as there can be no assurance that the plans, intentions or expectations upon which they are based will occur. By their nature, forward looking statements involve numerous assumptions, contingencies, known and unknown risks and uncertainties, both general and specific which contribute to the possibility that the predictions, forecasts, projections, and other forward-looking statements will not occur. These assumptions may cause the Corporation's actual performance and financial results in future periods to differ materially from any estimates or projections of future performance or results expressed or implied by such forward-looking statements. These risks and uncertainties include, among other things, risks

Blue Note Mining Inc.

Management's Discussion and Analysis of Financial Condition and Results of Operations

For the Period ended December 31, 2010

related to care and maintenance, the volatility of metal prices, new information regarding recoverable reserves, geological, technical, mining or processing problems, changes in supply and demand, market competition, changes in environmental and other regulations, political changes, and other factors that may be detailed from time to time in the Corporation's SEDAR filings. The Corporation disclaims any intention or obligation to update or revise any forward-looking information, whether as a result of new information, future events or otherwise, except to the extent required by applicable law.

Plan of Arrangement and Reorganization

As a result of the bankruptcy of Blue Note Caribou Mines Inc. ("BNC") and the inability to obtain financing under the existing market conditions, the Predecessor decided to seek protection under CCAA on June 12, 2009. On August 4, 2009, the Quebec Superior Court ratified the Predecessor's Plan of Arrangement and Reorganization (the "Plan") effective August 25, 2009 and the Predecessor emerged from protection under CCAA on August 31, 2009. The implementation of the Plan on August 31, 2009 resulted in a substantial realignment of the interests in the Corporation between its existing creditors and shareholders as of August 31, 2009. As a result, the Successor's balance sheet as at August 31, 2009, has been prepared under the provisions of the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 1625, *Comprehensive Revaluation of Assets and Liabilities* ("fresh start accounting").

The Predecessor's financial information has been presented to provide additional information for the reader. Detailed information on the Plan, the impact of adjustments and fresh start accounting is available in the annual audited financial statements as at December 31, 2010.

Overview of the Corporation

Blue Note is a mineral exploration and mining company with gold and base metal exploration properties located in Quebec, New Brunswick and Ontario. The business plan of the Corporation is to acquire and operate near term producing assets, undervalued mining opportunities or underperforming mining operations with improvement potential. The minerals being targeted by the Corporation are precious metals.

As at December 31, 2010, the Corporation had working capital of \$4,135,057. The Corporation is not currently generating any revenue from its operations and for the three month and twelve month periods ended December 31, 2010, the Corporation recorded a loss from continuing operations of \$1,005,000 and \$2,852,468 respectively, compared to \$801,974 for the three month period ended December 31, 2009, and \$975,634 for the four month period ended December 31, 2009 and \$6,471,626 for the eight month period ended August 31, 2009, resulting in a deficit of \$3,828,102. The Corporation must secure sufficient funding to maintain its existing operations for exploration programs and general and administration expenses.

In January 2010, all of the outstanding common shares of X-Ore Resources Inc. ("X-ORE") were acquired by 9216-4706 Québec Inc. ("9216-4706"), a wholly-owned subsidiary of the Corporation. The transaction took the form of an amalgamation between X-ORE and 9216-4706 in exchange for the Corporation's common shares, subject to certain conditions.

The principal objective for the acquisition of X-ORE, completed in January 2010, was the acquisition of the near term production Croinor gold project. The property was then held in a joint venture (each party having a 50% share) with X-ORE being the operator. The Corporation is actively pursuing the development of the Croinor gold project.

The shareholders of X-ORE received 0.50 of a Corporation common share for each X-ORE common share outstanding for a total of 43,017,349 Corporation common shares. Subject to their terms and conditions, 3,337,142 X-ORE warrants and 2,050,000 X-ORE stock options were exchanged for warrants and stock options of the Corporation entitling the holder thereof to receive upon their exercise such

Blue Note Mining Inc.

Management's Discussion and Analysis of Financial Condition and Results of Operations

For the Period ended December 31, 2010

number of the Corporation common shares based upon the exchange ratio, in lieu of common shares of X-ORE.

The Corporation performed an assessment of the fair value of the identifiable assets and liabilities acquired. Management's estimates of fair value are based on independent appraisals and valuations. There are three generally accepted valuation approaches in the mining industry; a) income approach, b) market approach and c) cost approach. The process of determining the fair value of the identifiable assets and liabilities was completed as of the date of issuance of our audited consolidated financial statements and the amounts assigned to the assets and liabilities are final.

This transaction value was valued at \$7.3 million and was accounted for following the requirements of Section 1582. The transaction was accounted for under the purchase method and the results of operations of X-ORE have been included in the consolidated statements of loss, comprehensive loss and deficit as of January 19, 2010.

On March 18, 2010, the Corporation and Amex Exploration Inc. ("Amex") entered into a definitive agreement pursuant to which Amex acquired all of the outstanding shares of X-Ore International Inc., the wholly-owned subsidiary of X-ORE that held mining assets and conducted exploration activities in Mexico through its subsidiary, Minerales X-Ore SA de CV.

The consideration for the transaction consists of staggered cash payments totalling \$200,000, the issuance of 7,000,000 Amex common shares and 1,000,000 common share purchase warrants of Amex by December 31, 2011. The warrants are exercisable over a period of 24 months following their issuance. In addition, Amex assumed all obligations and liabilities of X-Ore International and Minerals X-Ore SA de CV. The Corporation will receive, net from selling costs of \$5,881, a consideration valued at \$1.9 million. With this transaction, the Corporation is better positioned to focus on its Canadian gold and base metal properties while it could benefit from any potential upside resulting from the development of the Mexican gold properties sold to Amex.

On March 16, 2010, the Corporation closed a private placement generating total gross proceeds of \$1,000,000. On June 8, 2010, the Corporation closed a second private placement generating total gross proceeds of \$685,140. On December 22, 2010, the Corporation closed a third private placement generating total gross proceeds of \$2,298,250. On January 21, 2011, the Corporation closed a fourth private placement generating total gross proceeds of \$436,400. These funds will be used mainly for exploration on sites in Val-d'Or, Quebec, and also to maintain its claims on the New Brunswick properties.

On July 15, 2010, the Corporation reported positive results from the Prefeasibility Study for the Croinor gold project, confirming the project's robust economics and excellent potential for long term growth through a focused exploration program. The study provides for an underground mining operation using custom milling at a fully permitted milling facility near Val-d'Or, Quebec and displays significant improvements over the Preliminary Economic Assessment prepared by Golder Associates filed in July 2009, including more than doubling the mine life and production. New Mineral Resource and Mineral Reserve estimates in compliance with National Instrument 43-101 respecting standards of disclosure have been released. Highlights from the study are presented in the following table. The full Prefeasibility Study is available at www.sedar.com. All currency in this report is in Canadian dollars unless otherwise noted.

Blue Note Mining Inc.

Management's Discussion and Analysis of Financial Condition and Results of Operations

For the Period ended December 31, 2010

HIGHLIGHTS OF JULY 15, 2010 PREFEASIBILITY STUDY

| Parameters | Results |
|--|---------------------------|
| Proven & probable mineral reserve | 689,829 tonnes at 8.35g/t |
| Total contained gold reserve | 185,260 oz |
| Mine life (including 14-month preproduction) | 5 years |
| Daily mine production | 500 tonnes /day |
| Gold recovery | 97.5% |
| Annual gold production | 39,181 to 45,631 oz |
| LOM recovered gold | 170,556 oz |
| Average cash operating cost | \$160 / tonne |
| Average cash operating cost | US\$572/oz |
| Capital cost (including \$7.4M sustaining/working capital) | \$ 26 million * |
| Total cost per ounce | US\$715/oz |
| Total revenue | \$182 million |
| Total operating cost | \$104 million |
| Total project cost | \$130 million |
| Total operating cash flow (before tax & royalties) | \$52.4 million |
| Net cash flow (pretax after royalties) | \$47.4 million |
| NPV (pretax @ 7% discount) | \$35.9 million |
| IRR (pre-tax) | 97% |
| Payback period | 25 months |
| Pre-production period (including 42,000t of production) | 14 months |

*Includes capitalized preproduction operating cost net of associated revenue

*Bloomberg base case consensus forecasts as at June 2010:

| | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> |
|--------------------------|-------------|-------------|-------------|-------------|-------------|
| Gold Price (\$US/oz) | 1,178 | 1,165 | 1,123 | 850 | 850 |
| Exchange Rate (\$C/\$US) | 1.04 | 1.06 | 1.09 | 1.05 | 1.05 |

On July 17, 2010, Blue Note announced that it had entered into a binding agreement providing for the acquisition by the Corporation of all of Critical Elements Corporation (formerly First Gold Exploration Inc. ("First Gold")) interests in the Croinor gold project located near Val-d'Or, Quebec in order for the Corporation to own 100% of Croinor. The Corporation has made cash payments to First Gold totalling \$125,000 and, in consideration of an additional payment of \$10,000, Blue Note now has until May 31, 2011, or such other later date as mutually agreed by Blue Note and First Gold, to make a final payment of \$2,250,000 to complete the transaction. In addition, Blue Note shall issue 17.5 million common shares to be held in escrow, for release at a rate of 500,000 shares per month over 35 months from the date of closing. The contemplated transaction includes the transfer of First Gold's 71% ownership in the Matchi-Manitou property to Blue Note and is subject to TSX Venture Exchange and other regulatory approvals. In addition, First Gold shall have the right, at its discretion, to maintain a 13.67% equity ownership in the capitalization of Blue Note by participating in future private placements or any business combinations thereof. The 50/50 Croinor joint operatorship shall remain in effect until the date of closing. In the meantime, First Gold is exempted from participating in any further cash calls until closing or the expiry of the agreement. First Gold will also have the right to nominate one board member on Blue Note's board of directors.

Blue Note Mining Inc.

Management's Discussion and Analysis of Financial Condition and Results of Operations

For the Period ended December 31, 2010

On September 1, 2010, Blue Note received the Certificate of Authorization from the Quebec Department of Sustainable Development, Environment and Parks (MDDEP) for the Croinor gold project allowing for mine development and underground production.

Discontinued Operations – Blue Note Caribou Mines Inc.

On June 30, 2009, BNC filed for bankruptcy, and the Court appointed monitor, PricewaterhouseCoopers Inc. started the liquidation of BNC assets. As of that date, the Predecessor concluded that, based on the criteria under Canadian GAAP, its control over BNC was lost. Accordingly, the Predecessor's investment in BNC has no longer been consolidated as of June 30, 2009. The Predecessor's investment in BNC was classified as held-for-trading and its carrying value was valued at zero. BNC activities were also considered as "Discontinued Operations" in the audited financial statements of the Predecessor.

As of June 30, 2009, immediately prior to deconsolidation, the Predecessor's unaudited balance sheet included a net assets deficiency of \$154,663,535, represented by the excess of the liabilities and non-controlling interest over BNC assets.

The net assets deficiency and the accumulated comprehensive loss of BNC were reversed upon deconsolidation on June 30, 2009, generating a net gain of \$37,437,864.

For further details, the reader may refer to note 1 of the Corporation's audited annual financial statements as of December 31, 2010.

In this Management's Discussion and Analysis, only continuing operating activities of the Corporation are included in the analysis of operating results

Selected Quarterly Information (unaudited)

| | Revenue | Net loss from continuing operations (net income) | Net loss from continuing operations (2) Per common share |
|--------------------------------|---------|---|---|
| | \$ | \$ | \$ |
| 2010 | | | |
| Fourth Quarter | 11,505 | 1,005,000 | 0.009 |
| Third Quarter | 936 | 146,177 | 0.001 |
| Second Quarter | 980 | 1,253,648 | 0.012 |
| First Quarter | 1,435 | 447,643 | 0.005 |
| 2009 | | | |
| Fourth Quarter | 1,113 | 801,974 | 0.021 |
| One month ended September 30 | 662 | 173,660 | 0.003 |
| Two months ended August 31 (1) | 1,791 | 482,923 | 0.001 |
| Second Quarter (1) | 3,255 | 3,919,863 | 0.013 |
| First Quarter (1) | 9,322 | 2,068,840 | 0.006 |

(1): Impact of fresh start accounting is not reflected in this value.

(2): Earnings per share do not reflect the share consolidation at August 31, 2009.

Blue Note Mining Inc.

Management's Discussion and Analysis of Financial Condition and Results of Operations

For the Period ended December 31, 2010

Presentation of financial information and combined prior financial results

As the Corporation's financial statements reflect fresh start accounting adjustments as of August 31, 2009, and due to the effects of the transactions that became effective pursuant to the Plan, financial information in these and future financial statements will not be comparable to the Corporation's financial information from prior periods.

Results of Operations

| Periods ended | Three months ended December 31, 2010 \$ Successor | Three months ended December 31, 2009 \$ Successor | Twelve months ended December 31, 2010 \$ Successor | Four months ended September 30, 2009 \$ Successor | Eight months ended August 31, 2009 \$ Predecessor |
|--|---|---|--|---|--|
| Revenues | 11,505 | 1,113 | 14,856 | 1,775 | 14,368 |
| Direct operating expenses | 509,959 | 716,337 | 2,737,134 | 874,337 | 3,450,212 |
| Stock based compensation | 530,605 | 85,601 | 851,350 | 100,525 | 100,941 |
| Financial charges | 2,881 | 1,149 | 10,786 | 2,547 | 2,033,223 |
| Impairment charges | - | - | - | - | 1,457,566 |
| Unrealized and realized loss (gain) | (26,940) | - | (546,306) | - | (555,948) |
| Consolidated net (loss) from continuing operations | (1,005,000) | (801,974) | (3,038,108) | (975,634) | (6,471,626) |
| Future income taxes recovered | - | - | 185,640 | - | - |
| Discontinued operations | - | - | - | - | 19,288,808 |
| Net income (loss) | (1,005,000) | (801,974) | (2,852,468) | (975,634) | 12,817,182 |
| Per share consolidated net loss (income) (1) | (0.009) | (0.016) | (0.027) | (0.019) | 0.035 |

(1) Earnings per share do not reflect the share consolidation on August 31, 2009

Fourth Quarter Review

For the quarter ended December 31, 2010, the Corporation incurred a consolidated net loss of \$1,005,000 (\$0.009 per share) compared to a net loss from continuing operations of \$801,974 (\$0.016 per share) for the three month ended December 31, 2009.

The Corporation incurred direct operating expenses of \$509,959 in the reporting period, compared to \$716,337 for the three months ended December 31, 2009. The decrease of \$206,378 in expenses for the fourth quarter of 2010 was mainly as a result of a decrease in professional fees of \$194,058. All other general and administrative expenses represented an overall reduction of \$12,320.

Stock-based compensation expense of \$530,605 in the reporting period, compared to \$85,601 for the three months ended December 31, 2009, representing an increase of \$445,004.

Blue Note Mining Inc.

Management's Discussion and Analysis of Financial Condition and Results of Operations

For the Period ended December 31, 2010

Financial charges amounted to \$2,881 compared to \$1,149 for the three months ended December 31, 2009, representing an increase of \$1,732, mainly due to issuance of new financing facilities.

Unrealized and realized gain amounted to \$26,940. This gain in the fourth quarter of 2010 resulted from the disposition of marketable securities compared to \$nil for the same period of 2009.

During the period, the Corporation invested \$239,323 in capital expenditures mainly related to the Val-d'Or and New Brunswick gold property development work. This compares to \$330,736 for the three months ended December 31, 2009.

As at December 31, 2010, the Corporation had total assets of \$18,413,255 compared to \$9,257,953 as at December 31, 2009. The increase is due primarily to the acquisition of X-ORE for \$7.3 million in January 2010.

Cost reductions

A thorough review of all expenses was recently undertaken, with the objective of reducing or eliminating all unnecessary expenditures. This review resulted in a substantial reduction of the Corporation's direct operating expenses for the last six months of 2010 as compared to the first six months of 2010.

| Period: | Last six months, 2010 | First six months, 2010 | Variance (favorable) unfavorable | |
|----------------------------------|--------------------------|---------------------------|--|-------------|
| | \$ | \$ | \$ | % |
| Depletion and depreciation | 23,338 | 23,338 | - | 0% |
| General & Administration | 116,161 | 246,671 | (130,510) | -53% |
| Wages and benefits | 562,249 | 672,634 | (110,385) | -16% |
| Professional fees | 37,641 | 516,476 | (478,835) | -93% |
| Travelling and promotion | 86,681 | 351,305 | (264,624) | -75% |
| Exploration charges | 13,941 | 4,121 | 9,820 | 238% |
| Other income | (29,203) | (21,597) | (7,606) | 35% |
| Direct operating expenses | 810,808 | 1,792,948 | (982,140) | -55% |

Highlights of cost reductions

General and Administration: a reduction of \$130,510 (-53%) occurred in the last six months of 2010, telecommunication and IT expenses declined by \$25,168, courier and postage declined by \$28,868. General filing including TSX Venture charges also declined by \$62,001.

Wages and benefits: a reduction of \$110,385 (-16%) occurred in the last six months of 2010 due to reduced headcount and reduced salaries of \$72,000 for remaining employees. Following the headcount reduction, social benefits also declined by \$36,702.

Professional fees: a reduction of \$478,835 (-93%) due mainly to reduced reliance on external financial and legal consultants. An amount of \$140,437 was related to assistance requested by the Corporation's former Chief Executive Officer. An amount of \$146,082 was related to M&A analysis and an amount of \$115,027 was related to financial evaluation and new accounting standards.

Blue Note Mining Inc.

Management's Discussion and Analysis of Financial Condition and Results of Operations

For the Period ended December 31, 2010

Travelling and promotion: a reduction of \$264,624 (-75%) occurred in the last six months of 2010 due mainly to a decrease of \$119,935 in international travelling and a decrease of \$60,843 in marketing and investor relations expenses. Costs related only to the March 2010 PDAC trade show amounted to \$75,560.

Overall, a reduction of \$982,140 (-55%) in direct operating expenses occurred in the last six months of 2010 as compared with the first six months.

Year-to-date Review

Presentation of financial information and combined prior year financial results

As the Corporation's consolidated financial statements reflect fresh start accounting adjustments starting in the third quarter of 2009, and due to the effects of the transactions that became effective pursuant to the Plan, actual year to date financial information is not comparable to the Corporation's financial information from prior periods.

For the twelve months ended December 31 2010, the Corporation incurred a net loss of \$2,852,468 (\$0.027 per share). For the four months ended December 31, 2009, the Corporation incurred a net loss, of \$975,634 (\$0.019 per share) while the Predecessor incurred a net loss from continuing operations of \$6,471,626. Income from discontinued operations created a gain of \$19,288,808 resulting in a net gain, after discontinued operations of \$12,817,182 (\$0.035 per share before share consolidation) in the eight months ended August 31, 2009.

The Corporation incurred direct operating expenses of \$2,737,134 during the twelve months ended December 31, 2010. In 2009, for the four months ending December 31, 2009 the amount was \$874,337 and the Predecessor incurred \$3,450, 212 in the eight months ended August 31, 2009. The decrease of \$1,587,415 in expenses reflects reduced staffing levels, with year-to-date salaries declining to \$1,234,884 from \$412,374 for the four months period ended December 31, 2009 and \$1,011,101 in the eight months ended August 31, 2009, which represent a saving of \$188,591, professional fees declining from \$554,117 in the twelve months of December 31, 2010 from \$247,726 for the four months period ended December 31,2009 and \$957,076 in the eight months ended August 31, 2009, which represents a reduction of \$650,685, following the restructuring. Business development expenses during the twelve month ended December 31, 2010 amounted to \$437,986 compared to \$138,920 for the four months period ended December 31, 2009 and \$221,136 in the eight months ended August 31, 2009 representing an increase of \$77,930, mainly for travelling out of the country. General and Administrative expenses during the twelve month ended December 31, 2010 amounted to \$445,743 compared to \$23,054 for the four months period ended December 31, 2009 and \$1,248,758 in the eight months ended August 31, 2009 representing a decrease of \$826,069, mainly from reorganization charges incurred in year 2009 for the amount of \$739,762.

Stock-based compensation charges of \$851,350 during the twelve month ended December 31, 2010 compared to \$100,525 for the four months period ended December 31, 2009 and \$100,941 in the eight months ended August 31, 2009 representing an increase of \$649,884.

Financial charges amounted to \$10,786 in the twelve month period ended December 31, 2010 compared to \$2,547 in the four month period ended December 31, 2009 and \$2,033,223 in the eight months ended August 31, 2009 reflecting just over 7 months interest on the notes prior to the restructuring which occurred early in August 2009.

The unrealized and realized gains on disposal of marketable securities amounted to \$545,656 for the twelve month period ended December 31, 2010 compared to \$593,726 recorded by the Predecessor for the eight month period ended August 31, 2009 (\$Nil in four month period ended December 31, 2009).

Blue Note Mining Inc.

Management's Discussion and Analysis of Financial Condition and Results of Operations

For the Period ended December 31, 2010

Gain on disposal of long-lived assets amounted to \$650 for the twelve months period ended December 31, 2010, compared to a loss of \$37,778 in the eight months ended August 31, 2009, (\$Nil for the four months period ended December 31, 2009).

Financial review

Industry Trends

The credit and capital markets experienced significant deterioration in 2008, including the failure of significant and established financial institutions in the United States and abroad, and continued to show weakness and uncertainty in 2009 and into 2010. These unprecedented disruptions in the credit and capital markets have negatively impacted the availability and terms of credit and capital. If uncertainties in these markets continue, or these markets deteriorate further, it could have a material adverse effect on the Corporation's liquidity, ability to raise capital and costs of capital. Failure to raise capital when needed or on reasonable terms may have a material adverse effect on the Corporation's business, financial condition and results of operations. We have undertaken various initiatives to adapt our cost structure to the rapidly changing economic environment including:

- Reducing corporate staff levels by a further 50% in 2010.
- Reducing the salaries of all remaining employees.
- Focusing on gold exploration and development and reducing expenditures on base metal properties.

The lingering effect of the global recession is expected to continue to cause uncertainty in commodity markets. Under these conditions, we are focusing our efforts on gold exploration and production as the fundamentals for gold appear to be strong.

The Corporation has only one reportable segment. All of the Corporation's long term fixed assets and operations are in one geographic location in Canada, and relate to mining development and exploration.

Commitments

The Corporation has contractual obligations, in the amount of \$181,686 related to the actual long-term premises leases expiring in February 2012.

During 2010, under the terms of flow-through agreements, the Corporation issued 23,121,973 flow-through shares and was required to spend \$3,112,890 on qualifying exploration expenditures. As at December 31, 2010 an amount of \$523,381 had been spent, the balance of \$2,589,509 needs to be incurred before December 31, 2011.

The Corporation is committed, under options agreement, to acquire two properties located in New-Brunswick. An amount of \$59,000 is payable in 2011 and an amount of \$5,250 is payable in 2012.

Transactions with Related Parties

The Corporation accepted the proposal by a previously related party (an entity subject to significant influence of the Corporation's former chief executive officer) to cancel a non-interest bearing demand advance payable to the Corporation in exchange for common shares.

The Corporation was charged \$75,000 for administration services during the year ended December 31, 2010 (nil - 2009) by a company wholly-owned by a director of the Corporation.

Blue Note Mining Inc.

Management's Discussion and Analysis of Financial Condition and Results of Operations

For the Period ended December 31, 2010

Outlook

The Corporation's ability to continue as a going concern is dependent on many factors, mostly matters outside the Corporation's control. Accordingly, substantial doubt exists as to whether the Corporation will be able to continue as a going concern. There can be no assurance that the Corporation will be able to recover the amounts currently recorded as long-lived assets.

The fundamentals for gold remain very strong as a number of developed economies adopt further quantitative easing measures in an effort to boost their economic recoveries. These measures will likely allow real interest rates to remain low, which is supportive of gold prices. Likewise, increases in money supply raise the spectre of inflation which is also supportive of gold.

The Canadian dollar is strengthening against the US dollar as strong commodity prices and Canada's relatively sound fiscal and economic performance attract foreign capital flows. The strengthening of the Canadian dollar will offset some of the benefit of higher gold prices.

Exploration and Reserve Development

Quebec Properties

The Corporation acquired all of the outstanding common shares of X-ORE in a transaction completed in the first quarter of 2010 in the form of an amalgamation whereby X-ORE is held by Blue Note as a wholly owned subsidiary of the Corporation.

In addition to Croinor, Blue Note, through its subsidiary, X-ORE has a 100% interest in the following gold exploration properties in the Val-d'Or area:

- Chimo – Mining lease nos. 602 and 827 (royalties include 1% NSR to Cambior, 2% NSR to Louvem Mines Inc. and 2% of gross sales to Chimo Gold Mines Ltd.)
- Nova (38 claims; 1% NSR royalty to Cambior)
- Pershing (49 claims)
- Bel-Rive (94 claims)
- Pascalis (43 claims)
- Lac Tavernier (26 claims)
- Belcourt (10 claims)
- Tex-Sol (10 claims)

Croinor Gold Property

The Croinor gold project includes a mining lease of 90 hectares situated approximately 75 km by road east of Val-d'Or, Québec.

The Corporation, through X-ORE, and First Gold each hold a 50% joint venture interest in the Croinor project that includes Mining Lease 862 and nine surrounding claims in the Val-d'Or region. The Corporation holds a 100% interest in 358 claims on the Croinor property that surround the joint venture property. There were 78 map designated claims (CDCs) added to the Croinor Property and 53 CDCs that were added to the Bel-Rive Property during 2010. The new claims are contiguous with the Croinor, Pershing and Bel-Rive properties and increase the overall claim holdings in the Croinor area by 5,403

Blue Note Mining Inc.

Management's Discussion and Analysis of Financial Condition and Results of Operations

For the Period ended December 31, 2010

hectares. Royalties on the Croinor project include a 15% of net profit from commercial production on 92 claims and 5% of net income from production on 97 claims payable only after overall property expenditures have been recouped. Other royalties also exist on other claims on the property.

On July 17, 2010, Blue Note entered into a binding agreement providing for the acquisition by the Corporation of First Gold's 50% interest in the Croinor gold project in order for the Corporation to own 100% of Croinor. To date, the Corporation has made cash payments to First Gold totalling \$125,000 and, in consideration of an additional payment of \$10,000, Blue Note now has until May 31, 2011, or such other later date as mutually agreed by Blue Note and First Gold, to make a final payment of \$2,250,000 to complete the transaction. In addition, Blue Note shall issue 17.5 million common shares to be held in escrow, for release at a rate of 500,000 shares per month over 35 months from the date of closing. The contemplated transaction includes the transfer of First Gold's 71% ownership in the Matchi-Manitou property to Blue Note and is subject to TSX Venture Exchange and other regulatory approvals. The 50/50 Croinor joint operatorship shall remain in effect until the date of closing. In the meantime, First Gold is exempted from participating in any further cash calls until closing or the expiry of the agreement.

In the spring of 2010, the joint venture approved a program budgeted to cost \$1,250,000 with \$700,000 planned for an exploration program and \$550,000 planned to complete a number of permitting and engineering projects required to advance the project. The exploration program was planned to test for the extension of the current mineral resource and to access the potential for the extension of the resource at depth. A small portion of the budget was set aside to conduct a short drill program to assess the potential for a small open pit operation to complement the underground mine. The program commenced in June, 2010 with the objective of completing the open pit drilling, drilling to test the extension of known resources and completing a Hole-to-hole 3D induced polarization (IP) survey to identify potential drill targets. The surface program was completed and the results were announced in a press release on September 8, 2010. The remainder of the program has been completed and results were very encouraging as announced in the October 18 and November 11, 2010 press releases.

Based on the results of the 2010 drilling, the IP survey and past exploration, a 20,600 meter drill program is planned, aimed at increasing resources within the current resource blocks, laterally along strike in both directions and at depth down dip of the current resource. The first phase of this program including 7,700 meters of drilling commenced in early February with the mobilization of one drill. Drill targets include step-out testing of gold mineralization identified in previous drilling within and further east and west of the planned development. The 2010 seven hole drill program intersected significant gold grades and widths located in close proximity to planned development, clearly demonstrating the potential to expand the resources and reserves. Values returned from the seven holes included 11.81 g/t Au over 7.5 meters (6.4 m true width), 10.50 g/t Au over 6.7 meters (6.1 m true width), 29.3 g/t Au over 5.7 meters (5.7 m true width) with values as high as 78.15 g/t Au over a true width of 1 meter.

InnovExplo Inc. has been contracted to assist with the program planning, field supervision, core logging and sampling and data compilation and analysis. Forages La Virole has been awarded a contract to complete a minimum of 7,700 meters of drilling expandable to 20,600 meters as the program develops. In early March 2011, a second drill rig from Forages La Virole was mobilized at Croinor. As of March 31, 2011, 7,185 meters in 23 diamond drill holes have been completed on the 7,700 meter, first phase drill program aimed primarily at increasing the mineral resources laterally. Core from this program is being delivered to the InnovExplo core preparation area where it is logged and sampled and samples are being delivered to ALS Chemex Laboratory in Val-d'Or for analysis.

In July 2010, a 43-101 compliant pre-feasibility study was completed by InnovExplo. The plan outlines a 5 year production plan operating at 500 tons per day with a proven and probable mining reserve of 689,829 tons containing 185,260 oz of gold. Annual production at full production will reach 45,631 oz of gold. The overall cost is \$715 per oz of gold with an operating cost component of \$572 per oz of gold. The study also highlighted the excellent potential to expand the resource with further surface and underground

Blue Note Mining Inc.

Management's Discussion and Analysis of Financial Condition and Results of Operations

For the Period ended December 31, 2010

drilling, thereby extending the life of the mine and improving the already robust economics of the project. The Certificate of Authorization from the Department of Sustainable Development, Environment and Parks (MDDEP) for the Croinor gold project was received from the Quebec government which allows for mine development and underground production. The site reclamation plan and crown pillar stability study have been completed and will be submitted to the Quebec government when a positive decision is reached to commence dewatering of the pits and underground workings.

Person Responsible for the Technical Information

John Martin, P. Eng., President and Chief Operating Officer for Blue Note Mining Inc., is the Qualified Person who has written and approved the technical content of this management discussion and analysis as it pertains to the Croinor property.

Chimo Gold Property

The Chimo gold property is 100% owned by the Corporation and comprises 2 mining leases covering 81 hectares located 25 km from the Croinor Gold Project. Chimo is a former gold producer and is contemplated to complement future production from Croinor.

Previous gold production from Chimo was: 1,700,000 tonnes at 3.83 g/t Au (287,000 ounces) from 1989 to 1996 by Cambior; 140,000 tonnes at 14.83 g/t Au from 1966 to 1984 by Chimo Gold Mines and 493,000 tonnes at 5.69 g/t Au from 1984 to 1988 by Louvem Mines.

Four distinct zones of gold mineralization were identified by previous owners and are located in close proximity to the 930 meters Chimo mine shaft. Previous drilling returned: 29.1 g/t Au over 3m, 22.7 g/t Au over 3.3m, 16 g/t Au over 3m, and 57.7 g/t Au over 1.5m.

At Chimo, the first phase of a 12,500 meter drill campaign is underway to establish an economically viable gold resource based on results from last summer's drill campaign and compilation of historical data. Last summer's three hole, 1,037 meter drill program confirmed the extension of previously identified but unexplored gold bearing mineralized zones, demonstrating the continuity near surface as well as the potential to develop resources beyond the historical mine workings of the Chimo mine (see news release of October 4, 2010). The Chimo gold deposit is contemplated to complement future production from the Croinor project. The first phase of the 12,500 meter program was completed on April 4, 2011 with eight holes and 2,302 meters drilled

Person Responsible for the Technical Information

John Martin, P. Eng., President and Chief Operating Officer for Blue Note Mining Inc., is the Qualified Person who has written and approved the technical content of this management discussion and analysis as it pertains to the Chimo property.

Detailed compilation of other gold projects in the Val-d'Or region is in progress to determine future work programs.

During the quarter ended December 31, 2010, the Corporation incurred 184,073 in exploration activities, mainly on the Croinor and Chimo projects, from which \$118,951 was paid by First Gold leaving a net investment of \$65,122..

Ontario and New Brunswick properties

The Corporation holds an interest in five mining leases (i.e. 6% in 2 claims and 33% in 78 claims) on the Sturgeon Lake property in western Ontario. Inmet Mining Corp. is the operator of the Sturgeon Lake property and has optioned the property to Unitronix Corp.

Blue Note Mining Inc.

Management's Discussion and Analysis of Financial Condition and Results of Operations

For the Period ended December 31, 2010

The Corporation holds 1,277 mineral claims in the area of the Williams Brook Property in northern New Brunswick that were staked following the intersection of encouraging gold mineralization in diamond drilling on the Williams Brook Property and includes the following claim groups:

- Williams Brook (claim #4660 – 112 claims)
- Williams Brook Extension (claim #5495 – 186 claims)
- Williams Brook South (claim #5499 – 83 claims)
- Nine Mile Brook (claim #5493 – 228 claims)
- Upsalquitch Forks (claim #5500 – 255 claims)
- Cravens Gulch (claim #5502 – 80 claims)
- McDougall's Brook (claim #5503 – 43 claims)
- Popelogan (claim #5504 – 62 claims)
- Northwest Upsalquitch (claim #5505 – 64 claims)
- Bubar Brook (claim #5506 – 49 claims)
- Jerry Ferguson Brook Property (claim #5557 - 32 claims),
- Caribou Mountain Property (claim #5589 - 32 claims),

In 2010, the Southeast Upsalquitch property (claim # 5723 – 43 claims) and Lagacy Bridge (claim #5735 – 8 claims) were staked. With the exception of the Bubar Brook property that is located 25 km south of the Williams Brook Property, the above claims are collectively referred to as the Upsalquitch Project that covers 243 sq km surrounding the Williams Brook property.

The Corporation also holds the following exploration properties situated near Bathurst, New Brunswick:

- Armstrong (base metals; includes claim block nos. 1796, 5041, 5042, 5043, 5292, 2611 and 4503).
- California Lake (silver)
- Canoe Landing Lake (polymetallic deposit)
- McMaster (base metals; includes claim block nos. 1794, 4970, 5263, and 5262)
- Orvan Brook (base metals)
- Rio Road (gold)
- Restigouche (base metals; Claim Block 1802)
- Wildcat Brook (base metals)

The Corporation has acquired a 100% interest in the following properties in the Armstrong project area:

- Brandy Brook and Bear Creek (4201) that are subject to a 2% NSR royalty, and, Roller, Roller West, Roller 4 and Middle River properties (base metals), subject to a 1.5% NSR.

In addition, the Corporation holds the following option:

- Rocky Turn (base metals) in the Armstrong project area

During the quarter ended December 31, 2010, the Corporation incurred costs of \$174,201 (\$330,736 for the three months ended December 31, 2009) in exploration activities in New Brunswick, mainly on the regional gold projects.

Liquidity and Financing

As at December 31, 2010, the Corporation had cash and cash equivalents of approximately \$2.59 million, which represents an increase of \$2.02 million from December 31, 2009. In addition, the Corporation had marketable securities valued at \$1.02 million, up from nil at December 31, 2009. The Corporation used \$2.61 million of cash in 2010 related to its operations. This was financed through the issuance of equity by way of private placements totalling \$3.54 million, and by disposal of marketable securities for \$1.91 million. The remaining \$0.82 million was invested, mainly in the Val-d'Or properties.

Blue Note Mining Inc.

Management's Discussion and Analysis of Financial Condition and Results of Operations

For the Period ended December 31, 2010

The Corporation is not currently generating any revenues. The Corporation must secure sufficient funding from external sources such as the sale of equity or the sale of assets, to maintain its existing operations, for exploration programs, capital expenditure programs, and general and administration expenses.

In March 2010, the Corporation sold to Amex all of the outstanding shares of X-Ore International Inc., the wholly-owned subsidiary of X-ORE that held mining assets and conducted exploration activities in Mexico through its subsidiary Minerales X-Ore SA de CV. Partial cash payments totalling \$150,000 were received in April, July, October and December 2010 and March 2011.

The Corporation no longer has a bank operating credit facility.

Outstanding Share Data

As of April 28, 2011, the Corporation had 130,276,048 outstanding common shares. Also, the Corporation had 10,950,000 options, 4,594,801 broker warrants and 25,786,500 share purchase warrants potentially convertible into 41,331,301 common shares in the future, which are potentially dilutive.

Critical Accounting Estimates

In preparing consolidated financial statements, management has to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Based on historical experience, current conditions and expert advice, management makes assumptions that are believed to be reasonable under the circumstances. These estimates and assumptions form the basis for judgments about the carrying value of assets and liabilities and reported amounts for revenues and expenses. Different assumptions would result in different estimates and actual results may differ materially from results based on these estimates. These estimates and assumptions are also affected by management's application of accounting policies. Critical accounting policies and estimates are those that affect the financial statements materially and involve a significant level of judgment by management. The consolidated financial statements have, in management's opinion, been properly prepared using careful judgement within reasonable limits of materiality and within the framework of the accounting policies summarized below:

Mineral properties and deferred exploration costs: The Corporation accounts for mineral properties and deferred exploration expenses in accordance with the CICA Handbook Section 3061, "Property, plant and equipment" ("CICA 3061"), and abstract EIC-174, "Mining Exploration Costs" ("EIC-174"). CICA 3061 provides for the capitalization of the acquisition and exploration expenses of a mineral property where such costs are considered to have the characteristics of property, plant and equipment. EIC-174 provides that a mining enterprise is not precluded from considering exploration expenses to have the characteristics of property, plant and equipment when it has not established resource reserves objectively and therefore does not have a basis for preparing a projection of the estimated future net cash flow from the property. The Corporation capitalizes the acquisition costs of mineral properties and all direct costs relating to exploration on its mineral properties less government grants. These costs will be amortized over the estimated productive lives of the properties upon commencement of production using the unit-of-production method. Options or sales of mineral properties are accounted for by applying the proceeds from such sales to the carrying costs of the property and reducing costs to zero prior to recognizing any gain. Costs related to abandoned projects are written off. Mineral property interests, where future cash flows are not reasonably determinable, are evaluated for impairment based on results of exploration work, management's intentions and determination of the extent to which future exploration programs are warranted and likely to be funded. General exploration costs not related to specific properties and general administrative expenses are charged to operations in the year in which they are incurred.

Blue Note Mining Inc.

Management's Discussion and Analysis of Financial Condition and Results of Operations

For the Period ended December 31, 2010

Recovery of carrying value is dependent upon future commercial success or proceeds from disposition of the resource interests. It is reasonably possible, based on existing knowledge that changes in future conditions could require a change in the recognized amounts. Although the Corporation has taken steps to verify title to mineral properties in which it has an interest, in accordance with industry norms for the current stage of exploration of such properties, these procedures do not guarantee the Corporation's title. Property may be subject to unregistered prior agreements or inadvertent non-compliance with regulatory requirements.

Impairment of long-lived assets: The Corporation follows the recommendations in CICA Handbook Section 3063, "Impairment of Long-Lived Assets" and the CICA's emerging extract EIC- 174, "Mining Exploration Costs." Section 3063 requires that the Corporation review long-lived assets, including mineral properties for impairment. Long-lived assets are assessed for impairment when events and circumstances warrant an assessment. EIC- 174 consensus is that a mining enterprise in the development stage is not obliged to conclude that capitalized costs have been impaired due to the absence of a projected estimated future net cash flow from the mining enterprise. Mineral properties in the exploration stage do not have established mineral reserves and a basis for the preparation of a projection of the estimated future net cash flow from the properties does not exist.

However, a mining enterprise is required to consider the conditions in Section 3063 for impairment write-down. The conditions include significant unfavourable economic, legal, regulatory, environmental, political and other factors. In addition, management's development activities towards its planned principal operations are a key factor considered as part of the ongoing assessment of the recoverability of the carrying amount of mineral properties. Whenever events or changes in circumstances indicate that the carrying amount of a mineral property in the exploration stage may be impaired, capitalized costs are written down to the estimated fair value.

It is possible that changes in estimates could occur which may affect the expected recoverability of the Corporation investments in mining properties.

Stock-based compensation: The Corporation has a stock option compensation plan which is described in note 13 of the audited annual consolidated financial statement as of December 31, 2010. The Corporation applies the fair value method. The fair value is measured at the grant date using the Black-Scholes option pricing model. The fair value of options issued to employees, officers and directors are generally recognized as an expense over the vesting period with a corresponding increase to contributed surplus. The fair value of stock-based compensation issued to consultants is generally recognized as an expense at the earlier of the vesting date or over the period over which the services are performed with a corresponding increase to contributed surplus. Any consideration paid by employees, officers and directors on exercise of stock options or purchase of stock is credited to share capital.

Business combination: The Corporation has purchased all outstanding common shares of X-Ore Resources Inc. which is described in note 4 of the audited annual consolidated financial statements as of December 31, 2010. The Corporation performed an assessment of the fair value of the identifiable assets and liabilities acquired. Management's estimates of fair value are based on independent appraisals and valuations. There are three generally accepted valuation approaches in the mining industry; a) income approach, b) market approach and c) cost approach. The process of determining the fair value of the identifiable assets and liabilities implied assumptions subject to risks and uncertainties and the amounts assigned to the assets and liabilities was completed as of the date of issuance of our audited consolidated financial statements and the amounts assigned to the assets and liabilities are final.

Consideration receivable: The Corporation has sold the subsidiary that holds mining assets and conducts exploration activities in Mexico through its subsidiary Minerale X-Ore SA de CV. The consideration for the transaction consists of a mix of staggered cash payments, warrants and common shares of the seller's over a 24 month period. Assumptions underlying future cash flow estimates are

Blue Note Mining Inc.

Management's Discussion and Analysis of Financial Condition and Results of Operations

For the Period ended December 31, 2010

subject to risks and uncertainties. The fair value of the warrant portion is measured at the grant date using the Black-Scholes warrant pricing model. The fair value of the common shares portion is measured at the grant date using the Black-Scholes option pricing model. Assumptions requested by using these models are subject to risks and uncertainties. It is possible that changes in estimates could occur which may affect the expected consideration receivable.

Adoption of new accounting policies

"Business combinations, Consolidated financial statements and Non-controlling interests"

In January 2009, the Accounting Standards Board issued 3 new accounting standards: Section 1582 "Business Combinations"; Section 1601 "Consolidated Financial Statements"; and Section 1602 "Non-Controlling Interests". These sections apply to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011 with early adoption permitted. The Corporation has adopted these standards on January 1, 2010. Section 1582 has been applied to the business combination described in note 4. The adoption of Sections 1601 and 1602 had no effect on the unaudited interim consolidated financial statements of the Corporation.

Future Accounting Changes

International Financial Reporting Standards ("IFRS")

The Canadian Accounting Standards Board (AcSB) confirmed that the use of International Financial Reporting Standards ("IFRS") will be required for Canadian publicly accountable enterprises for financial period beginning on or after January 1, 2011. As a result, the Corporation will issue its first set of interim financial statements prepared under IFRS in the first quarter of 2011, with restatement for comparative purposes of amounts reported under Canadian GAAP. The Corporation will report its first full annual set of financial statements under IFRS for the year ended December 31, 2011 with restated comparatives for year ended December 31, 2010.

The Corporation is in the process of converting its basis of accounting from Canadian GAAP to IFRS with the first IFRS compliant statements. Management established an IFRS group in 2009 that continues to report regularly to the Audit Committee and Board of Directors to ensure a smooth transition to IFRS. The Audit Committee is overseeing the IFRS project, and holds Management accountable for a successful transition.

To comply with the Canadian Securities Administrators (CSA) Staff Notice 52-320, "Disclosure of Expected Changes in Accounting Policies Relating to Changeover to IFRS", Blue Note prepared a structured IFRS conversion plan. The conversion is progressing according to the plan. Based on the work completed to date, the transition to IFRS has not resulted in significant impacts to the Corporation's business activities or its covenants, capital requirements or compensation arrangements.

The project of implementation includes four principal Phases:

- | | |
|---|-----------|
| (1) Scoping and diagnostic; | completed |
| (2) Impact analysis, evaluation and design; | completed |
| (3) Implementation | ongoing |
| (4) Post Implementation review | ongoing |

Blue Note Mining Inc.

Management's Discussion and Analysis of Financial Condition and Results of Operations

For the Period ended December 31, 2010

Phase 1 - Scoping and diagnostic

In the first phase completed in August 2009, we carried out a high level evaluation to identify the key differences between Canadian GAAP and IFRS which would be most likely affect the Corporation. We established project strategy, infrastructure and timeframe and we trained the main internal resources assigned to the conversion project.

Phase 2 - Impact analysis, evaluation and design

In the second phase, which began during the third quarter of 2009, we have carried out a detailed assessment, from an accounting, reporting and business perspective, of the changes that will result from the conversion to IFRS. The key elements of Blue Note's changeover plan for transitioning to IFRS, including impacts on accounting policies and procedures, financial statement preparation, training and communications, business impacts and IT systems, were described in previous MD&As (March 31, June 30 and September 30, 2010). This phase was substantially completed during the third quarter of 2010.

Phase 3 - Implementation

During the third quarter of 2010, key IFRS 1 exemption decisions and accounting policies changes were discussed with the top management and were submitted to the Audit Committee. The implementation of these decisions and the modifications related to the internal procedures, controls and systems are an ongoing process.

Phase 4 – Post Implementation Review

The establishment of new internal financial reporting policies and controls will be monitored by management throughout the implementation process, including the preparation of the January 1, 2010 opening balance sheet and 2010 comparative data under IFRS, with reconciliations from Canadian GAAP. Accordingly, our transition is currently on track with our implementation schedule which calls for initial reporting under IFRS starting for the forthcoming interim periods and the year ending December 31, 2011. The calculations to measure the impacts on the opening balance sheet are still ongoing; therefore, we are not able to reliably quantify the impacts expected on our consolidated financial statements for these differences and consequently, we are not able to quantify the expected impact on our consolidated financial statements.

First-Time Adoption of IFRS

IFRS 1, First-Time Adoption of International Financial Reporting Standards ("IFRS 1"), provides entities adopting IFRSs for the first time with a number of optional exemptions and mandatory exceptions, in certain areas, to the general requirement for full retrospective application of IFRSs.

Blue Note has completed its analysis of the various accounting policy choices available. Most adjustments required on transition to IFRS will be made, retrospectively, against opening retained earnings as of the date of the first comparative balance sheet presented based on standards that will be applicable as at December 31, 2011. Transitional adjustments relating to those standards where comparative figures are not required to be restated will only be made as of the first day of the year of adoption.

Based on the review of accounting differences identified to date, the following paragraphs outline the significant optional IFRS 1 exemptions the Corporation expects to apply in its first IFRS financial statements.

Blue Note Mining Inc.

Management's Discussion and Analysis of Financial Condition and Results of Operations

For the Period ended December 31, 2010

- Share-based payments election: This election enables the Corporation to apply IFRS 2 "Share-based payments" retrospectively at the transition date only to equity instruments that were attributed after November 7, 2002 and had not vested by the IFRS transition date. The Corporation does not expect that there will be a significant adjustment.
- Property, plant and equipment election: The Corporation decided to use the exemption offered by IFRS 1 allowing it to evaluate its Property, plant and equipment at the date of transition to IFRS as its fair value and to use this fair value as the cost assumed as of this date. For all its Property, plant and equipment, the Corporation used the evaluations of fair value made dated August 31, 2009, following the application of section 1625 "Comprehensive Revaluation of Assets and Liabilities", or "fresh start accounting". The Corporation has conducted an extensive review of all property, plant and equipment as of the reporting date. The results indicated no significant change to the historical reported; no significant impact from componentization requirements and no significant changes in useful life estimations. Thereafter, the Corporation decided to use cost method accounting for all its property, plant and equipment.

The remaining optional exemptions are not applicable to the Corporation's adoption of IFRS.

Accounting policies changes and expected areas of significance

The key sectors described below where changes in accounting policies could affect our consolidated financial statements, including the presentation and the disclosure of the data, for which work and the drafting of detailed technical memos are in progress:

1) Impairment of assets (IAS 36)

Canadian GAAP generally uses a two staged approach in to determine impairment, by comparing the carrying value of the asset with the undiscounted future cash flows to determine if there is impairment, and then by measuring any impairment by comparing the carrying value of the asset with the fair value. IAS 36 "Impairment of Assets", a one step approach for both testing for and measurement of impairment, with asset carrying values compared directly with the higher of fair value less costs to sell and value in use (which uses discounted future cash flows). This may potentially result in more write-downs where carrying values of assets were previously supported under Canadian GAAP on an undiscounted cash flow basis, but could not be supported on a discounted cash flow basis. However, the extent of any new write-downs may be partially offset by the requirement under IAS 36 to reverse any previous impairment losses where circumstances have changed such that the impairments have been reduced. Canadian GAAP prohibited reversal of impairment losses.

The Corporation has identified the IFRS impairment indicators that trigger the need for the calculations of an impairment and it was determined that no impairment test was required at the transition date given the fact that all assets were the subject of an independent evaluation dated August 31, 2009 and none of the indicators existed. Therefore, further to the audit of the opening balance sheet, no asset impairment was recorded upon transition to IFRS.

2) Property plant and equipment (IAS 16)

IAS 16 Property, Plant and Equipment requires a componentization approach, separately identifying and measuring significant individual components of assets which have different useful lives. Significant components will be depreciated based on their individual useful lives. IAS 16 requires the depreciable amount to be the asset cost less its residual value, rather than using the greater of the asset cost less its residual value or asset cost less its salvage value. Under IAS 16, an entity shall choose either the cost model or the revaluation model as its accounting policy and shall apply that policy to an entire class of

Blue Note Mining Inc.

Management's Discussion and Analysis of Financial Condition and Results of Operations

For the Period ended December 31, 2010

property, plant and equipment. Management has elected to apply the cost model at the date of transition and subsequently thereafter.

3) Assets retirement obligations (IAS 37)

IAS 37 Provisions, Contingent Liabilities and Contingent Assets define site restoration and environmental provisions as legal or constructive obligations; Canadian GAAP limits the definition to legal obligations. IAS 37 requires the use of management's best estimate of the Corporation's cash outflows, rather than fair value measurement on initial recognition under Canadian GAAP, and requires provisions to be updated at each balance sheet date 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). Canadian GAAP requires the use of a current credit-adjusted, risk-free rate for upward adjustments, and the original credit-adjusted, risk-free rate for downward revisions. As presented in the IFRS 1 section above, management has elected to take the election of the exemption for the determination of the provision at the transition date .

Taking into account the acquisition of X-ORE in January 2010, and the provision for dismantling acquired, the Corporation has determined that there will be no significant impact on the consolidated financial statements.

4) Mineral property interest, exploration and Evaluation costs (IFRS 6)

As current IFRS 6 allows mining entities to retain their existing policies for the capitalization of exploration and evaluation costs until more definitive guidance is developed, the Corporation concluded that, until the publication of the final standard, the better option would be to retain the existing policy.

5) Share Based Payments (IFRS 2)

Stock options with gradual acquisition rights are treated differently under IFRS and Canadian GAAP. The method of calculating share based compensation expense currently used by Blue Note was examined and adjusted to be in accordance with IFRS. The Corporation does not expect a significant impact on its consolidated financial statements as a result.

The adjustments mentioned above reflect the best estimates of the Corporation taking into account the information available at this date.

This list should not be regarded as a complete list of changes that will result from transition to IFRS. It is intended to highlight those areas we believe to be most significant; however, our analysis of possible changes is still in process and not all decisions have been made where choices of accounting policies are available. Until our adoption date is finalized, the Corporation is not able to reliably quantify the impacts expected on our consolidated financial statements for these differences.

We are aware that the standard-setting bodies that promulgate Canadian GAAP and IFRSs have significant ongoing projects that could affect the ultimate differences between Canadian GAAP and IFRSs and their impact on our consolidated financial statements in future years. We have processes in place to ensure that such potential changes are monitored and evaluated. The future impacts of IFRSs will also depend on the particular circumstances prevailing in those years. The differences described are those existing based on Canadian GAAP and IFRSs today.

Blue Note Mining Inc.

Management's Discussion and Analysis of Financial Condition and Results of Operations

For the Period ended December 31, 2010

Off-Balance Sheet Arrangements

The Corporation does not have any off-balance sheet arrangements.

RISK FACTORS

Lack of Source of Income

Blue Note is not generating income from operations. Blue Note may therefore be dependent on raising funds through the issuance of securities, sale of assets, or attracting joint venture partners in order to finance further property acquisitions, undertake exploration and development of its mineral properties and meet general and administrative expenses. There is no assurance that Blue Note will be successful in raising the required capital in the future.

Financing Risks

Additional funding may be required to complete the funding of the proposed or future exploration, development and operational programs on Blue Note's properties and to conduct any other exploration programs. Additional funds will be required for the development of an economic mineral body and to place it in commercial production. The only sources of future funds presently available to Blue Note are the sale of equity or debt capital, government funding or the offering by Blue Note of an interest in its properties to be earned by another party carrying out their exploration or development. There is no assurance that any such funds will be available for operations. Failure to obtain additional financing, if required, on a timely basis, could cause Blue Note to reduce or delay its proposed operations.

Uncertainty in the Estimation of Mineral Reserves and Resources

There is a degree of uncertainty to the calculation of mineral reserves and mineral resources and corresponding grades being mined or dedicated to future production. Until mineral reserves or mineral resources are actually mined and processed, the quantity of mineral resources and mineral reserve grades must be considered as estimates only. In addition, the quantity of mineral reserves and mineral resources may vary depending on, among other things, metal prices. Any material change in quantity of mineral reserves, mineral resources, grade or stripping ratio may affect the economic viability of the Corporation's properties. In addition, there can be no assurance that metal recoveries in small scale laboratory tests will be duplicated under on-site conditions or during production. The evaluation of the mineral resources and reserves may include inferred mineral resources that are considered not to be defined in sufficient detail to have the economic consideration applied to them that would enable them to be categorized as mineral reserves. Furthermore, Blue Note may be relying on past studies completed by previous owners. Therefore, there is currently no certainty that the economic analysis proposed will be achieved. Fluctuation in base or precious metals prices, results of drilling, metallurgical testing and production and the evaluation of mine plans and any other new information regarding recoverable reserves subsequent to the date of any estimate may require revision of such estimate. The volume and grade of reserves mined and processed and recovery rates may not be the same as currently anticipated. Any material reductions in estimates of mineral reserves and mineral resources, or of Blue Note's ability to extract these mineral reserves, could have a materially adverse effect on Blue Note's results of operations and financial condition.

Uncertainty Relating to Inferred Mineral Resources

Blue Note Mining Inc.

Management's Discussion and Analysis of Financial Condition and Results of Operations

For the Period ended December 31, 2010

There is a risk that the inferred mineral resources cannot be converted into mineral reserves as the ability to assess geological continuity is not sufficient to demonstrate economic viability. Due to the uncertainty which may attach to inferred mineral resources, there is no assurance that inferred mineral resources will be upgraded to resources with sufficient geological continuity to constitute proven and probable mineral reserves as a result of continued exploration.

Fluctuating Mineral Prices

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

Insurance and Uninsured Risks

Blue Note's business is subject to a number of risks and hazards generally, including adverse environmental conditions, industrial accidents, labour disputes, unusual or unexpected geological conditions, ground or slope failures, cave-ins, changes in the regulatory environment and natural phenomena such as inclement weather conditions, floods and earthquakes. Such occurrences could result in damage to mineral properties or production facilities, personal injury or death, environmental damage to Blue Note's properties or the properties of others, delays in development or mining, monetary losses and possible legal liability. Although Blue Note maintains insurance to protect against certain risks in such amounts as it considers reasonable, its insurance will not cover all the potential risks associated with its operations. Blue Note may also be unable to maintain insurance to cover these risks at economically feasible premiums. Insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. Moreover, insurance against risks such as environmental pollution or other hazards as a result of exploration and production is not generally available to Blue Note or to other companies in the mining industry on acceptable terms. Blue Note might also become subject to liability for pollution or other hazards which may not be insured against or which Blue Note may elect not to insure against because of premium costs or other reasons. Losses from these events may cause Blue Note to incur significant costs that could have a materially adverse effect upon its financial performance and results of operations.

Dilution

Issuances of additional securities under financings or debt restructurings will result in dilution of the equity interests of persons who are currently shareholders or who become shareholders of Blue Note.

Exploration and Development

Many of the properties in which Blue Note has an interest are in the exploration stages only and are without an economic mineral deposit. Development of Blue Note's mineral properties will only follow upon obtaining satisfactory exploration results, if any. Mineral exploration and development involves a high degree of risk and few properties, which are explored, are ultimately developed into producing mines. There is no assurance that Blue Note's mineral exploration and development activities will result in any discoveries of commercial mineral deposits. The long-term profitability of Blue Note's operations will be in part directly related to the cost and success of its exploration programs, which may be affected by a number of factors beyond Blue Note's control.

Blue Note Mining Inc.

Management's Discussion and Analysis of Financial Condition and Results of Operations

For the Period ended December 31, 2010

Operations and Exploration

Mineral exploration involves many risks, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. Operations in which Blue Note has a direct or indirect interest will be subject to all the hazards and risks normally incidental to exploration, development and production of mineral bearing ores, any of which could result in work stoppages, damage to property, and possible environmental damage.

Marketing

There is no assurance that even if commercial quantities of minerals are discovered, a ready market will exist for their sale. Factors beyond the control of Blue Note may affect the marketability of any minerals discovered. These factors include market fluctuations, the proximity and capacity of commercial markets and processing equipment, government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals and environmental protection. The exact effect of these factors cannot be accurately predicted, but the combination of these factors may result in Blue Note not receiving an adequate return on invested capital or issuing its investment capital.

Shortage of Equipment and Materials

Blue Note uses a variety of raw materials in its business, including explosives, ground control supplies, diesel fuel and gasoline, propane, mill reagents and grinding media, as well as a wide variety of mining equipment. If any of these materials or equipment are unavailable, or if the prices of any of these materials or equipment increase significantly, the Corporation's production and financial performance could be negatively impacted.

Environmental, Health and Safety Regulations

All phases of Blue Note's operations are subject to federal, provincial and local laws relating to the protection of the environment, including laws regulating removal of natural resources from the ground and the discharge of materials into the environment. Mining operations are also subject to federal, provincial and local laws and regulations which seek to maintain health and safety standards by regulating the design and use of mining methods and equipment. Various permits from government bodies are required for mining operations to be conducted; no assurance can be given that such permits will be received. No assurance can be given that environmental standards imposed by federal, provincial or local authorities will not be changed or that any such changes would not have materially adverse effects on Blue Note's activities. Moreover, compliance with such laws may cause substantial delays or require capital outlays in excess of those anticipated, thus causing an adverse effect on Blue Note. Additionally, Blue Note may be subject to liability for pollution or other environmental damages, which it may not insure against.

Operating Hazards and Risks

Hazards such as environmental hazards, industrial accidents, floods, fires, explosions, adverse weather conditions (including extreme winter weather), metal losses, unusual or unexpected geological formations and other conditions are involved in mineral exploration and development. Blue Note may become subject to liability for pollution, environmental contamination, cave-ins or hazards against which it cannot insure or against which it may elect not to insure. The payment of such liabilities may have a materially adverse effect on Blue Note's financial position. Although Blue Note maintains liability insurance in an amount which it considers adequate, the nature of these risks is such that liabilities might exceed policy

Blue Note Mining Inc.

Management's Discussion and Analysis of Financial Condition and Results of Operations

For the Period ended December 31, 2010

limits, the liabilities and hazards might not be insurable or Blue Note may not elect to insure itself against such liabilities due to high premium costs or other reasons, in which event Blue Note could incur significant costs that could have a materially adverse effect upon its financial position.

Management

The success of Blue Note's business is largely dependent upon the efforts of a small management team. The loss of any key member could be detrimental to Blue Note if a suitable replacement could not be found at a comparable compensation level. Blue Note has not obtained key-man life insurance with respect to these individuals.

Nature of the Securities

The purchase of Blue Note securities will involve a high degree of risk and should be undertaken only by investors whose financial resources are sufficient to enable them to assume such risks and who have no need for immediate liquidity in their investment. Blue Note securities should not be purchased by persons who cannot afford the possibility of the loss of their entire investment. Furthermore, an investment in Blue Note securities should not constitute a major portion of an investor's portfolio.

Permits and Licenses

The operations of Blue Note will require licenses and permits from various governmental authorities. Blue Note believes it will be able to obtain in the future all necessary licenses and permits to carry on the activities which it intends to conduct, and that it intends to comply in all material respects with the terms of such licenses and permits. There can be no guarantee, however, that Blue Note will be able to obtain and maintain, at all times, all necessary licenses and permits required to undertake its proposed exploration and development or to place its properties into commercial production and to operate mining facilities thereon. In the event of commercial production, the cost of compliance with changes in governmental regulations has the potential to reduce the profitability of operations or preclude the economic development of the property.

Title Matters

The acquisition of title to mineral properties is a very detailed and time-consuming process. Title to and the area of mineral properties may be disputed. There is no guarantee of title to any of Blue Note's properties. Blue Note's properties may be subject to prior unregistered agreements or transfers and title may be affected by undetected defects. Blue Note's properties may also be subject to prior unregistered agreements of transfer or aboriginal land claims, and title may be affected by undetected defects.

Possible Volatility of Stock Price

The market price of Blue Note's securities can be subject to wide fluctuations in response to factors such as actual or anticipated variations in Blue Note's results of operations, changes in financial estimates by securities analysts, general market conditions and other factors. Market fluctuations, as well as general economic, political and market conditions such as recessions, interest rate changes or international currency fluctuations may adversely affect the market price of Blue Note's securities.

The Mining Industry is Extremely Competitive

The resource industry is intensely competitive in all of its phases, and Blue Note competes with many companies that possess greater financial resources and technical facilities. Competition could adversely affect Blue Note's ability to acquire suitable new producing properties or prospects for exploration in the future. Competition could also affect Blue Note's ability to raise financing to fund the exploration and development of its properties or to hire qualified personnel.

Blue Note Mining Inc. Management's Discussion and Analysis of Financial Condition and Results of Operations

For the Period ended December 31, 2010

Business Partners

Blue Note's business and technology systems and platforms depend on products and services provided by third parties including contractors, surveyors, consultants, etc. If there is any interruption or other disruption to the products or services provided by third parties, Blue Note's business may be adversely affected and may be unable to fund adequate replacement products or services on a timely basis or at all.

Conflicts of Interest

Certain directors and officers of Blue Note are also directors, officers, or shareholders of other companies that are similarly engaged in the business of acquiring, developing, and exploiting natural resource properties. Such associations may give rise to conflicts of interest from time to time. The directors of Blue Note are required by law to act honestly and in good faith with a view to the best interests of Blue Note and to disclose any interest which they may have in any project or opportunity of Blue Note. If a conflict of interest arises at a meeting of the Board, any director in conflict will disclose his or her interest and abstain from voting on such matter. In determining whether or not Blue Note will participate in any project or opportunity, the directors will primarily consider the degree of risk to which Blue Note may be exposed and its financial position at the time.

Readers are encouraged to read and consider the risk factors, which are incorporated in this MD&A, and additional information regarding the Corporation on the SEDAR website at www.sedar.com.

Signed: "Léon Méthot"

Léon Méthot
Chairman and Chief Executive Officer

Signed: "Daniel Bortoluzzi"

Daniel Bortoluzzi
Chief Financial Officer