

# Blue Note Mining Inc.

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

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For the Period ended September 30, 2009

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### Introduction

The following Management's Discussion and Analysis ("MD&A") as at November 30, 2009 of Blue Note Mining Inc. (the "Predecessor" prior to August 31, 2009 or the "Successor" or the "Corporation" subsequent to August 31, 2009) for the three-month and nine-month periods ended September 30, 2009 and 2008, and should be read in conjunction with the Predecessor's interim consolidated financial statements as well as annual consolidated financial statement dated December 31, 2008. This financial information has been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). All references made to "Notes" in the interim Management's Discussion and Analysis ("MD&A") correspond to the Notes to the interim consolidated financial statements for the period ended September 30, 2009. All dollar amounts reported herein are expressed in Canadian dollars unless specifically stated to the contrary.

Additional information relating to the Corporation, including its annual information form, is available on SEDAR at [www.sedar.com](http://www.sedar.com)

### 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 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 uneconomic nature of the Corporation's wholly-owned subsidiary, Blue Note Caribou Mines Inc. ("BNC") operations at commodities prices prevailing in 2008, and the Predecessor's inability to obtain financing given then existing market conditions, BNC sought protection under the Companies' Creditors Arrangement Act ("CCAA"), on February 20, 2009. The majority of the operating assets of the Predecessor were held in BNC. BNC filed bankruptcy on June 30, 2009. As of that date, the Predecessor concluded that it had lost its control over BNC and therefore classified its investment as held-for-trading. As a result of the bankruptcy of BNC and the Predecessor's inability to obtain financing under then existing market conditions, the Predecessor decided to seek protection under the CCAA on June 12, 2009.

On July 17, 2009, the Predecessor's creditors approved the proposed plan of arrangement and reorganization (the "Plan") submitted to them by the Predecessor under the CCAA. At a meeting held on July 17, 2009, 95% of the votes registered by the Predecessor's creditors were in favor of the Plan.

# Blue Note Mining Inc.

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

---

For the Period ended September 30, 2009

On August 4, 2009, the Quebec Superior Court ratified the Plan effective August 25, 2009 and the Predecessor emerged from protection on August 31, 2009.

Under the terms of the Plan, selected creditors received \$2,500,000 in cash and 74% of the Successor's outstanding common shares after share consolidation. The creditors were the senior secured note holders (carrying value of \$25 million); the Provincial Holdings (\$15 million); unpaid accrued interest (\$2.5 million) and trade creditors (\$1.8 million). The selected creditors received a total of 35,131,088 common shares of the Successor representing 74% of the total equity. The Plan included a one for 30 share consolidation of Blue Note's shares.

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"). Under fresh start accounting, the Successor is required to determine its fair value; generally defined to be the Corporation's estimated value at the fresh start date, less cash and cash equivalents. As a result of fresh start accounting, the Predecessor became a new entity for financial reporting purposes. Accordingly, the consolidated financial statements of the Successor on or after August 31, 2009 are not comparable to consolidated financial statements of the Predecessor prior to that date.

The fresh-start consolidated balance sheet as at August 31, 2009 is set out below with adjustments summarized in the columns captioned a) Predecessor, b) Plan of Reorganization, c) Fresh Start Accounting adjustments, and d) Successor. These adjustments reflect the effect of the Plan's implementation, including the compromise of various liabilities, the issuance of new securities and various cash payments

# Blue Note Mining Inc.

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

For the Period ended September 30, 2009

	Predecessor Prior to Plan August 31, 2009 \$	Plan of Reorganization \$	Fresh Start Accounting \$	Successor After the Plan August 31, 2009 \$
<b>Assets</b>				
<i>Current assets</i>				
Cash and cash equivalents	3,251,394	(2,500,000)		751,394
Restricted cash	40,000			40,000
Sundry receivable	1,104,499			1,104,499
Prepaid expenses	468,277			468,277
	4,864,170	(2,500,000)		2,364,170
Mineral properties and exploration costs	3,721,734			3,721,734
Property and equipment	192,885			192,885
	8,778,790	(2,500,000)		6,278,790
<b>Liabilities</b>				
<i>Current liabilities</i>				
Credit facility	15,000,000	(15,000,000)		-
Accounts payable and accrued liabilities	4,643,483	(4,353,781)		289,702
Current portion of note indenture	25,000,000	(25,000,000)		-
	44,643,483	(44,353,781)	-	289,702
<b>Shareholders' equity (deficiency)</b>				
Share capital	111,135,134	41,853,781	(146,999,827)	5,989,088
Warrants	2,440,622		(2,440,622)	-
Contributed surplus	16,077,094		(16,077,094)	-
Retained Earning (deficit)	(165,517,543)		165,517,543	
	(35,864,693)	41,853,781	-	5,989,088
	8,778,790	(2,500,000)	-	6,278,790

### Plan of Reorganization Column

In the Plan of Reorganization column, liabilities of \$44.4 million in the Predecessor were discharged with the issuance of 35,131,088 common shares by Blue Note and \$2.5 million paid in cash.

#### (a) Working capital:

The historical cost for substantially all of the Corporation's current assets and liabilities is reflective of their current fair values. Cash was reduced to reflect the \$2.5 million paid to creditors as part of the Plan.

#### (b) Mineral properties and exploration costs

The Corporation is performing an assessment of the fair value of the identifiable Mineral properties and exploration costs. Management's estimates of fair value will be based on independent appraisals

# Blue Note Mining Inc.

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

---

For the Period ended September 30, 2009

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and valuations, which are not final (see Risk factors below).

### (c) Property & equipment

The net book value of the Corporation's Property & equipment is reflective of its current fair value.

### (d) Liabilities:

As part of the Plan, the creditors agreed to accept shares and \$2.5 million cash in settlement of the outstanding liabilities.

## Fresh Start Adjustments Column

The fresh start adjustments reflect the estimated fair value of the Corporation's assets and liabilities as of the fresh-start date. The significant fresh start accounting adjustments reflected in the fresh start balance sheet, based on current estimates made by management, are summarized as follows:

### (a) Shareholders' equity (deficit):

Adopting fresh start accounting results in a new reporting entity with no retained earnings or deficit. All Predecessor capital stock has been eliminated and replaced by the new equity structure of the Successor. The fresh start adjustments include the cancellation of Predecessor's capital stock, contributed surplus, and deficit.

## Risk factors

The Successor is performing an assessment of the fair value of the identifiable assets and liabilities. Management's estimates of fair value will be based on independent appraisals and valuations, which are not final. Accordingly, the process of allocating the estimated fair value is not fully completed as of the date of issuance of our Consolidated Financial Statements and the amounts assigned to the assets and liabilities may be adjusted as new or improved information on asset and liability appraisals become available. This may result in an adjustment to our preliminary allocation of fair value and such adjustments to the recorded fair value of these assets and liabilities at the fresh start date may impact the values ascribed to the Successor's equity.

The Predecessor's financial information has been presented to provide additional information for the reader. In reviewing the Predecessor's financial information, the readers are reminded that they do not reflect the effects of the financial reorganization nor the application of its accounting described below.

Due to our adoption of fresh start accounting, the accompanying consolidated statement of income (loss) includes the results of operations for (i) the one month ended September 30, 2009 of the Successor and (ii) the two month ended August 31, 2009 of the Predecessor. Therefore, for the purpose of the management's discussion and analysis of the results of operations, we have reviewed the period and year-to-date results of operations of the Predecessor and the Successor. These results of operations for the one month ended September 30, 2009 of the Successor and the two month ended August 31, 2009 are then compared to the three and nine months periods ended September 30, 2008.

The application of fresh start accounting results in the financial statements of the Successor not being comparable to the Predecessor in many respects.

The consolidated financial statements included in this interim MD&A have been prepared in conformity with Canadian generally accepted accounting principles ("GAAP").

# Blue Note Mining Inc.

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

---

For the Period ended September 30, 2009

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The Corporation is not currently generating any revenue from its operations and for the one month ended September 30, 2009, the Corporation recorded a loss of \$173,661. The Corporation must secure sufficient funding to maintain its existing operations for exploration programs and general and administration expenses.

Management is seeking financing through the issuance of new equity instruments to continue its activities and there can be no assurance it will be able to do so in the future. Without new funding being available, the Corporation could be unable to continue its operations, and amounts realized for assets may be less than amounts reflected in these consolidated financial statements.

### Overview of the Corporation

Blue Note is a mineral exploration and mining company with gold and base metal exploration properties located in New Brunswick. The business mission of the Corporation is to pursue its business plan of turning around challenging mining projects and targeting under-valued mining opportunities. The minerals being targeted by the Corporation are gold, silver, zinc, lead and copper.

As at September 30, 2009, the Corporation has working capital of \$2,432,409 and has incurred a net loss of \$173,661 for the month ended September 30, 2009, resulting in a deficit of \$173,661.

As a result of the bankruptcy of BNC and the Predecessor's inability to obtain financing under current market conditions, the Predecessor sought protection under the CCAA on June 12, 2009. On July 17, 2009, the Predecessor's creditors approved the Plan. On August 4, 2009, the Quebec Superior Court has ratified the Plan which took effect on August 25, 2009. Following implementation of the Plan, the Predecessor had about 47,240,069 common shares outstanding. The Predecessor transferred \$2,500,000 to the Monitor in order to fulfill its commitment to the Plan.

On November 30, 2009, Corporation and X-Ore Resources Inc. ("X-Ore") announced that they had entered into a definitive pre-amalgamation agreement pursuant to which Corporation has agreed to acquire all of the outstanding common shares of X-Ore. The transaction will take the form of an amalgamation between X-Ore and a wholly-owned subsidiary of Corporation in exchange for Corporation common shares. Corporation has offered shareholders of X-Ore 0.50 of a Corporation common share for each X-Ore common share outstanding for a total of 43,017,352 Corporation common shares. As a consequence, should the X-Ore shareholders approve the transaction, existing shareholders of X-Ore will own 45.16% of the common shares of Corporation and the existing shareholders of Corporation will own 54.84% of the common shares of Corporation. Additional information is available on the press release posted on [www.Sedar.com](http://www.Sedar.com).

### Discontinued operations – Blue Note Caribou Mines Inc.

On June 30, 2009, BNC filed for bankruptcy, and the Court appointed monitor, PricewaterhouseCoopers Inc. started liquidation of BNC assets. As of that date, the Predecessor concluded that, based on Canadian GAAP, its control over BNC was lost. Accordingly, the Predecessor's investment in BNC has no longer been consolidated beginning 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 unaudited consolidated financial statements of the Predecessor.

As of June 30, 2009, immediately prior to deconsolidation, the Predecessor's unaudited consolidated 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.

# Blue Note Mining Inc.

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

For the Period ended September 30, 2009

For further details, refer to *note 10* of the Corporation's unaudited interim consolidated financial statements as of September 30, 2009.

***In this Management Discussion and Analysis, only continuing operating activities of Blue Note are included in the analysis of operating results.***

### Results of Operations

For the period	One Month ended September 30, 2009	Two Months ended August 31, 2009	Three Month ended September 30, 2008	One Month ended September 30, 2009	Eight Months ended August 31, 2009	Three Month ended September 30, 2008
	\$	\$	\$	\$	\$	\$
Revenues	662	1,791	124,535	622	14,368	688,628
Direct operating expenses	171,085	333,861	1,613,964	171,085	2,805,334	5,331,851
Other expenses	3,238	193,793	1,161,013	3,238	1,569,068	2,046,924
Other		(17,941)	14,791,954		930,558	14,356,485
Consolidated net loss from Continuing operations	(173,661)	(507,922)	(17,442,396)	(173,701)	(5,290,592)	(21,046,632)
Future income taxes recovered						672,500
Discontinued Operations			(99,863,495)		19,288,808	(118,291,651)
Net Loss	(173,661)	(507,922)	(117,305,891)	(173,701)	13,998,216	(138,665,783)
Per share consolidated net loss (income) (1)	0.003	0.001	0.323	0.003	(0.039)	0.382

(1) Earnings per share do not reflect the share consolidation on August 31, 2009 with exception that one month period ended September 30, 2009

# Blue Note Mining Inc.

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

For the Period ended September 30, 2009

### Selected Balance Sheet Information (unaudited)

For the period ended September 30	2009 \$	2008 \$	2007 \$
Assets (deconsolidated)	6,815,033	61,290,400	152,396,074
Long-term liabilities	-	35,302,013	48,210,545

### Selected Quarterly Information (unaudited)

	Revenue \$	Net loss form continuing operations (net income) \$	Net loss form continuing operations (2) Per common share \$
<b>2009</b>			
One Month ended September 30	662	173,661	0.003
Two Months ended August 31 (1)	1,791	507,592	0.001
Second Quarter (1)	3,256	4,782,670	0.013
First Quarter (1)	9,322	2,068,840	0.006
<b>2008 (1)</b>			
Fourth Quarter	73,322	11,346,824	0.031
Third Quarter	124,535	17,442,394	0.048
Second Quarter	218,159	(29,617)	-
First Quarter	345,935	2,961,355	0.009
<b>2007 (1)</b>			
Fourth Quarter	283,956	3,195,420	0.010
Third Quarter	91,985	2,965,678	0.010
Second Quarter	266,644	2,486,197	0.009
First Quarter	416,207	2,656,435	0.010

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

(2) Earnings per share does not reflect the share consolidation at August 31, 2009

### Presentation of financial information and combined quarterly financial results

#### Third Quarter Review

***Because the Corporation's consolidated financial statements reflect fresh start accounting adjustments starting in the third quarter of 2009, and because of the effects of the transactions that became effective pursuant to the Plan, financial information in these and future consolidated financial statements will not be comparable to the Corporation's financial information from prior periods.***

Upon the Predecessor's emergence from creditor protection under the CCAA, the Corporation adopted fresh start accounting ("fresh start accounting") in accordance with CICA Handbook Section 1625

# Blue Note Mining Inc.

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

For the Period ended September 30, 2009

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Comprehensive Revaluation of Assets and Liabilities. As a result of fresh start accounting, the Predecessor became a new entity for financial reporting purposes. Accordingly, the consolidated financial statements of the Successor on or after August 31, 2009 are not comparable to the consolidated financial statements of the Predecessor prior to the adoption of fresh start accounting and prior to accounting for the effects of the Plan.

The Successor is performing an assessment of the fair value of the identifiable assets and liabilities. Our estimates of fair value are based on independent appraisals and valuations, some of which are not final. 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 is not fully completed as of the date of issuance of our consolidated financial statements and the amounts assigned to the assets and liabilities may be adjusted as new or improved information on asset and liability appraisals become available. This may result in an adjustment to our preliminary allocation of fair value and such adjustments to the recorded fair value of these assets and liabilities at the fresh start date may impact the values ascribed to the Successor equity.

***Management estimates of fair value are based on independent appraisals and valuations, some of which are not final.***

The results presented here reflect one month (September 2009) for the Successor and two months (July and August 2009) for the Predecessor. For the month ended September 30, 2009, the Successor incurred a loss of \$173,661 (\$0.003 per share) while the Predecessor incurred a loss of \$507,922 (\$0.001 per share before share consolidation) in the two months ended August 31, 2009 compared to a net loss from continuing operations of \$17,442,396 (\$0.048 per share before share consolidation) and a net loss after discontinued operations of \$117,305,891 (\$0.323 per share before share consolidation) for the corresponding quarter in 2008. Loss from discontinued operations amounted to \$99,863,495 in the three months ended September 2008.

For the month ended September 30, 2009 depletion and amortization declined due to the disposition of some equipment and the leasehold improvements. The Corporation incurred general and administration expenses of \$166,818 and the Predecessor incurred \$325,326 in the two months ended August 31, 2009 compared to \$1,582,793 in the corresponding quarter of 2008. The decline reflects reduced staffing levels reduced office space and lower business development expenses. Interest on long-term debt amounted to \$188,681 in the two months ended August 31, 2009 reflecting just over one month interest, as the restructuring occurred early in August, compared to \$698,384 in the quarter ended September 2008. In the third quarter of 2008, the Predecessor incurred accretion expense on long-term debt of \$488,528. There was no similar expense in 2009. In 2008, the Predecessor suffered a loss on exercise of convertible debenture of \$15,354,566. There was no similar expense in 2009. In 2008, the Predecessor incurred a loss from change in fair value of derivatives of \$562,612; there was no similar expense in 2009.

### Year to date Review

***Because the Corporation's consolidated financial statements reflect fresh start accounting adjustments starting in the third quarter of 2009, and because of the effects of the transactions that became effective pursuant to the Plan, financial information in these and future consolidated financial statements will not be comparable to the Corporation's financial information from prior periods.***

The results for the year to date reflect one month (September 2009) for the Corporation and eight months (ended August 31, 2009) for the Predecessor. For the month ended September 30, 2009, the Corporation incurred a net loss, of \$173,661 (\$0.003 per share) while the Predecessor incurred a net gain, after gain from discontinued operations of \$13,998,216 (\$0.039 per share before share consolidation) in the eight

# Blue Note Mining Inc.

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

---

For the Period ended September 30, 2009

months ended August 31, 2009 compared to a net loss from continuing operations of \$20,374,132 and a net loss after discontinued operations of \$138,665,783 (\$0.382 per share) for the corresponding period in 2008. Loss from discontinued operations amounted to \$118,291,651 in the nine months ended September 2008.

For the month ended September 30, 2009 depletion and amortization declined due to the disposition of some equipment and the leasehold improvements. The Corporation incurred general and administration expenses of \$166,818 and the Predecessor incurred \$2,761,671 in the eight months ended August 31, 2009 compared to \$5,238,645 in the corresponding nine months of 2008. The decline reflects reduced staffing levels and business development expenses. Interest on long-term debt amounted to \$1,556,349 in the eight months ended August 31, reflecting just over 7 months interest as the restructuring occurred early in August compared \$2,056,849 in the nine months ended September 2008. In the corresponding period of 2008, the Predecessor incurred accretion expense on long-term debt of \$1,749,226 and \$2,406,173 gain on the revaluation of long-term debt. There was no similar expense in 2009. In 2008, the Predecessor suffered a loss on exercise of convertible debenture of \$15,354,566. There was no similar expense in 2009. The Predecessor had a gain on disposal of short-term investment of \$564,785 in the eight month period ended August 31, 2009 (\$nil in 2008). In 2008, the Predecessor incurred a loss from change in fair value of derivatives of \$341,134; there was no similar expense in 2009.

### Financial review

#### Industry trends and outlook

Global economic conditions affect our customers' businesses and the markets they serve. The credit crisis and global economic weakness have resulted in sharp decline in commodity prices. During 2008 and continuing in 2009, we undertook various initiatives to adapt our cost structure to the rapidly changing economic environment including:

- Closing the Caribou mining operation in October 2008 and divested non-strategic equipment in 2009.
- Corporate staff levels were reduced by more than 50% in 2008.
- Freezing or reducing the salaries of all employees.

The current global recession is expected to continue to put downward pressure on commodity prices. Under these conditions, we are emphasizing our efforts into gold production.

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

As a result of the Plan, the Corporation has no significant contractual obligations.

In September 2009, the Corporation committed to spend \$700,000 in exploration expenses relating to flow-through financing before December 31, 2010.

### Transactions with Related Parties

There have been no significant changes to the Corporation's transactions with related parties.

# Blue Note Mining Inc.

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

For the Period ended September 30, 2009

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### 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.

### Exploration and Reserve Development

In the latter part of 2008, the Corporation staked 1,882 mineral claims in the area of the Williams Brook Property in northern New Brunswick following the intersection of encouraging gold mineralization in diamond drilling on the Williams Brook Property and includes the following claim groups:

- Williams Brook Extension (#5495 – 218 claims)
- Williams Brook South (#5499 – 114 claims)
- Nine Mile Brook (#5493 – 228 claims)
- Upsalquitch Forks (#5500 – 255 claims)
- Cravens Gulch (#5502 – 256 claims)
- McDougall's Brook (#5503 – 256 claims)
- Popelogan (#5504 – 243 claims)
- Northwest Upsalquitch (#5505 – 256 claims)
- Bubar Brook (#5506 – 56 claims)

During 2009, the Corporation staked the Jerry Ferguson Brook Property (claim block #5557), and the Caribou Mountain Property (claim block #5589), each block consisting of 32 claims that are contiguous with claims recently staked by the Corporation near the Williams Brook Property.

In addition, the Corporation holds the following options:

- Williams Brook (gold)
- Bear Creek (4201), North Branch Middle River (returned to vendor on October 17, 2009), Rocky Turn (base metals) in the Armstrong project area

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

- Brandy Brook, Roller, Roller West, Roller 4 and Middle River properties (base metals) in the Armstrong project area, subject to a 1.5% NSR.

The Corporation still holds a 100% interest in 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, 5293, 5294, 5295 and 5262)
- Orvan Brook (base metals)
- Rio Road (gold)
- Restigouche (base metals; Claim Block 1802)
- Wildcat Brook (base metals)

Most of these base metal properties located in proximity to the Caribou mine, near Bathurst, were tested for impairment, due to the bankruptcy of BNC. An impairment loss of \$1,457,566 was recorded by the Predecessor in second quarter.

# Blue Note Mining Inc.

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

---

For the Period ended September 30, 2009

Favorable results of gold exploration at the Williams Brook Property have prompted an increased exploration effort for gold in that area. Gold exploration and development is currently the main focus for the Corporation. Planned exploration expenditures for the gold properties include trenching / stripping and mapping of known gold occurrences, further diamond drilling and regional geochemical surveys.

During the month ended September 30, 2009, the Corporation incurred \$124,085 and \$51,799 in the 2 months ended August 31, 2009 (2008 - nil\$) in exploration activities, mainly at Williams Brook. For the eight month period, \$139,020 was spent in exploration.

### Liquidity and Financing

As at September 30, 2009, the Corporation had cash and cash equivalents of approximately \$1.2 million. Payments under the settlement of the Plan represented the bulk of the decrease.

On September 18, 2009, the Corporation closed a private placement of 3,500,000 flow-through units generating a \$626,419 in cash.

The Corporation no longer has a bank operating credit facility.

### Outstanding Share Data

On August 4, 2009, the Predecessor's creditors approved the Plan submitted to them under the CCAA. Under the terms of the Plan, the creditors received 74% of the Successor's outstanding common shares post-restructuring. The Plan also provided for a one for 30 shares consolidation.

On September 14, 2009, the Corporation acquired a 100% interest in the Brandy Brook property, located in Gloucester County, New Brunswick. As part of the consideration paid on the transaction, the Corporation issued 108,695 common shares and 108,695 warrants to acquire 108,695 common shares at \$0.23 per share over a period of two years. The proceeds were allocated as follows: \$16,522 to share capital; \$8,478 to warrants.

On September 18, 2009, the Corporation closed a private placement of 3,500,000 flow-through units at \$0.20 per unit each composed of 3,500,000 common shares and 3,500,000 warrants to acquire 3,500,000 common shares at \$0.26 over a period of two years. In connection with the issuance of these units, the Corporation incurred cost of \$73,581 and issued 350,000 broker warrants to the agent to acquire 350,000 common shares at \$0.20 per share over a period of two years. The issue generated total gross proceeds of \$700,000 and net proceeds of \$626,419. The proceeds were allocated as follows; \$326,119 to share capital; \$273,000 to warrant account; and, \$27,300 to broker warrants.

The fair value of warrants issued in September, was estimated at \$0.078, calculated using Black-Scholes pricing model with the following assumptions: estimated weighted average duration of 2 years for these warrants, risk free interest rate of 2.34%, forecasted volatility of 84% and no forecasted dividend.

On October 20, 2009, the Corporation announced that it is maintaining its option to acquire a 100% interest in the Williams Brook gold property' located in northern New Brunswick. The Corporation maintained its option on Williams Brook for a fourth year in consideration for \$30,000 cash and the issuance of 200,000 Blue Note common shares which are subject to a statutory four-month hold period expiring February 17, 2010.

As of November 30, 2009, the Corporation had 52,244,611 outstanding common shares. Also, the Corporation had 3,533,332 options and 3,608,695 broker warrants and warrants potentially convertible into 7,142,027 common shares in the future, which are potentially dilutive.

# Blue Note Mining Inc.

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

---

For the Period ended September 30, 2009

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### Critical Accounting Estimates

In preparing 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 consolidated financial statements materially and involve a significant level of judgment by management.

**Mineral properties and deferred exploration costs:** Mineral properties and deferred exploration costs are recorded at cost, less government grants. Costs of exploration and related capital assets on existing projects are deferred until production commences. Mineral properties and deferred exploration costs are depleted over the estimated economic life of the project if successful, on a units-of-production basis, based on expected tonnes of proven and probable reserves to be mined, and written off or down to its estimated net realizable value if a project is unsuccessful or is economically unfeasible. Option payments received are applied against the related mining properties and deferred exploration costs.

**Impairment of long-lived assets:** The Corporation reviews and evaluates the carrying value of its long-lived assets including its mining properties and deferred explorations properties for impairment when events or circumstances indicate that the carrying amounts of related assets may not be recoverable. If the total estimated future cash flows on an undiscounted basis are less than the carrying amount of the asset, an impairment loss is measured and assets are written down to fair value, which is normally the discounted value of future cash flows. Assumptions underlying future cash flow estimates are subject to risks and uncertainties. It is possible that changes in estimates could occur which may affect the expected recoverability of the Corporation investments in mining properties.

### Accounting changes & new pronouncements

*"Credit Risk and the Fair Value of Financial Assets and Financial Liabilities"*,

On January 1, 2009, the Corporation adopted Emerging Issues Committee ("EIC") EIC-173 which provides guidance on how to take into account its own credit risk and counterparty credit risk in determining the fair value of financial assets and financial liabilities, including derivative instruments. The adoption of EIC-173 had no significant impact on the Corporation's consolidated financial statements.

*"Mining Exploration Costs"*,

On January 1, 2009, the Corporation adopted EIC-174 which clarifies guidance related to capitalization of exploration costs and impairment of capitalized costs. The adoption of EIC-174 had no significant impact on the Corporation's consolidated financial statements.

### New Accounting Standards Issued

*"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.

# Blue Note Mining Inc.

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

For the Period ended September 30, 2009

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### *“Financial instruments – Disclosures”*

In May 2009, the CICA amended Section 3862, “Financial Instruments” – Disclosures, to improve disclosure requirements about fair value measurement for financial instruments and liquidity risk disclosures. These amendments require a three-level hierarchy that reflects the significance of the inputs used in making the fair value measurements. Fair values of assets and liabilities included in Level 1 are determined by reference to quoted prices in active markets for identical assets and liabilities. Assets and liabilities in Level 2 include valuations using inputs other than quoted prices for which all significant outputs are observable, either directly or indirectly. Level 3 valuations are based on inputs that are unobservable and significant to the overall fair value measurement. The amendments to Section 3862 are effective for the Corporation's interim and annual financial statements beginning on October 1, 2009.

### **Disclosure Controls and Procedures**

The Corporation's internal control systems over financial reporting continue to evolve as the Corporation grows. We believe these systems are sufficient to execute our business plan and to provide meaningful results upon which to manage our business.

The Corporation has disclosure controls and procedures in place to provide reasonable assurance that any information required to be disclosed by the Corporation under securities legislation is recorded, processed, summarized and reported within the applicable time periods and to ensure that required information is gathered and communicated to the Corporation's management so that decisions can be made about timely disclosure of that information. The Corporation's Chief Executive Officer and Chief Financial Officer evaluated the Corporation's disclosure controls and procedures for the period ended September 30, 2009 and have found those disclosure controls and procedures to be adequate for the above purposes.

There have been no significant changes in the Corporation's disclosure controls or in other factors that could significantly affect disclosure controls subsequent to the date the Predecessor carried out its evaluation.

During the three months ended September 30, 2009, the Corporation took actions to return to usual practices regarding internal control over financial reporting that have materially affected, or are reasonably likely to affect, its internal control over financial reporting.

### **Risk Factors**

Readers are encouraged to read and consider the risk factors, which are incorporated in this MD&A, and additional information regarding the Corporation, included in its most recent Annual Information Form filed with the Canadian securities regulators, a copy of which is posted on the SEDAR website at [www.sedar.com](http://www.sedar.com).

*Signed: “Michael Judson”*

Michael Judson  
Chairman, President and Chief Executive Officer  
Blue Note Mining Inc.  
November 30, 2009  
Montreal, Quebec