

**NEWSTRIKE RESOURCES LTD.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE THREE AND SIX MONTHS ENDED**  
**SEPTEMBER 30, 2010**

## **Introduction**

The following management's discussion and analysis ("MD&A") of the financial condition and results of the operations of Newstrike Resources Ltd. (the "Company" or "Newstrike") constitutes management's review of the factors that affected the Company's financial and operating performance for the three and six months ended September 30, 2010. This MD&A was written to comply with the requirements of National Instrument 51-102 – Continuous Disclosure Obligations. This discussion should be read in conjunction with the audited annual financial statements of the Company for the year ended March 31, 2010, as well as the unaudited interim financial statements for the three and six months ended September 30, 2010, together with the notes thereto. Results are reported in Canadian dollars, unless otherwise noted. In the opinion of management, all adjustments (which consist only of normal recurring adjustments) considered necessary for a fair presentation have been included. The results for the interim periods presented are not necessarily indicative of the results that may be expected for any future period. Information contained herein is presented as at November 25, 2010, unless otherwise indicated.

As of April 1, 2009, Newstrike adopted International Financial Reporting Standards ("IFRS"). The condensed unaudited interim financial statements for the three and six months ended September 30, 2010, have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34"), and using accounting policies consistent with IFRS. Readers of this MD&A should refer to "Change in Accounting Policies" below for a discussion of IFRS and its effect on the Company's financial presentation.

For the purposes of preparing this MD&A, management, in conjunction with the Board of Directors, considers the materiality of information. Information is considered material if: (i) such information results in, or would reasonably be expected to result in, a significant change in the market price or value of Newstrike's common shares; or (ii) there is a substantial likelihood that a reasonable investor would consider it important in making an investment decision; or (iii) it would significantly alter the total mix of information available to investors. Management, in conjunction with the Board of Directors, evaluates materiality with reference to all relevant circumstances, including potential market sensitivity.

Further information about the Company and its operations is available on Newstrike's website at [www.newstrikeresources.com](http://www.newstrikeresources.com) or on SEDAR at [www.sedar.com](http://www.sedar.com).

## **Caution Regarding Forward-Looking Statements**

This MD&A contains certain forward-looking information and forward-looking statements, as defined in applicable securities laws (collectively referred to herein as "forward-looking statements"). These statements relate to future events or the Company's future performance. All statements other than statements of historical fact are forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "continues", "forecasts", "projects", "predicts", "intends", "anticipates" or "believes", or variations of, or the negatives of, such words and phrases, or state that certain actions, events or results "may", "could", "would", "should", "might" or "will" be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those anticipated in such forward-looking statements. The forward-looking statements in this MD&A speak only as of the date of this MD&A or as of the date specified in such statement. Specifically, this MD&A includes, but is not limited to, forward-looking statements regarding: the potential of Newstrike's properties to contain economic gold deposits; the Company's ability to meet its working capital needs at the current level for the twelve-month period ending September 30, 2011; the plans, costs, timing and capital for future exploration and development

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of Newstrike's property interests, including the costs and potential impact of complying with existing and proposed laws and regulations; management's outlook regarding future trends; sensitivity analysis on financial instruments, which may vary from amounts disclosed; prices and price volatility for gold; and general business and economic conditions.

Inherent in forward-looking statements are risks, uncertainties and other factors beyond Newstrike's ability to predict or control. These risks, uncertainties and other factors include, but are not limited to, gold price volatility, changes in debt and equity markets, timing and availability of external financing on acceptable terms, the uncertainties involved in interpreting geological data and confirming title to recently acquired properties, the possibility that future exploration results will not be consistent with Newstrike's expectations, increases in costs, environmental compliance and changes in environmental and other local legislation and regulation, interest rate and exchange rate fluctuations, changes in economic and political conditions and other risks involved in the gold and development industry, as well as those risk factors listed in the "Risks and Uncertainties" section below. Readers are cautioned that the foregoing list of factors is not exhaustive of the factors that may affect the forward-looking statements. Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this MD&A. Such statements are based on a number of assumptions that may prove to be incorrect, including, but not limited to, assumptions about the following: the availability of financing for Newstrike's exploration and development activities; operating and exploration costs; the Company's ability to retain and attract skilled staff; timing of the receipt of regulatory and governmental approvals for exploration projects and other operations; market competition; and general business and economic conditions.

Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause Newstrike's actual results, performance or achievements to be materially different from any of its future results, performance or achievements expressed or implied by forward-looking statements. All forward-looking statements herein are qualified by this cautionary statement. Accordingly, readers should not place undue reliance on forward-looking statements. The Company undertakes no obligation to update publicly or otherwise revise any forward-looking statements, whether as a result of new information or future events or otherwise, except as may be required by law. If the Company does update one or more forward-looking statements, no inference should be drawn that it will make additional updates with respect to those or other forward-looking statements, unless required by law.

## **Overview**

Newstrike is an early stage exploration company primarily focused on precious and base metals and other mineral exploration in Canada. The Company is concentrating on properties that are prospective for gold. The Company's strategy is to carry out exploration on its most advanced properties with the purpose of potentially defining economic deposits.

Common shares of Newstrike are traded on the TSX Venture Exchange under the symbol NR.

## **Highlights**

- During the three and six months ended September 30, 2010, exploration activities continued on the Morris, Kirkland and Commodore Gold property. In addition, Newstrike is participating in an oil and gas exploration project near the town of Camrose, Alberta (Newstrike has a 20% working interest).

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- Newstrike signed a binding letter of intent dated October 13, 2010, with Mr. Gerhard Meyer pursuant to which the parties have set out the proposed terms governing the grant to Newstrike of an option to earn a 100% interest in the property known as the Horseshoe Lake property located in Mitchell and Bowerman Townships, Ontario (see "Mineral Exploration Properties", below).
- In addition, Newstrike personnel evaluated a number of new business opportunities, including both exploration and development properties with potential for hosting commercial deposits containing gold. The search for additional projects continues.
- On October 25, 2010, Odyssey Resources Limited ("Odyssey") announced that it has entered into an option agreement dated October 22, 2010 ("the Option") with Bear Lake Gold Ltd. ("Bear Lake") and Newstrike to acquire from Newstrike and Bear Lake a 25% interest in an early stage gold project known as the Swansea property located in McVittie Township in Northeastern Ontario (the "Swansea property") by spending \$1.1 million on the Swansea project. Newstrike already owns a 25% interest in the property but subject to the terms and conditions of the Option can be reduced to an 18.75% interest.
- At September 30, 2010, the Company had assets of \$1,261,896 (March 31, 2010 - \$1,701,517; and April 1, 2009 - \$1,359,506) and a net equity position of \$1,085,308 (March 31, 2010 - \$1,545,125; and April 1, 2009 - \$1,324,409). The Company had \$176,588 (March 31, 2010 - \$156,392; and April 1, 2009 - \$35,097) of liabilities and no debt. For the first half of fiscal 2011, the Company incurred exploration expenditures of \$372,165, down from \$508,280 in the comparative period of fiscal 2010 due to acquisition costs for the Commodore Gold property that occurred during the first half of fiscal 2010 that did not occur in the current period. See "Mineral Exploration Properties" below.
- At September 30, 2010, the Company had working capital of \$1,085,308 (March 31, 2010 - \$1,545,125; and April 1, 2009 - \$1,324,409). The Company had cash and guaranteed investment certificates of \$1,215,710 at September 30, 2010 (March 31, 2010 - \$1,670,346; and April 1, 2009 - \$1,312,501). The decline in cash and guaranteed investment certificates was largely due to ongoing exploration activities, as discussed below, and operating costs.
- Pursuant to the terms of the flow-through share agreements, the Company is complying with its flow-through contractual obligations with subscribers. At September 30, 2010, the Company is committed to incurring approximately \$351,000 in qualifying expenditures arising from its flow-through offerings. The Company anticipates spending this commitment by December 31, 2010.
- On November 9, 2009, Newstrike entered into an option agreement with Misema Resources Ltd. ("Misema") pursuant to which Newstrike was granted the option to acquire up to a 50% legal and beneficial interest in eight mining claims located in Gauthier Township, Ontario (collectively, the "Misema project"). On July 8, 2010, the Company received its assay results from the Misema project. The results were disappointing and as a result, Newstrike has decided to discontinue its earn-in on the project.

## **Trends**

The Company is a Canadian-based mineral exploration company primarily focused on the acquisition of properties prospective for precious and base metals, specifically gold, if such acquisition is consistent with the Company's objectives and acquisition criteria. The Company's financial success will be dependent upon the extent to which it can discover minerals and the economic viability of developing its properties. Such development may take years to complete and the resulting income, if any, is difficult to

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determine with any certainty. The Company lacks mineral resources and reserves and to date has not produced any revenues. The sales value of any minerals discovered by the Company is largely dependent upon factors beyond the Company's control, such as the market value of the commodities produced.

Although economic conditions in Canada and elsewhere have somewhat improved, the Company remains cautious in case the economic factors that impact the mining industry deteriorate. These factors include uncertainty regarding the price of gold, and the availability of equity financing for the purposes of mineral exploration and development. The price of gold has been volatile in recent periods and financial markets have deteriorated to the point where it has become extremely difficult for companies, particularly junior exploration companies, to raise new capital, even though there are signs the situation is improving. The Company's future performance is largely tied to the development of its current mineral property interests and the overall financial markets. Financial markets are likely to be volatile for the remainder of calendar 2010 and the early part of calendar 2011, reflecting ongoing concerns about the local and global economy. Companies worldwide have been affected negatively by these trends. As a result, the Company may have difficulties raising equity financing for the purposes of mineral exploration and development, particularly without excessively diluting the interests of its current shareholders. With continued market volatility expected, the Company's current strategy is to continue to explore the Commodore Gold property, participate in an oil and gas exploration project near the town of Camrose, Alberta (Newstrike has a 20% carried interest), acquire the Horseshoe Lake property and seek out other prospective business opportunities. The Company believes that this focused strategy will enable it to meet the near-term challenges presented by the capital markets while maintaining momentum on key initiatives. These trends may limit the Company's ability to develop and/or further explore its property interests, and/or other property interests that could be acquired in the future. Management regularly monitors economic conditions and estimates their impact on the Company's operations and incorporates these estimates into short-term operating and longer-term strategic decisions.

Apart from these and the risk factors noted under the heading "Risks and Uncertainties", management is not aware of any other trends, commitments, events or uncertainties that would have a material effect on the Company's business, financial condition or results of operations.

## **Environmental Contingency**

The Company's mining and exploration activities are subject to various government laws and regulations relating to the protection of the environment. These environmental regulations are continually changing and generally becoming more restrictive. As of the date of this filing, the Company does not believe that there are any significant environmental obligations requiring material capital outlays in the immediate future.

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

As of the date of this filing, the Company does not have any off-balance-sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition of the Company, including, and without limitation, such considerations as liquidity and capital resources.

## **Mineral Exploration Properties**

The Company's exploration activities are at an early stage, and it has not yet been determined whether its properties contain any economic mineral resources. There are no known deposits of minerals on any of the Company's exploration properties and any activities of the Company thereon will constitute exploratory searches for minerals. See "Risks and Uncertainties" below.

### ***Commodore Gold Property***

During the second quarter of 2010, the 50%-50% joint venture with Queenston Mining Inc. ("Queenston") (Queenston is the operator) completed the second phase of drilling on the 57 claim Commodore Gold property. The program included one hole started in the last quarter and two new drill holes (1,135 m) during the second quarter.

Diamond drill hole COM-10-39 and COM-10-40 tested the assumed western extension to the Commodore Zone. Both holes intersected multiple intervals weakly anomalous in gold with the best grading 0.53 g/t Au over 5.0 m. Diamond drill hole COM-10-41, a deep test at the Egg Zone, intersected two intervals anomalous in gold with the best of the two grading 0.65 g/t Au over 4.0 m. Potential quantity and grade is conceptual in nature. There has been insufficient exploration to define a Mineral Resource on the Commodore Gold property to date and it is uncertain if further exploration will result in the target being delineated as a Mineral Resource.

As a result of mineralization encountered in two drills holes completed earlier west of the Morris shaft, the joint venture commenced a third phase of drilling on the property. The 4,000 m program is targeting gold mineralization contained along a structural corridor cutting a sequence of altered volcanic and intrusive rocks (referred to as the "Morris Mine Sequence") trending southwest of the Morris mine. The mine historically produced approximately 17,000 ounces of gold and 29,300 ounces of silver from 1936-1941 and is serviced by a 300 m deep shaft with limited lateral development. Since the mine closed in 1941 only limited, shallow exploration has been completed.

New information from drilling on Queenston's 100% owned Pawnee property adjacent to the Commodore supports the potential for significant mineralization aligned along historic surface trenching southwest of the Morris mine, which is the trend commonly associated with the significant mineralization in the Kirkland Lake camp. Queenston holes PW10-11, -15 and 12 each intersected gold mineralization along the trend including 6.1 g/t Au over 1.6 m, 6.0 g/t Au over 0.9 m and 1.6 g/t over 5.0 m respectively. A fourth hole PW10-13 was allowed to extend onto the Morris claims where it encountered a narrow high-grade zone within the sequence containing visible gold assaying 11.3 g/t Au over 1.1 m at a depth of 600 m and approximately 700 m southwest of the shaft. The Queenston drilling has extended the favourable mine sequence across the property for one kilometre.

The drilling program at the Commodore Gold property, utilizing one drill, will continue for the remainder of 2010 at an estimated cost of \$225,000.

During the first two phases of drilling on the Commodore Gold property (October 2009 to July 2010), 37 drill holes were completed (9,348 m) targeting the southern and central portion of the property where drilling and geophysics have outlined a broad alteration corridor that has been traced for 2.5 km containing the Commodore and Egg Zones.

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Consulting Geologist, Gerhard Meyer, P. Geo., is supervising the joint venture program employing a QA/QC program consistent with National Instrument 43-101 ("NI43-101") and industry best practices. Gerhard Meyer is a "qualified person" within the meaning of NI43-101 and has supervised the preparation of the information regarding the Commodore Gold property under "Mineral Exploration Properties".

During the three and six months ended September 30, 2010, the Company's share of exploration expenditures on the Commodore Gold property was \$147,354 and \$315,398, respectively (three and six months ended September 30, 2009 - \$427,764 and \$508,280, respectively). Total cumulative exploration activities incurred on the Commodore Gold property to September 30, 2010, amounted to \$1,726,469 (March 31, 2010 - \$1,411,071; and September 30, 2009 - \$1,061,935).

***The Swansea Property***

On October 25, 2010, Odyssey announced that it has entered into an Option with Bear Lake and Newstrike to acquire a 25% interest in the Swansea property from Newstrike and Bear Lake by spending \$1.1 million on the Swansea property.

Bear Lake and Newstrike respectively own an interest of 75% and 25% in the Swansea property. Pursuant to the Option, Odyssey is entitled, subject to the terms and conditions of the Option, to acquire 18.75% from Bear Lake and 6.25% from Newstrike for a total of 25%. The exercise of the Option and acquisition of the 25% interest in the Swansea property by Odyssey is subject to Odyssey having expended \$1.1 million on the Swansea property by March 31, 2010.

Carmelo Marrelli, a director of Odyssey, is also the Chief Financial Officer of Newstrike.

Pursuant to the Option, Bear Lake will be the operator of the exploration program on the Swansea property.

***The Misema Property***

On November 9, 2009, Newstrike entered into an option agreement with Misema pursuant to which Newstrike was granted the option to acquire up to a 50% legal and beneficial interest in the Misema property. John Pollock is the President of both Newstrike and Misema.

In order to acquire an initial 20% interest in the Misema property, Newstrike was required to make a cash payment of \$10,000 (paid) and to incur aggregate exploration expenditures on the Misema property of \$90,000 over a one-year period. Upon exercise of its option to earn a 20% interest in the Misema property, Newstrike could thereafter elect to earn an additional 30% interest in the Misema property (for an aggregate 50% interest) by incurring an additional \$400,000 in exploration expenditures on the property over the subsequent two-year period.

During the three and six months ended September 30, 2010, the Company's share of exploration expenditures on the Misema property was \$1,458 and \$55,945, respectively (three and six months ended September 30, 2009 - \$nil). Total cumulative exploration activities incurred on the Misema property to September 30, 2010, amounted to \$71,010 (March 31, 2010 - \$15,065; and September 30, 2009 - \$nil).

On July 8, 2010, the Company received its assay results from the Misema property. The results were disappointing and as a result, Newstrike has decided to discontinue its earn-in on the property.

### ***Oil and gas prospect***

On October 1, 2010, Newstrike announced that it is participating with a group of private oil companies in the drilling of an oil and gas exploration project near the town of Camrose, Alberta. Newstrike has elected a 20% participation in the play, which involves 1,600 acres of Crown and freehold mineral leases.

There are two main oil target zones in the Joarcam prospect; these are the Devonian Wabamun and the Devonian Beaverhill Lake formation. Several shallower zones produce gas in the region and are a secondary target in the test well.

The Joarcam prospect is centred on a structural fracture underlying section 11 and 14-48-21 S4 on the southwestern side of the Joarcam Viking Oil Pool. The structure is defined by both drilling in the area as well as 17 miles (27 km) of modern seismic data.

The test well will be drilled to a depth of 1,725 metres (5,660 ft) and is anticipated to be completed before December 2010. The cost to Newstrike is estimated to be approximately \$135,000 for a 20% carried interest.

### ***Horseshoe Lake Property***

Newstrike is also party to a binding letter of intent dated October 13, 2010, with Mr. Gerhard Meyer pursuant to which the parties have set out the proposed terms governing the grant to Newstrike of an option to earn a 100% interest in the property known as the Horseshoe Lake property located in Mitchell and Bowerman Townships, Ontario. Pursuant to the letter of intent, Newstrike would earn its 100% interest by making aggregate cash payments of \$200,000 and incurring exploration expenditures on the property in the aggregate amount of \$500,000, each over a three year period, together with a further \$250,000 payment to be made within three months of a positive feasibility study. Newstrike's interest in the property would be subject to either (i) a 1.5% gross overriding royalty on metal sales from the property, and a 0.75% gross overriding royalty on metal sales from any properties acquired subsequently within a specified area of interest; or (ii) a 2.5% net smelter return royalty on the property, and a 1.0% net smelter return royalty on any properties acquired subsequently within a specified area of interest, each subject to certain redemption options available to Newstrike.

Newstrike intends to complete an airborne geophysical survey on the property. This is anticipated to be completed before December 2010 at an estimated cost of \$80,000.

## **Overall Objective**

The Company's overall objective is to discover an economically viable mineral deposit on a property in which it has an interest. The Commodore Gold property, the Joarcam oil and gas prospect and the Horseshoe Lake property, being the Company's only material resource assets at November 25, 2010, will remain the focus of exploration efforts over the short to medium term. In the near term, this includes completing the Company's flow-through commitment of approximately \$351,000.

The Company's ability to raise capital may be materially impacted by the volatility in the capital markets that the world has experienced beginning in 2008 and that continues at the date of this MD&A. See "Trends" above.

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The Company expects to acquire additional grass roots exploration properties in the future to pursue the development of minerals, which if discovered, could be economically significant. This will work towards achieving the Company's ultimate goal of identifying an economically viable mineral deposit.

The Company has not discovered an economically viable mineral deposit at the date of this MD&A. While discovery of ore-bearing structures may result in substantial rewards, it should be noted that few properties that are explored are ultimately developed into producing mines.

The Company notes that although the exploration of its existing projects is positive, mineral exploration in general is uncertain. As a result, the Company believes that by acquiring additional mineral properties, it is able to better minimize overall exploration risk. In conducting its search for additional mineral properties, the Company may consider acquiring properties that it considers prospective based on criteria such as the exploration history of the properties, their location, or a combination of these and other factors. Risk factors to be considered in connection with the Company's search for and acquisition of additional mineral properties include the significant expenses required to locate and establish mineral reserves; the fact that expenditures made by the Company may not result in discoveries of commercial quantities of minerals; environmental risks; risks associated with land title; the competition faced by the Company; and the potential failure of the Company to generate adequate funding for any such acquisitions. See "Risks and Uncertainties" below.

## **Selected Quarterly Information**

For prior quarters ending after April 1, 2009, the quarterly results have been restated to reflect accounting policies consistent with IFRS. Quarterly results for quarters ended before April 1, 2009, have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP").

<b>Three months ended</b>	<b>Accounting policies</b>	<b>Net Revenues (\$)</b>	<b>Net income (loss) (\$)</b>	<b>Basic and diluted income (loss) per share (\$)</b>
2010-September 30	IFRS	-	(191,978) <sup>(1)</sup>	(0.01)
2010-June 30	IFRS	-	(267,839) <sup>(2)</sup>	(0.01)
2010-March 31	IFRS	-	(205,590) <sup>(3)</sup>	(0.01)
2009-December 31	IFRS	-	(551,625) <sup>(4)</sup>	(0.03)
2009-September 30	IFRS	-	(485,538) <sup>(5)</sup>	(0.03)
2009-June 30	IFRS	-	(124,967) <sup>(6)</sup>	(0.01)
2009-March 31	Canadian GAAP	-	250,413 <sup>(7)</sup>	0.02
2008-December 31	Canadian GAAP	-	(40,991) <sup>(8)</sup>	(0.00)

**Notes:**

- (1) Net loss of \$191,978 principally relates to exploration expenditures of \$149,634, consulting fees of \$3,500 and professional fees of \$21,202. All other expenses related to general working capital purposes.

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- (2) Net loss of \$267,839 principally relates to exploration expenditures of \$222,531, consulting fees of \$15,500 and professional fees of \$10,980. All other expenses related to general working capital purposes.
- (3) Net loss of \$205,590 principally relates to exploration expenditures of \$141,406, consulting fees of \$21,500 and professional fees of \$27,025. All other expenses related to general working capital purposes.
- (4) Net loss of \$551,625 principally relates to exploration expenditures of \$222,795, consulting fees of \$4,500, salaries and benefits of \$347,720 and professional fees of \$19,303. All other expenses related to general working capital purposes.
- (5) Net loss of \$485,538 principally relates to exploration expenditures of \$427,764, consulting fees of \$14,500 and professional fees of \$20,477. All other expenses related to general working capital purposes.
- (6) Net loss of \$124,967 principally relates to exploration expenditures of \$80,516, consulting fees of \$13,500 and a net charge to interest income (expense) of \$6,695 as a result of an interest over-accrual at March 31, 2009. All other expenses related to general working capital purposes.
- (7) Net income of \$250,413 principally relates to the Company issuing flow-through shares. The Company renounced \$1,089,900 of qualifying expenditures to the shareholders during the fourth quarter of fiscal 2009. The tax benefit forgone by the Company in 2009 at the enacted tax rates amounted to \$316,070. This amount was offset by legal and audit fees of \$18,344. All other expenses related to general working capital purposes.
- (8) Net loss of \$40,991 principally relates to the write-off of the Jean property in the amount of \$16,396. All other expenses related to general working capital purposes.

## **Results of Operations**

### Six months ended September 30, 2010, compared with six months ended September 30, 2009

Newstrike's net loss totaled \$459,817 for the six months ended September 30, 2010, with basic and diluted loss per share of \$0.02. This compares with a net loss of \$610,505 with basic and diluted loss per share of \$0.04 for the six months ended September 30, 2009. The decrease of \$150,688 in net loss was principally because:

- Exploration expenditures decreased by \$136,115 for the first half of fiscal 2011 compared to the comparative period in fiscal 2010. For the six months ended September 30, 2009, the Company issued 635,000 common shares valued at \$282,900 and paid cash of \$106,000 to acquire the Commodore Gold property. These costs did not occur in the 2010 comparative period. However, exploration costs have increased by \$252,785 for the first half of fiscal 2011 compared to the comparative period in fiscal 2010 due to the drilling program on the Commodore Gold property. The increase in exploration costs also includes Misema costs of \$55,945, which did not occur in the comparative period;
- Professional fees increased by \$2,500 for the first half of fiscal 2011 compared to the comparative period in fiscal 2010. The increase can be attributed to outside accounting specialists assisting the Company to convert to IFRS;
- For the six months ended September 30, 2010, \$10,000 of consulting fees was paid to Donald T. Rankin, a director, and \$9,000 to Marrelli CFO Outsource Syndicate Inc. for Carmelo Marrelli to act as the Chief Financial Officer ("CFO") of Newstrike. (See "Related Party Transactions" for further information). For the comparative period in fiscal 2010, Donald T. Rankin was paid \$18,000, John Pollock was paid \$1,000 and Marrelli CFO Outsource Syndicate Inc. was paid \$9,000;

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- For the six months ended September 30, 2010, directors' fees of \$1,600 were paid (for the six months ended September 30, 2009 - \$3,400). Directors' fees were paid to directors of the Company for attending meetings and fulfilling their responsibilities to the Company. (See "Related Party Transactions" for further information);
- Administrative and general decreased by \$2,587. Administrative and general totaled \$12,957 for the six months ended September 30, 2010, (for the six months ended September 30, 2009 - \$15,544) and consisted of administrative costs such as advertising and promotion, telephone, rent, insurance, postage and courier charges. The decrease can be attributed to less corporate activity in the first half of fiscal 2011 than in the comparative period in fiscal 2010;
- The Company accrued \$11,903 in Part XII.6 tax to the Government of Canada for instituting the look-back rule in December 2009 on renounced flow-through expenditures compared to \$6,600 for the comparative period. The Company is complying with its flow-through obligations to the Canada Revenue Agency, Canada's taxation authority;
- All other expenses related to general working capital purposes.

Three months ended September 30, 2010, compared with three months ended September 30, 2009

Newstrike's net loss totaled \$191,978 for the three months ended September 30, 2010, with basic and diluted loss per share of \$0.01. This compares with a net loss of \$485,538 with basic and diluted loss per share of \$0.03 for the three months ended September 30, 2009. The decrease of \$293,560 in net loss was principally because:

- Exploration expenditures decreased by \$278,130 for the three months ended September 30, 2010 from the comparative period in fiscal 2010. For the three months ended September 30, 2009, the Company issued 635,000 common shares valued at \$282,900 and paid cash of \$106,000 to acquire the Commodore Gold property. These costs did not incur in the 2010 comparative period. However, exploration costs have increased by \$110,770 for the three months ended September 30, 2010 from the comparative period in fiscal 2010 due to the drilling program on the Commodore Gold property. The increase in exploration costs also includes Misema costs of \$1,458, which did not occur in the comparative period;
- For the three months ended September 30, 2010, the Company reversed a \$1,000 consulting fee accrual for Donald T. Rankin, a director, and \$4,500 was paid to Marrelli CFO Outsource Syndicate Inc. for Carmelo Marrelli to act as the CFO of Newstrike. (See "Related Party Transactions" for further information). For the comparative period in fiscal 2010, Donald T. Rankin was paid \$9,000, John Pollock was paid \$1,000 and Marrelli CFO Outsource Syndicate Inc. was paid \$4,500;
- For the three months ended September 30, 2010, directors' fees of \$600 were paid (for the three months ended September 30, 2009 - \$1,800). Directors' fees were paid to directors of the Company for attending meetings and fulfilling their responsibilities to the Company. (See "Related Party Transactions" for further information);
- Administrative and general decreased by \$3,546. Administrative and general totaled \$6,915 for the three months ended September 30, 2010, (for the three months ended September 30, 2009 - \$10,461) and consisted of administrative costs such as advertising and promotion, telephone, rent, insurance, postage and courier charges. The decrease can be attributed to less corporate

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activity during the three months ended September 30, 2010, than in the comparative period in fiscal 2010;

- The Company accrued \$3,303 in Part XII.6 tax to the Government of Canada for instituting the look-back rule in December 2009 on renounced flow-through expenditures compared to \$2,300 for the comparative period. The Company is complying with its flow-through obligations to the Canada Revenue Agency, Canada's taxation authority;
- All other expenses related to general working capital purposes.

## **Liquidity and Capital Resources**

The activities of Newstrike, principally the exploration and acquisition of properties for gold, are financed through the completion of equity transactions such as equity offerings and the exercise of stock options and warrants. During the first half of fiscal 2011, Newstrike did not have any equity transactions. There is no assurance that equity capital will be available to the Company in the amounts or at the times desired by the Company or on terms that are acceptable to the Company, if at all. See the "Risks and Uncertainties" section below.

Pursuant to the terms of the flow-through share agreements, the Company is complying with its flow-through contractual obligations with subscribers. At September 30, 2010, the Company was committed to incurring approximately \$351,000 in qualifying expenditures arising from its flow-through offerings. The Company anticipates spending this commitment by December 31, 2010.

The Company relies on external financings to generate capital. As a result, the Company continues to incur net losses. As of September 30, 2010, the Company had 18,489,966 common shares issued and outstanding, 1,805,000 options outstanding that would raise \$1,295,500 if exercised in full and 1,666,666 warrants outstanding that would raise \$1,250,000 if exercised in full. This is not anticipated until the financial markets recover. See "Trends" above.

Accounts payable and accrued liabilities increased to \$176,588 at September 30, 2010, compared to \$156,392 at March 31, 2010, primarily due to greater exploration related amounts due at September 30, 2010. The Company's cash and cash equivalents at September 30, 2010, were sufficient to pay these liabilities.

Cash used in operating activities was \$456,033 for the six months ended September 30, 2010. Operating activities were affected by the net change in non-cash working capital balances of \$5,181 because of an increase in accounts receivable and other assets and an increase in accounts payable and accrued liabilities over the prior year.

Cash provided by investing activities was \$202,647 for the six months ended September 30, 2010, which relates to the redemption of guaranteed investment certificates of \$1,000,000 and interest income received in the amount of \$2,647. The purchase of a guaranteed investment certificate in the amount of \$800,000 offset this.

The Company has no operating revenues and therefore must utilize its current cash reserves, income from guaranteed investment certificates, funds obtained from the exercise of stock options and other financing transactions to maintain its capacity to meet working capital requirements, its ongoing exploration programs and operating activities. The Company anticipates going to the market to raise capital when the opportunity arises. See "Risk and Uncertainties" of this MD&A.

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To the date of this MD&A, the cash resources of the Company are held in cash and guaranteed investment certificates with the Royal Bank of Canada. The Company does not have any asset-backed commercial paper.

The Company continues to have no debt and its credit and interest rate risk is minimal. Accounts payable and accrued liabilities are short-term and non-interest bearing.

The Company's liquidity risk with financial instruments is minimal as excess cash is invested in short-term guaranteed deposits. In addition, accounts receivable consists of sales tax owing from government authorities in Canada.

The Company's use of cash at present occurs, and in the future will occur, principally in two areas, namely, funding of its general and administrative expenditures and funding of its investment activities. Those investing activities include the cash components of the cost of acquiring and exploring its mineral claims. Currently, the Company's operating expenses are averaging approximately \$15,000 to \$20,000 per month, excluding non-recurring items, for working capital related expenses. The Company also plans to incur exploration expenditures of approximately \$225,000 on the Commodore Gold property, \$135,000 on the Company's oil and gas prospect and \$80,000 on the Horseshoe Lake property, which is anticipated to satisfy the Company's flow-through commitment of \$351,000. As a result, it is currently anticipated that the Company has sufficient funds on hand to carry out its planned expenditures. Assuming that management is successful in discovering a viable mineral deposit on one of its mining interests, future plans to develop the property will depend upon the Company's assessment of prior results, the condition of the Company financially and the then prevailing economic climate in general.

Regardless of whether or not the Company discovers a viable mineral deposit, its working capital of \$1,085,308 at September 30, 2010, is anticipated to be adequate for it to continue its operations at the current level for the twelve-month period ending September 30, 2011. However, to meet long-term business plans, the exploration of: (i) the Commodore Gold property; (ii) the Company's oil and gas prospect; and (iii) the Horseshoe Lake property are an important component of the Company's financial success.

## **Proposed Transactions**

There are no proposed transactions of a material nature being considered by the Company. The Company continues to evaluate properties and corporate entities that it may acquire in the future. See "Overall Objective" above.

## **Related Party Transactions**

- Related parties include the Board of Directors, close family members and enterprises that are controlled by these individuals as well as certain persons performing similar functions.

Related party transactions conducted in the normal course of operations are measured at the exchange value (the amount established and agreed to by the related parties).

Newstrike entered into the following transactions with related parties:

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<b>Names</b>	<b>Three months ended September 30, 2010 \$</b>	<b>Three months ended September 30, 2009 \$</b>	<b>Six months ended September 30, 2010 \$</b>	<b>Six months ended September 30, 2009 \$</b>
Marrelli CFO Outsource Syndicate Inc. <sup>(1)</sup>	4,500	4,500	9,000	9,000
Marrelli Support Services Inc. ("MSSI") <sup>(2)(3)</sup>	5,100	5,505	10,830	11,010
DSA Corporate Services Inc. <sup>(4)</sup>	2,250	2,250	4,500	4,500
John A. Pollock <sup>(5)</sup>	4,800	3,000	4,800	5,000
Donald T. Rankin <sup>(6)</sup>	(\$1,000)	9,000	10,000	18,000
D & R Filing Corp. <sup>(4)</sup>	560	3,116	3,790	6,506
<b>Total</b>	<b>16,210</b>	<b>27,371</b>	<b>42,920</b>	<b>54,016</b>

<sup>(1)</sup> The CFO of Newstrike, Carmelo Marrelli, is the president of Marrelli CFO Outsource Syndicate Inc. Fees related to the CFO function performed.

<sup>(2)</sup> The CFO of Newstrike is the president of MSSI. Fees related to accounting services provided by MSSI.

<sup>(3)</sup> As at September 30, 2010, MSSI was owed \$2,064 (March 31, 2010 - \$1,922) and this amount was included in accounts payable and accrued liabilities.

<sup>(4)</sup> The CFO of Newstrike is an officer of DSA Corporate Services Inc. ("DSA") and D & R Filing Corp. ("D&R Filing"). Fees related to corporate secretarial services provided by DSA and filing services provided by D & R Filing. As at September 30, 2010, DSA was owed \$872 (March 31, 2010 - \$832) and D & R Filing was owed \$40 (March 31, 2010 - \$158) and these amounts were included in accounts payable and accrued liabilities.

<sup>(5)</sup> For services as consultant to the Company. Fees related to geological consulting services. John A. Pollock is the Chief Executive Officer of the Company.

<sup>(6)</sup> For services as consultant to the Company. Fees related to administrative services. Donald T. Rankin is a director of the Company.

- Remuneration of directors and key management of the Company was as follows:

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<b>Director Names</b>	<b>Three months ended September 30, 2010</b> \$	<b>Three months ended September 30, 2009</b> \$	<b>Six months ended September 30, 2010</b> \$	<b>Six months ended September 30, 2009</b> \$
Barrie Hancock	nil	400	200	600
Donald T. Rankin	200	400	400	600
Ewan Downie	nil	nil	nil	200
John A. Pollock	nil	400	200	600
Murray W. Cooper	200	200	400	600
Tom Flynn	200	400	400	800
<b>Total</b>	<b>600</b>	<b>1,800</b>	<b>1,600</b>	<b>3,400</b>

The Company has no employees. Salaries and benefits include director fees. The Board of Directors does not have employment or service contracts with the Company. They are entitled to director fees and stock options for their services.

## **Critical Accounting Estimates**

Significant assumptions about the future that management has made and that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

- the recoverability of accounts receivable that are included in the unaudited condensed interim statements of financial position;
- the recoverability of exploration and evaluation expenditures incurred on the Commodore Gold property. The Company expenses the exploration and evaluation expenditures in the statements of loss and comprehensive loss;
- the inputs used in accounting for share based payment transactions in profit or loss;
- Management assumption of no material restoration, rehabilitation and environmental, based on the facts and circumstances that existed during the period; and
- Management's position that there is no income tax considerations required within these unaudited condensed interim financial statements.

### *Critical accounting judgments*

The determination of categories of financial assets and financial liabilities has been identified as an accounting policy that involves judgments or assessments made by management.

## **Change in Accounting Policies**

During the six months ended September 30, 2010, the Company adopted the following new accounting policies:

### ***Transition to and Initial Adoption of IFRS***

The Canadian Accounting Standards Board has confirmed that IFRS will replace current Canadian GAAP for publicly accountable enterprises, including the Company, effective for fiscal years beginning on or after January 1, 2011. Early adoption of IFRS is permitted upon receipt of the appropriate exemption from the Ontario Securities Commission.

In December, 2009, the Ontario Securities Commission granted the Company exemptive relief to adopt IFRS as issued by the International Accounting Standards Board ("IASB") with the adoption date of April 1, 2010, and a transition date of April 1, 2009. The condensed unaudited interim financial statements for the three and six months ended September 30, 2010, have been prepared in accordance with IAS 34, using accounting policies consistent with IFRS. These are Newstike's second financial statements prepared in accordance with IAS 34 using accounting policies consistent with IFRS. Previously, the Company prepared its annual and interim financial statements in accordance with Canadian GAAP.

The preparation of these condensed unaudited interim financial statements resulted in changes to the accounting policies compared with the most recent annual financial statements prepared under Canadian GAAP.

The accounting policies listed below have been applied consistently to all periods presented in the financial statements. They also have been applied in preparing an opening IFRS statement of financial position as at April 1, 2009, for the purposes of the transition to IFRS, as required by IFRS 1, First Time Adoption of International Financial Reporting Standards ("IFRS 1").

The accounting policies have been selected to be consistent with IFRS effective March 31, 2011, Newstike's first annual IFRS reporting date. The standards and interpretations within IFRS are subject to change and accordingly, the accounting policies for the annual period that are relevant to these condensed unaudited interim financial statements will be finalized only when the first full IFRS financial statements are prepared for the year ending March 31, 2011.

### ***Impact of Adopting IFRS on the Company's Business***

The adoption of IFRS has resulted in some changes to Newstike's accounting systems and business processes. However, the impact has been minimal. The Company has not identified any contractual arrangements that are significantly impacted by the adoption of IFRS.

The Company's staff and advisers involved in the preparation of financial statements have been appropriately trained on the relevant aspects of IFRS and the changes to accounting policies.

The Board of Directors and Audit Committee have been regularly updated throughout the Company's IFRS transition process, and are aware of the key aspects of IFRS affecting the Company.

### ***First-time Adoption of IFRS***

The adoption of IFRS requires the application of IFRS 1 *First-time Adoption of International Financial Reporting Standards* ("IFRS 1"), which provides guidance for an entity's initial adoption of IFRS. IFRS 1 generally requires retrospective application of IFRS effective at the end of its first annual IFRS reporting period. However, IFRS 1 also provides certain optional exemptions and mandatory exceptions to this retrospective treatment. The Company has elected to apply the following optional exemptions in its

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preparation of an opening IFRS statements of financial position as at April 1, 2009, the Company's "transition date":

- To apply IFRS 2 Share based Payments only to equity instruments that were issued after November 7, 2002 and had not vested by the transition date.
- To apply IAS 23 Borrowing Costs prospectively from the transition date. IAS 23 requires the capitalization of borrowing costs directly attributable to the acquisition, production or construction of certain assets.

IFRS 1 does not permit changes to estimates that have been made previously. Accordingly, estimates used in the preparation of the Company's opening IFRS statements of financial position at the transition date will be consistent with those made under current Canadian GAAP. If necessary, estimates will be adjusted to reflect any difference in accounting policy.

***Impact of Adopting IFRS on the Company's Accounting Policies***

The Company has changed certain accounting policies to be consistent with IFRS effective March 31, 2011, the Company's first annual IFRS reporting date. The changes to its accounting policies have resulted in certain changes to the recognition and measurement of assets, liabilities, equity, revenue and expenses within its financial statements.

The following summarizes the significant changes to the Company's accounting policies on adoption of IFRS.

*(a) Impairment of (non-financial) assets*

IFRS requires a write-down of assets if the higher of the fair market value and the value in use of a group of assets is less than its carrying value. Value in use is determined using discounted estimated future cash flows. Current Canadian GAAP requires a write-down to estimated fair value only if the undiscounted estimated future cash flows of a group of assets are less than its carrying value.

The Company's accounting policies related to impairment of non-financial assets have been changed to reflect these differences. There was impact on the unaudited condensed interim financial statements.

*(b) Decommissioning Liabilities (Asset Retirement Obligations)*

IFRS requires the recognition of a decommissioning liability for legal or constructive obligations, while current Canadian GAAP only requires the recognition of such liabilities for legal obligations. A constructive obligation exists when an entity has created reasonable expectations that it will take certain actions.

The Company's accounting policies related to decommissioning liabilities have been changed to reflect these differences. There is no impact on the unaudited condensed interim financial statements.

*(c) Exploration and evaluation*

On transition to IFRS, the Company elected to expense exploration and evaluation expenditures as incurred. Previously, the Company's Canadian GAAP policy was to capitalize exploration and evaluation expenditures as incurred.

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***Impact on Condensed Interim Statements of Financial Position***

	As at March 31, 2010 \$	As at September 30, 2009 \$	As at April 1, 2009 \$
Adjustment to mineral resource properties	(1,426,136)	(1,061,935)	(553,655)
Adjustment to deficit	(1,426,136)	(1,061,935)	(553,655)

***Impact on Condensed Interim Statements of Loss and Comprehensive Loss***

	Year ended March 31, 2010 \$	Three months ended September 30, 2009 \$	Six months ended September 30, 2009 \$
Adjustment to exploration expenditures	872,481	427,764	508,280
Adjustment to comprehensive loss	872,481	427,764	508,280

***Impact on Condensed Interim Statements of Cash Flows***

	Year ended March 31, 2010 \$	Three months ended September 30, 2009 \$	Six months ended September 30, 2009 \$
Adjustment to comprehensive loss	(872,481)	(427,764)	(508,280)
Shares issued for property acquisitions	282,900	282,900	282,900
Accounts payable and accrued liabilities	135,177	nil	nil
Mineral resource properties and exploration expenditures	454,404	144,864	225,380

*(d) Flow-through shares*

On transition to IFRS, the Company elected to follow US GAAP whereby flow-through proceeds should be allocated between the offering of the common shares and the sale of tax benefits when the common shares are offered. The allocation is made based on the difference between the quoted price of the common shares and the amount the investor pays for the flow-through shares. A future tax liability is recognized for the premium paid by the investors and is then recognized as a future income tax recovery in the period of renunciation. If flow-through shares are sold at a discount, this policy does not apply and the flow-through shares issued follow applicable IFRS guidance.

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Previously, the Company's Canadian GAAP policy was to adopt the recommendations of EIC 146 with respect to the accounting for flow-through shares. This resulted in the Company reducing the net proceeds of the flow-through share issuance by the future tax liability of the Company resulting from the renunciation of the exploration and development expenditures in favour of the flow-through share subscribers. This future income tax liability was calculated net of any benefit resulting from unrecorded income tax loss carry forwards and income tax pools in excess of the accounting value available for deduction.

***Impact on Condensed Interim Statements of Financial Position***

	As at March 31, 2010 \$	As at September 30, 2009 \$	As at April 1, 2009 \$
Adjustment to share capital	916,364	670,531	670,531
Adjustment to deficit	(916,364)	(670,531)	(670,531)

***Impact on Condensed Interim Statements of Loss and Comprehensive Loss***

	Year ended March 31, 2010 \$	Three months ended September 30, 2009 \$	Six months ended September 30, 2009 \$
Adjustment to future income tax recovery	245,833	nil	nil
Adjustment to comprehensive loss	245,833	nil	nil

***Reconciliation between IFRS and Canadian GAAP***

Refer to Pages 30 to 37.

***Accounting policies applied on adoption of IFRS***

***Basis of presentation***

These unaudited condensed interim financial statements have been prepared on a historical cost basis except for the revaluation of certain financial instruments. In addition, these unaudited condensed interim financial statements have been prepared using the accrual basis of accounting except for cash flow information.

In the preparation of these unaudited condensed interim financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of expenses during the period. Actual results could differ from these estimates.

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***Financial assets***

The Company's financial instruments consist of the following:

Financial assets:	Classification:
Cash and cash equivalents	Loans and receivables
Restricted cash	Loans and receivables
Guaranteed investment certificates	Loans and receivables
Accounts receivable	Loans and receivables
Marketable securities	Available-for-sale financial assets
Financial liabilities:	Classification:
Accounts payable and other liabilities	Other financial liabilities

Loans and receivables:

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Available-for-sale financial assets:

Marketable securities are classified as "available for sale" and are recorded at fair value with unrealized holding gains and losses excluded from the determination of earnings and reported as a separate component of equity as other comprehensive income. The fair value of marketable securities is their quoted bid price at the balance sheet date.

Other financial liabilities:

Other financial liabilities are recognized initially at fair value net of any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest and any transaction costs over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability or (where appropriate) to the net carrying amount on initial recognition.

Other financial liabilities are de-recognized when the obligations are discharged, cancelled or expired.

Impairment of financial assets:

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the investments have been negatively impacted. Evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or

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- default or delinquency in interest or principal payments; or
- the likelihood that the borrower will enter bankruptcy or financial re-organization.

The carrying amount of financial assets is reduced by any impairment loss directly for all financial assets with the exception of accounts receivable, where the carrying amount is reduced through the use of an allowance account. When an account receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Financial instruments recorded at fair value:

Financial instruments recorded at fair value on the condensed interim statements of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As of September 30, 2010, and March 31, 2010, none of the Company's financial instruments are recorded at fair value on the condensed interim statements of financial position. As of April 1, 2009, marketable securities are recorded at fair value on the condensed statements of financial position.

***Impairment of non-financial assets***

At the end of each reporting period, the Company reviews the carrying amounts of its non-financial assets with finite lives to determine whether there is any indication that those assets have suffered an impairment loss. Where such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. The recoverable amount is the higher of an asset's fair value less cost to sell or its value in use. In addition, long-lived assets that are not amortized are subject to an annual impairment assessment.

***Exploration and evaluation expenditures***

The Company expenses exploration and evaluation expenditures as incurred. Exploration and evaluation expenditures include acquisition costs of mineral properties, property option payments and evaluation activity.

Once a project has been established as commercially viable and technically feasible, related

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development expenditure is capitalized. This includes costs incurred in preparing the site for mining operations. Capitalization ceases when the mine is capable of commercial production, with the exception of development costs that give rise to a future benefit.

***Flow-through shares***

Flow-through shares are a unique Canadian tax incentive. They are the subject of specific guidance under US GAAP, but there is no equivalent IFRS guidance. Therefore, the Company has adopted a policy whereby flow-through proceeds are allocated between the offering of the common shares and the sale of tax benefits when the common shares are offered. The allocation is made based on the difference between the quoted price of the common shares and the amount the investor pays for the flow-through shares. A future tax liability is recognized for the premium paid by the investors and is then recognized as a future income tax recovery in the period of renunciation if the Company has sufficient unrealized tax losses and deductions.

***Cash and cash equivalents***

Cash and cash equivalents in the statement of financial position comprise cash at banks and on hand, and short-term deposits with an original maturity of three months or less, and which are readily convertible into a known amount of cash. The Company's cash and cash equivalents are invested with major financial institutions in business accounts and guaranteed investment certificates that are available on demand by the Company for its programs. The company does not invest in any asset-backed deposits/investments.

***Provisions***

A provision is recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

A provision for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

The Company had no material provisions at September 30, 2010, March 31, 2010, and April 1, 2009.

***Share based payment transactions***

The fair value of share options granted to employees is recognized as an expense over the vesting period with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee, including directors of the Company.

The fair value is measured at the grant date and recognized over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option-pricing model, taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

### ***Income taxes***

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes and the initial recognition of assets or liabilities that affect neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the financial position reporting date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a future tax asset will be recovered, it provides a valuation allowance against that excess.

### ***Restoration, rehabilitation and environmental obligations***

A legal or constructive obligation to incur restoration, rehabilitation and environmental costs may arise when environmental disturbance is caused by the exploration, development or ongoing production of a mineral property interest. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying amount of the asset, as soon as the obligation to incur such costs arises. Discount rates using a pretax rate that reflects the time value of money are used to calculate the net present value. These costs are charged against profit or loss over the economic life of the related asset, through amortization using either a unit-of-production or the straight-line method as appropriate. The related liability is adjusted for each period for the unwinding of the discount rate and for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation. Costs for restoration of subsequent site damage that is created on an ongoing basis during production are provided for at their net present values and charged against profits as extraction progresses.

The Company has no material restoration, rehabilitation and environmental costs as the disturbance to date is minimal.

### ***Loss per share***

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share is determined by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all warrants and options outstanding that may add to the total number of common shares.

***Significant accounting judgments and estimates***

The preparation of these unaudited condensed interim financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These unaudited condensed interim financial statements include estimates that, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the unaudited condensed interim financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

***Critical accounting estimates***

Significant assumptions about the future that management has made that could result in a material adjustment to the carrying amounts of assets and liabilities in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

- the recoverability of accounts receivable which are included in the unaudited condensed interim statements of financial position;
- the recoverability of exploration and evaluation expenditures incurred on the Commodore Gold property. The Company expenses the exploration and evaluation expenditures in the statements of comprehensive profit or loss;
- the inputs used in accounting for share based payment transactions in profit or loss;
- Management assumption of no material restoration, rehabilitation and environmental, based on the facts and circumstances that existed during the period; and
- Management's position that there is no income tax considerations required within these unaudited condensed interim financial statements.

***Critical accounting judgments***

How financial assets and liabilities are categorized is an accounting policy that requires management to make judgments or assessments.

***Standards and interpretations not yet required to be adopted but adopted by the Company***

The amendments to IAS 24, Related Party Disclosures, with effective date for annual periods beginning on or after January 1, 2011, simplify the disclosure requirements for entities that are controlled, jointly controlled or significantly influenced by a government (referred to as government related entities) and clarify the definition of a related party.

***Future accounting changes***

Certain new standards, interpretations and amendments to existing standards have been issued by the IASB or IFRIC that are mandatory for accounting periods beginning after January 1, 2010, or later periods. Updates that are not applicable or are not consequential to the Company have been excluded from the list below.

IFRS 9, Financial Instruments: Classification and Measurement, effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, introduces new requirements for the classification and measurement of financial instruments. Management anticipates that this standard will be adopted in the Company's financial statements for the period beginning January 1, 2013, and has not yet considered the potential impact of the adoption of IFRS 9.

## **Financial Instruments**

### **Financial risk**

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including interest rate, foreign exchange rate and commodity and equity price risk).

Risk management is carried out by the Company's management team with guidance from the Audit Committee under policies approved by the Board of Directors. The Board of Directors also provides regular guidance for overall risk management.

#### **(i) Credit risk**

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and cash equivalents, restricted cash, guaranteed investment certificates, and accounts receivable. Cash and cash equivalents, guaranteed investment certificates and restricted cash are held with select major Canadian chartered banks, from which management believes the risk of loss to be minimal.

Financial instruments included in accounts receivable consist of sales tax receivable from government authorities in Canada. Accounts receivable are in good standing as of September 30, 2010. Management believes that the credit risk with respect to financial instruments included in accounts receivable is minimal.

#### **(ii) Liquidity risk**

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company's liquidity and operating results may be adversely affected if its access to the capital market is hindered, whether as a result of a downturn in stock market conditions generally or matters specific to the Company. The Company generates cash flow primarily from its financing activities. As at September 30, 2010, the Company had cash and cash equivalents and guaranteed investment certificates of \$1,215,710 (March 31, 2010 - \$1,670,346) to settle current liabilities of \$176,588 (March 31, 2010 - \$156,392). All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms. The Company regularly evaluates its cash position to ensure preservation and security of capital as well as liquidity.

The Company is also committed to spending approximately \$351,000 in Canadian exploration expenditures by December 31, 2010. If the Company does not spend these funds in compliance with the government of Canada flow-through regulations, it may be subject to litigation from various counterparties. The Company intends to fulfil its flow-through commitment.

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(iii) Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates and commodity and equity prices.

(a) Interest rate risk

The Company has cash balances and non-interest-bearing debt. The Company's current policy is to invest excess cash in certificates of deposit issued by a Canadian chartered bank with which it keeps its bank accounts. The Company periodically monitors the investments it makes and is satisfied with the creditworthiness of its Canadian chartered bank.

(b) Foreign currency risk

The Company's functional and reporting currency is the Canadian dollar and major purchases are transacted in Canadian dollars. As a result, the Company's exposure to foreign currency risk is minimal.

(c) Commodity and equity price risk

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's comprehensive earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices, as they relate to precious and base metals and other minerals, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

Commodity price risk could adversely affect the Company. In particular, the Company's future profitability and viability of development depend upon the world market price of precious and base metals and other minerals. Precious and base metals and other mineral prices have fluctuated widely in recent years. There is no assurance that, even if commercial quantities of precious and base metals and other minerals are produced in the future, a profitable market will exist for them. A decline in the market price of precious and base metals and other minerals may also require the Company to reduce its mineral resources, which could have a material and adverse effect on its value.

As of September 30, 2010, the Company was not a precious minerals, base metals and other minerals producer. Even so, commodity price risk may affect the completion of future equity transactions such as equity offerings and the exercise of stock options and warrants. This may also affect the Company's liquidity and its ability to meet its ongoing obligations.

**Sensitivity analysis**

Based on management's knowledge and experience of the financial markets, the Company believes the following movements are reasonably possible over a six-month period:

(i) Cash and cash equivalents and restricted cash are subject to floating interest rates. Sensitivity to a plus or minus one percentage point change in interest rates would not have a material impact on the reported net loss and comprehensive loss.

(ii) The Company does not hold balances in foreign currencies to give rise to exposure to foreign exchange risk.

## **Capital Management**

The Company manages its capital with the following objectives:

- to ensure sufficient financial flexibility to achieve the ongoing business objectives including funding of future growth opportunities, and pursuit of accretive acquisitions; and
- to maximize shareholder return through enhancing the share value.

The Company monitors its capital structure and makes adjustments according to market conditions in an effort to meet its objectives given the current outlook of the business and industry in general. The Company may manage its capital structure by issuing new shares, repurchasing outstanding shares, adjusting capital spending, or disposing of assets. The capital structure is reviewed by management and the Board of Directors on an ongoing basis.

The Company considers its capital to be equity, which comprises share capital, other components of equity and deficit, which at September 30, 2010, totalled \$1,085,308 (March 31, 2010 - \$1,545,125).

The Company manages capital through its financial and operational forecasting processes. The Company reviews its working capital and forecasts its future cash flows based on operating expenditures, and other investing and financing activities. The forecast is updated based on activities related to its mineral properties. Selected information is provided to the Board of Directors of the Company. The Company's capital management objectives, policies and processes have remained unchanged during the three and six months ended September 30, 2010.

The Company is not subject to any capital requirements imposed by a lending institution.

## **Outlook**

The Company will continue to explore its active projects, with future programs dependent on results from current programs. The Company's outlook is considered positive due to its working capital and its current property endeavours.

## **Share Capital**

At the date of this MD&A, the Company had 18,489,966 issued and outstanding common shares.

Stock options outstanding for the Company at the date of this MD&A were as follows:

<b>Options</b>	<b>Expiry Date</b>	<b>Exercise Price</b>
100,000	May 29, 2012	\$0.69
825,000	September 4, 2012	\$0.90
880,000	November 27, 2014	\$0.55
<b>1,805,000</b>		

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Warrants outstanding for the Company at the date of this MD&A were as follows:

Warrants	Expiry Date	Exercise Price
1,666,666	October 19, 2011	\$0.75
<b>1,666,666</b>		

### **Allocation of Expenditures by Project**

Commodore Gold Property	Three months ended September 30, 2010 \$	Three months ended September 30, 2009 \$	Six months ended September 30, 2010 \$	Six months ended September 30, 2009 \$
Acquisition costs	nil	388,900	nil	388,900
Geological consulting	26,550	4,400	40,925	13,520
Drilling	82,110	nil	189,786	nil
Travel and accommodation	1,922	1,088	1,922	1,088
Line cutting	nil	20,000	nil	20,000
Professional fees	nil	8,000	nil	8,000
Assaying	10,837	nil	22,862	243
Surveys and mapping	3,642	3,500	17,443	4,070
Supplies	2,119	nil	5,762	nil
Management fees	12,585	nil	24,127	nil
Miscellaneous	7,589	1,876	12,571	6,559
Security fencing	nil	nil	nil	65,900
<b>Total cost incurred</b>	<b>147,354</b>	<b>427,764</b>	<b>315,398</b>	<b>508,280</b>

Other costs	Three months ended September 30, 2010 \$	Three months ended September 30, 2009 \$	Six months ended September 30, 2010 \$	Six months ended September 30, 2009 \$
Project development	822	nil	822	nil
<b>Total cost incurred</b>	<b>822</b>	<b>nil</b>	<b>822</b>	<b>nil</b>

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	Three months ended September 30, 2010	Three months ended September 30, 2009	Six months ended September 30, 2010	Six months ended September 30, 2009
Misema property	\$	\$	\$	\$
Geological consulting	nil	nil	7,800	nil
Truck rental expenses	nil	nil	1,200	nil
Drilling	nil	nil	44,356	nil
Miscellaneous	1,458	nil	2,589	nil
<b>Total cost incurred</b>	<b>1,458</b>	<b>nil</b>	<b>55,945</b>	<b>nil</b>

## Disclosure of Internal Controls

Management has established processes to provide them sufficient knowledge to support representations that they have exercised reasonable diligence that (i) the unaudited condensed interim financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the unaudited condensed interim financial statements; and (ii) the unaudited condensed interim financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the periods presented.

In contrast to the certificate required for non-venture issuers under National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109"), this Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR"), as defined in NI 52-109. In particular, the certifying officers filing this certificate are not making any representations relating to the establishment and maintenance of:

- i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and
- ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP.

The issuer's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in this certificate. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

## Reconciliation between IFRS and Canadian GAAP

The April 1, 2009 Canadian GAAP balance sheet has been reconciled to IFRS as follows:

	April 1, 2009		
	Canadian GAAP	Effect of transition to IFRS	IFRS
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	\$ 87,160	\$ -	\$ 87,160
Restricted cash	15,000	-	15,000
Guaranteed investment certificates	1,225,341	-	1,225,341
Marketable securities	13,302	-	13,302
Accounts receivable and other assets	18,703	-	18,703
	1,359,506	-	1,359,506
Mineral resource properties	553,655	(553,655)	-
	\$ 1,913,161	\$ (553,655)	\$ 1,359,506
<b>EQUITY AND LIABILITIES</b>			
<b>Current liabilities</b>			
Amounts payable and other liabilities	\$ 35,097	\$ -	\$ 35,097
<b>Capital and reserves</b>			
Share capital	4,694,984	670,531	5,365,515
Reserves	337,544	-	337,544
Deficit	(3,154,464)	(1,224,186)	(4,378,650)
<b>Total equity</b>	1,878,064	(553,655)	1,324,409
<b>Total equity and liabilities</b>	\$ 1,913,161	\$ (553,655)	\$ 1,359,506

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The September 30, 2009 Canadian GAAP balance sheet has been reconciled to IFRS as follows:

	<b>September 30, 2009</b>		
	<b>Canadian GAAP</b>	<b>Effect of transition to IFRS</b>	<b>IFRS</b>
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	\$ 24,718	\$ -	\$ 24,718
Restricted cash	15,000	-	15,000
Guaranteed investment certificates	1,000,678	-	1,000,678
Marketable securities	45,695	-	45,695
Accounts receivable and other assets	16,429	-	16,429
	<u>1,102,520</u>	<u>-</u>	<u>1,102,520</u>
Mineral resource properties	1,061,935	(1,061,935)	-
	<u>\$ 2,164,455</u>	<u>\$ (1,061,935)</u>	<u>\$ 1,102,520</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Current liabilities</b>			
Amounts payable and other liabilities	\$ 42,298	\$ -	\$ 42,298
<b>Capital and reserves</b>			
Share capital	5,017,004	670,531	5,687,535
Reserves	361,842	-	361,842
Deficit	(3,256,689)	(1,732,466)	(4,989,155)
<b>Total equity</b>	<u>2,122,157</u>	<u>(1,061,935)</u>	<u>1,060,222</u>
<b>Total equity and liabilities</b>	<u>\$ 2,164,455</u>	<u>\$ (1,061,935)</u>	<u>\$ 1,102,520</u>

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The March 31, 2010 Canadian GAAP balance sheet has been reconciled to IFRS as follows:

	<b>March 31, 2010</b>		
	<b>Canadian GAAP</b>	<b>Effect of transition to IFRS</b>	<b>IFRS</b>
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	\$ 669,096	\$ -	\$ 669,096
Restricted cash	15,000	-	15,000
Guaranteed investment certificates	1,001,250	-	1,001,250
Accounts receivable and other assets	16,171	-	16,171
	<u>1,701,517</u>	<u>-</u>	<u>1,701,517</u>
Mineral resource properties	1,426,136	(1,426,136)	-
	<u>\$ 3,127,653</u>	<u>\$ (1,426,136)</u>	<u>\$ 1,701,517</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Current liabilities</b>			
Amounts payable and other liabilities	\$ 156,392	\$ -	\$ 156,392
<b>Capital and reserves</b>			
Share capital	5,182,264	916,364	6,098,628
Reserves	1,192,867	-	1,192,867
Deficit	(3,403,870)	(2,342,500)	(5,746,370)
<b>Total equity</b>	<u>2,971,261</u>	<u>(1,426,136)</u>	<u>1,545,125</u>
<b>Total equity and liabilities</b>	<u>\$ 3,127,653</u>	<u>\$ (1,426,136)</u>	<u>\$ 1,701,517</u>

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The Canadian GAAP interim statement of loss and comprehensive loss for the six month period ended September 30, 2009 has been reconciled to IFRS as follows:

	<b>Six months ended September 30, 2009</b>		
	<b>Canadian GAAP</b>	<b>Effect of transition to IFRS</b>	<b>IFRS</b>
<b>Expenses</b>			
Exploration expenditures	\$ -	\$ 508,280	\$ 508,280
General and administrative	96,572	-	96,572
<b>Operating loss before the following items</b>	<b>(96,572)</b>	<b>(508,280)</b>	<b>(604,852)</b>
Interest expense	(6,003)	-	(6,003)
Gain on sale of marketable securities	350	-	350
<b>Net loss for the period</b>	<b>\$ (102,225)</b>	<b>\$ (508,280)</b>	<b>\$ (610,505)</b>
<b>Other comprehensive income</b>			
Unrealized gain on marketable securities	\$ 33,393	\$ -	\$ 33,393
Reclassification of unrealized loss on disposal of marketable securities	25	-	25
<b>Other comprehensive income</b>	<b>\$ 33,418</b>	<b>\$ -</b>	<b>\$ 33,418</b>
<b>Total comprehensive loss</b>	<b>\$ (68,807)</b>	<b>\$ (508,280)</b>	<b>\$ (577,087)</b>

The Canadian GAAP interim statement of loss and comprehensive loss for the three month period ended September 30, 2009 has been reconciled to IFRS as follows:

	<b>Three months ended September 30, 2009</b>		
	<b>Canadian GAAP</b>	<b>Effect of transition to IFRS</b>	<b>IFRS</b>
<b>Expenses</b>			
Exploration expenditures	\$ -	\$ 427,764	\$ 427,764
General and administrative	58,466	-	58,466
<b>Operating loss before the following items</b>	<b>(58,466)</b>	<b>(427,764)</b>	<b>(486,230)</b>
Interest expense	692	-	692
<b>Net loss for the period</b>	<b>\$ (57,774)</b>	<b>\$ (427,764)</b>	<b>\$ (485,538)</b>
<b>Other comprehensive income</b>			
Unrealized gain on marketable securities	\$ 7,030	\$ -	\$ 7,030
<b>Other comprehensive income</b>	<b>\$ 7,030</b>	<b>\$ -</b>	<b>\$ 7,030</b>
<b>Total comprehensive loss</b>	<b>\$ (50,744)</b>	<b>\$ (427,764)</b>	<b>\$ (478,508)</b>

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The Canadian GAAP statement of loss and comprehensive loss for the year ended March 31, 2010 has been reconciled to IFRS as follows:

	<b>Year ended March 31, 2010</b>		
	<b>Canadian GAAP</b>	<b>Effect of transition to IFRS</b>	<b>IFRS</b>
<b>Expenses</b>			
Exploration expenditures	\$ -	\$ 872,481	\$ 872,481
General and administrative	555,467	-	555,467
<b>Operating loss before the following items</b>	<b>(555,467)</b>	<b>(872,481)</b>	<b>(1,427,948)</b>
Interest expense	(5,431)	-	(5,431)
Gain on sale of marketable securities	65,659	-	65,659
<b>Loss before recovery of income taxes</b>	<b>(495,239)</b>	<b>(872,481)</b>	<b>(1,367,720)</b>
Future income tax recovery	(245,833)	245,833	-
<b>Net loss for the period</b>	<b>\$ (249,406)</b>	<b>\$ (1,118,314)</b>	<b>\$ (1,367,720)</b>
<b>Other comprehensive income</b>			
Reclassification of net unrealized gains on disposal of marketable securities	\$ (12,277)	\$ -	\$ (12,277)
<b>Other comprehensive income</b>	<b>\$ (12,277)</b>	<b>\$ -</b>	<b>\$ (12,277)</b>
<b>Total comprehensive loss</b>	<b>\$ (261,683)</b>	<b>\$ (1,118,314)</b>	<b>\$ (1,379,997)</b>

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The Canadian GAAP interim statement of cash flows for the six months ended September 30, 2009 has been reconciled to IFRS as follows:

	<b>Six months ended September 30, 2009</b>		
	<b>Canadian GAAP</b>	<b>Effect of transition to IFRS</b>	<b>IFRS</b>
<b>Operating</b>			
<b>Net loss for the period</b>	\$ (102,225)	\$ (508,280)	\$ (610,505)
Adjustment for:			
Interest expense	6,003	-	6,003
Gain on sale of marketable securities	(350)	-	(350)
Common shares issued for mineral properties	-	282,900	282,900
Non-cash working capital items:			
Accounts receivable and other assets	1,646	-	1,646
Accounts payable and accrued liabilities	7,201	-	7,201
<b>Net cash used in operating activities</b>	<b>(87,725)</b>	<b>(225,380)</b>	<b>(313,105)</b>
<b>Investing activities</b>			
Purchases of guaranteed investment certificates	(1,000,000)	-	(1,000,000)
Proceeds from redemption of guaranteed investment certificates	1,200,000	-	1,200,000
Proceeds from sale of marketable securities	1,375	-	1,375
Interest income	19,288	-	19,288
Mineral resource properties and exploration expenditures	(225,380)	225,380	-
<b>Net cash provided by (used in) investing activities</b>	<b>(4,717)</b>	<b>225,380</b>	<b>220,663</b>
<b>Financing activity</b>			
Exercise of stock options	30,000	-	30,000
<b>Net cash provided by financing activity</b>	<b>30,000</b>	<b>-</b>	<b>30,000</b>
<b>Net change in cash and cash equivalents and restricted cash</b>	<b>(62,442)</b>	<b>-</b>	<b>(62,442)</b>
<b>Cash and cash equivalents and restricted cash, beginning of period</b>	<b>102,160</b>	<b>-</b>	<b>102,160</b>
<b>Cash and cash equivalents and restricted cash, end of period</b>	<b>\$ 39,718</b>	<b>\$ -</b>	<b>\$ 39,718</b>

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The Canadian GAAP interim statement of cash flows for the three months ended September 30, 2009 has been reconciled to IFRS as follows:

	<u>Three months ended September 30, 2009</u>		
	<b>Canadian GAAP</b>	<b>Effect of transition to IFRS</b>	<b>IFRS</b>
<b>Operating</b>			
<b>Net loss for the period</b>	\$ (57,774)	\$ (427,764)	\$ (485,538)
Adjustment for:			
Interest income	(692)	-	(692)
Common shares issued for mineral properties	-	282,900	282,900
Non-cash working capital items:			
Accounts receivable and other assets	(1,654)	-	(1,654)
Accounts payable and accrued liabilities	(33,933)	-	(33,933)
<b>Net cash used in operating activities</b>	(94,053)	(144,864)	(238,917)
<b>Investing activities</b>			
Interest income	692	-	692
Mineral resource properties and exploration expenditures	(144,864)	144,864	-
<b>Net cash provided by (used in) investing activities</b>	(144,172)	144,864	692
<b>Financing activity</b>			
Exercise of stock options	30,000	-	30,000
<b>Net cash provided by financing activity</b>	30,000	-	30,000
<b>Net change in cash and cash equivalents and restricted cash</b>	(208,225)	-	(208,225)
<b>Cash and cash equivalents and restricted cash, beginning of period</b>	247,943	-	247,943
<b>Cash and cash equivalents and restricted cash, end of period</b>	\$ 39,718	\$ -	\$ 39,718

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The Canadian GAAP statement of cash flows for the year ended March 31, 2010 has been reconciled to IFRS as follows:

	<b>Year ended March 31, 2010</b>		
	<b>Canadian GAAP</b>	<b>Effect of transition to IFRS</b>	<b>IFRS</b>
<b>Operating</b>			
<b>Net loss for the year</b>	\$ (249,406)	\$ (1,118,314)	\$ (1,367,720)
Adjustment for:			
Share based payments	346,720	-	346,720
Shares issued for property acquisitions	-	282,900	282,900
Interest expense	5,431	-	5,431
Gain on sale of marketable securities	(65,659)	-	(65,659)
Future income tax recovery	(245,833)	245,833	-
Non-cash working capital items:			
Accounts receivable and other assets	2,532	-	2,532
Accounts payable and accrued liabilities	(13,882)	135,177	121,295
<b>Net cash used in operating activities</b>	<b>(220,097)</b>	<b>(454,404)</b>	<b>(674,501)</b>
<b>Investing activities</b>			
Purchases of guaranteed investment certificates	(1,000,000)	-	(1,000,000)
Proceeds from redemption of guaranteed investment certificates	1,200,000	-	1,200,000
Proceeds from sale of marketable securities	66,684	-	66,684
Interest income	18,660	-	18,660
Mineral resource properties and exploration expenditures	(454,404)	454,404	-
<b>Net cash (used in) provided by investing activities</b>	<b>(169,060)</b>	<b>454,404</b>	<b>285,344</b>
<b>Financing activities</b>			
Issue of common shares	1,000,000	-	1,000,000
Share issue costs	(58,907)	-	(58,907)
Proceeds from exercise of stock options	30,000	-	30,000
<b>Net cash provided by financing activities</b>	<b>971,093</b>	<b>-</b>	<b>971,093</b>
<b>Net change in cash and cash equivalents and restricted cash</b>	<b>581,936</b>	<b>-</b>	<b>581,936</b>
<b>Cash and cash equivalents and restricted cash, beginning of year</b>	<b>102,160</b>	<b>-</b>	<b>102,160</b>
<b>Cash and cash equivalents and restricted cash, end of year</b>	<b>\$ 684,096</b>	<b>\$ -</b>	<b>\$ 684,096</b>

## **Subsequent Events**

(a) On October 1, 2010, Newstrike announced that it is participating with a group of private oil companies in the drilling of an oil and gas exploration project near the town of Camrose, Alberta. Newstrike has elected a 20% participation in the play which involves 1,600 acres of Crown and Freehold mineral leases. Refer to "Oil and gas prospect" under "Mineral Exploration Properties", above.

(b) Newstrike is also party to a binding letter of intent dated October 13, 2010 with Mr. Gerhard Meyer pursuant to which the parties have set out the proposed terms governing the grant to Newstrike of an option to earn a 100% interest in the property known as the Horseshoe Lake property located in Mitchell and Bowerman Townships, Ontario. Pursuant to the letter of intent, Newstrike would earn its 100% interest by making aggregate cash payments of \$200,000 and incurring exploration expenditures on the property in the aggregate amount of \$500,000, each over a three year period, together with a further \$250,000 payment to be made within three months of a positive feasibility study. Newstrike's interest in the property would be subject to either (i) a 1.5% gross overriding royalty on metal sales from the property, and a 0.75% gross overriding royalty on metal sales from any properties acquired subsequently within specified area of interest; or (ii) a 2.5% net smelter return royalty on the property, and a 1.0% net smelter return royalty on any properties acquired subsequently within specified area of interest, each subject to certain redemption options available to Newstrike. Refer to "Horseshoe Lake Property" under "Mineral Exploration Properties", above.

(c) On October 25, 2010, Odyssey announced that it has entered into an Option with Bear Lake and Newstrike to acquire from Newstrike and Bear Lake a 25% interest in an early stage gold project known as the Swansea property in Northeastern Ontario by spending \$1.1 million on the Swansea property.

Bear Lake and Newstrike respectively own an interest of 75% and 25% in the Swansea property. Pursuant to the Option, Odyssey is entitled, subject to the terms and conditions of the Option, to acquire 18.75% from Bear Lake and 6.25% from Newstrike for a total of 25%. The exercise of the Option and acquisition of the 25% interest in the Swansea property by Odyssey is subject to Odyssey having expended \$1.1 million on the Swansea property by March 31, 2010.

Carmelo Marrelli, a director of Odyssey, is also the Chief Financial Officer of Newstrike.

Pursuant to the Option, Bear Lake will be the operator of the exploration program on the Swansea property. Refer to "The Swansea Property" under "Mineral Exploration Properties", above.

## **Risks and Uncertainties**

An investment in the securities of the Company is highly speculative and involves numerous and significant risks. Only investors whose financial resources are sufficient to enable them to assume such risks and who have no need for immediate liquidity in their investment should undertake such investment. Prospective investors should carefully consider the risk and uncertainties that have affected, and which in the future are reasonably expected to affect, the Company and its financial position. Please refer to the section entitled "Risks and Uncertainties" in the Company's management's discussion and analysis for the fiscal year ended March 31, 2010, available on SEDAR at [www.sedar.com](http://www.sedar.com). There have been no significant changes to such risks and uncertainties since the date thereof.