



**Management Discussion and Analysis**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2011**

# **TINTINA RESOURCES INC.**

## **Management Discussion and Analysis**

### **For the year ended September 30, 2011**

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#### **1.1 General**

This Management Discussion and Analysis ("MD&A") of Tintina Resources Inc. (the "Company") has been prepared by management as of December 9, 2011 and should be read in conjunction with the audited consolidated financial statements and related notes thereto of the Company for the year ended September 30, 2011, which were prepared in accordance with Canadian generally accepted accounting policies ("Canadian GAAP"). All dollar figures are expressed in Canadian dollars unless otherwise stated. These documents and additional information on the Corporation are available on the Company's website at [www.tintinaresources.com](http://www.tintinaresources.com) or on SEDAR at [www.sedar.com](http://www.sedar.com).

This MD&A may contain forward-looking statements in respect of various matters including upcoming events. The results or events predicted in these forward-looking statements may differ materially from actual results or events. The Company disclaims any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Historical results of operations and trends that may be inferred from the following discussions and analysis may not necessarily indicate future results from operations.

#### **Description of Business**

The Company was incorporated on July 30, 1998 under the laws of British Columbia and is a mining exploration and development company. On May 26, 2011, the Company changed its name from TintinaGold Resources Inc. to Tintina Resources Inc. ("Tintina") in order to better recognize its diverse portfolio of projects.

On December 15, 2006, the Company acquired a 100% wholly owned subsidiary company, Mantra Mining (India) Pvt. Ltd., located in Pune, India. On June 30, 2008 and August 14, 2008, the Company incorporated two separate companies in the state of Delaware, Mantra Alaska Mining, Inc. ("MAMI") and Mantra Alaska Exploration, Inc. ("MAEI") respectively in anticipation of acquiring interest in mineral claims in Alaska. On June 21, 2010, the Company changed the names of MAMI and MAEI to Tintina Alaska Mining, Inc. ("TAMI") and Tintina Alaska Exploration, Inc. ("TAEI") respectively. The results of operations of the incorporated subsidiaries have been included in the consolidated financial statements from the acquisition date.

The Company is in the process of exploring its resource properties and has not yet determined whether these properties contain ore reserves that are economically recoverable. The recoverability of amounts shown for resource properties and related deferred exploration costs is dependent upon the discovery of economically recoverable reserves, confirmation of the Company's interest in the underlying mineral claims, the ability of the Company to obtain necessary financing to complete the development and upon future profitable production or proceeds from the disposition thereof.

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#### 1.2 Overall Performance

During the year ended September 30, 2011 ("FY2011"), Tintina continued to advance its Black Butte Copper (formerly called "Sheep Creek"), Colorado Creek, Kugruk, and Baird projects. The Company incurred \$8,756,893 of exploration expenditures during FY2011 (FY2010: \$3,937,446).

The Company incurred a loss of \$3,811,775 or \$0.03 per share during FY2011 as compared to a loss of \$2,557,948 or \$0.03 per share during the year ended September 30, 2010 ("FY2010"), representing an increase in loss of \$1,253,827.

The following is a summary of certain significant variances:

- Salary and wages increased \$263,875 from \$273,164 during FY2010 to \$537,039 during FY2011 primarily due to staff increases at the Head office in Vancouver.
- Advertising and promotion costs increased \$134,623 from \$123,945 during FY2010 to \$258,568 during FY2011 primarily due to: (i) design and layout fees relating to new corporate booth displays, brochures, corporate logo; (ii) design fees regarding new corporate website; (iii) conference attendance fees to promote the Company; and (iv) consulting fee to conduct media awareness and investor relations programs on behalf of the Company.
- Management bonuses of \$240,000 were awarded to the Executive Chairman and Executive Vice Chairman during FY2011 (FY2010: \$Nil) for their services in those roles.
- Directors' fees increased to \$22,944 during FY2011 from \$Nil during FY2010 to compensate for their services. The fees will be accrued monthly and paid quarterly to each director.
- Professional fees increased \$53,357 from \$202,998 during FY2010 to \$256,355 during FY2011 mainly due to legal and accounting fees incurred with respect to the proposed spin-out of the Company's Colorado Creek mineral exploration property to a new company under a statutory plan of arrangement (the "Arrangement"). The Company will not proceed with the Arrangement as previously disclosed in the March 15, 2011 news release announcing the results of the Annual General and Special Meeting.
- Regulatory and transfer agent fees increased \$17,141 from \$33,801 during FY2010 to \$50,942 during FY2011 mainly due to: (i) increased annual sustaining fees for TSX listing and (ii) OTC Market Group application and listing fees.
- Stock-based compensation increased \$1,161,151 from \$747,578 during FY2010 to \$1,908,729 during FY2011 primarily due to 3,600,000 stock options granted to directors, officers, employees, and consultants during February, May and August 2011. As at September 30, 2011, 4,571,988 of the 8,089,878 options outstanding are exercisable.
- Interest income increased to \$149,218 during FY2011 from \$Nil during FY2010 primarily due to interest income generated from guaranteed investment certificates.
- Other income increased \$42,762 from \$55,500 during FY2010 to \$98,262 during FY2011 as the Company charged rent and provided geological and administration services to AsiaBaseMetals, Inc., a related party.

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#### 1.2 Overall Performance (continued)

The Company's cash and short-term investments at September 30, 2011 totalled \$29,606,132 compared to \$1,098,480 at September 30, 2010.

The Company had an accumulated deficit as at September 30, 2011 of \$18,608,899 compared to \$14,797,124 as at September 30, 2010 which has been funded primarily by the issuance of equity. The Company's ability to continue its operations and to realize assets at their carrying values is dependent upon obtaining additional financing and generating revenues sufficient to cover its operating costs.

#### 1.3 Selected Annual Information

The Company's fiscal year end is September 30. Selected annual information presented as follows:

	Years ended September 30,		
	2011	2010	2009
Total revenues	\$Nil	\$Nil	\$Nil
Loss for the year	\$(3,811,775)	\$(2,557,948)	\$(6,731,110)
Loss per share	\$(0.03)	\$(0.03)	\$(0.12)
Total assets	\$45,601,139	\$8,178,913	\$4,793,428
Total long term liabilities	\$Nil	\$Nil	\$Nil

#### 1.4 Results of Operations

Tintina is a growth company focused globally on exploration and development of precious and base metals. The Company currently has multiple properties in Alaska: Colorado Creek, Kugruk, and Baird. The Company entered into mining lease agreements and a surface-use agreement to perform exploration and mining activities on the Black Butte property, located in the State of Montana in the United States and is primarily focused on advancing the Black Butte project towards production.

##### **Black Butte Copper (formerly called "Sheep Creek")**

##### **i) Black Butte Copper 2010 Leases**

On May 2, 2010, the Company, through its wholly-owned subsidiary, TAEI, entered into mining lease agreements and a surface use agreement (collectively, the "Black Butte Agreements") with the owners of the Black Butte copper-cobalt-silver property in central Montana, United States. The Black Butte property consists of approximately 7,684 acres of fee-simple lands and 4,541 acres in 239 Federal unpatented lode mining claims in central Montana.

The Black Butte Agreements provide the Company, through its subsidiary, with exclusive use and occupancy of any part of the property that is necessary for exploration and mining activities for an initial term of 30 years, which can be extended by Tintina for additional periods of 10 years in certain circumstances. The Black Butte Agreements provide for surface lease payments and, prior to commercial production, advance minimum royalty payments to be paid to the lessors, in cash, and a net smelter returns ("NSR") royalty of 5% after commencement of commercial production, if any. The Company has the right to buy down this royalty to 2% at any time after completion of a feasibility study by making payments to the lessors totalling US\$10,000,000.

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#### **1.4 Results of Operations (continued)**

##### **Black Butte Copper (continued)**

##### **ii) Black Butte Copper 2011 Leases (continued)**

During the year ended September 30, 2011, the Company, through its subsidiary, staked additional claims on federal lands and entered into mining lease agreements.

The additional mining lease agreements were entered under similar terms as the Black Butte Agreements as described as above. The Company was granted the sole and exclusive use and occupancy of any of the property that is necessary for exploration and mining activities for an initial term of 30 years, which can be extended by Tintina for additional periods of 10 years in certain circumstances. The additional Black Butte Agreements provide for surface lease payments and, prior to commercial production, advance minimum royalty payments to be paid to the lessors, in cash, and a NSR royalty of 5% after commencement of commercial production, if any. The Company has the right to buydown this royalty to 2% at any time after completion of a feasibility study by making payments to the lessors totaling US\$5,000,000 per lessor.

The property contains sediment-hosted zones of massive sulfide mineralization originally explored by Cominco American Inc. ("Cominco") and BHP/Utah International ("BHP") during the 1980's and early 1990's. The drilling undertaken by Cominco American Inc. and BHP had encountered significant zones of stratabound copper sulfide with cobalt in multiple bedded pyrite zones in the lower part of the Precambrian Belt; this same stratigraphic unit hosts the Sullivan zinc-lead-silver deposit. The Company began a verification drilling program on the property on September 15, 2010 to show that historic drilling results by Cominco and BHP were acceptable for use in the calculation of an Inferred Resource. In addition, the Company began investigating requirements for permitting and base line studies required to develop the property to mine production.

The Company incurred \$7,928,728 of expenditures during FY2011 primarily due to its infill and exploration drilling program. The Company also staked claims on federal lands and entered into lease agreements to acquire additional lands.

The Company completed 31,459.5 meters of drilling on the property between September 15, 2010, and November 10, 2011. On January 6, 2011, the Company released an NI 43-101 compliant Inferred Resource of seven million tonnes grading 2.36% Cu, 0.12% Co, and 12.3 g/t ("t") Ag, containing 366 million lbs of Cu, for the Johnny Lee deposit (formerly Upper Copper Zone at Strawberry Butte), based on historic drilling by Cominco and BHP. The completion of an infill and fringe drill program on the Johnny Lee deposit has expanded this resource and a new resource estimate is underway.

The Company completed infill drilling on the Lower Copper Zone at Strawberry Butte and in August released a NI 43-101 compliant Inferred Resource estimate of 2.46 million tonnes grading 4.71% Cu, 0.05% Co, and 5.1 g/t Ag containing 256 million lbs. of Cu. Exploration drilling in Strawberry East succeeded in significant expansion of the Lowry deposit (formerly called the Middle Copper Zone at Strawberry East) and the Axel deposit (formerly called the Lower Copper Zone at Strawberry East). Inferred Resource estimates are planned for these as well. Drilling also achieved additional copper-rich drill intersections for the O/I and Ynu II Copper Zones at Strawberry East, and for the Upper Copper Zone at Strawberry West.

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#### **1.4 Results of Operations (continued)**

##### **Black Butte Copper (continued)**

The Company embarked on a Preliminary Economic Assessment ("PEA") during the calendar second quarter 2011 focused solely on the Johnny Lee deposit. Based on the results from 20,000 meters of infill and expansion diamond drilling in the Johnny Lee and Lower Copper Zones over the course of calendar 2011, the Company has decided to expand the scope of the PEA and will decide on the next phase to further advance the Black Butte Copper Project for fiscal year 2012 ("FY2012").

##### **Agreements with Affiliates of Rio Tinto and NovaGold**

The Company entered into two separate agreements dated August 27, 2008 with affiliates of NovaGold Resources Inc. ("NovaGold") and Rio Tinto PLC ("Rio Tinto") to purchase a 100% interest in mineral claims comprising over 485,000 acres in Alaska. On March 6, 2009, the Company completed and closed the acquisition.

The agreement with NovaGold entitling the Company to acquire an interest in five mineral properties in Alaska, United States, as outlined below, was amended on November 27, 2008 to change the closing date from November 30, 2008 to December 31, 2008 and to allow for separate closings for the five mineral properties in Alaska. The five Alaska mineral properties comprise Colorado Creek, Kugruk, Tintina, Baird, and Omilak.

During the year ended September 30, 2010, the Company wrote-off acquisition and exploration costs of \$306,166 related to the Omilak property as management rescinded the land claim on October 9, 2010.

Following is a description of Alaska properties:

##### **a) Colorado Creek**

The Colorado Creek property (comprised of 16,960 acres in 211 Alaska state mining claims) covers the Cripple Creek Mountains and surrounding lowlands, about 70 kilometres ("km") north of McGrath, Alaska, on the Kuskokwim River, and 86 km south of Poorman, Alaska, which has road access to Ruby on the Yukon River. Tintina has a lease with Rosander Mining Company, Inc. for 129 40-acre claims and one 160-acre claim on the Colorado Creek property. The lease includes a yearly work provision of US\$200,000 and annual advance minimum royalty payments of US\$200,000. The remaining 70 160-acre claims are 100% owned by Tintina through its wholly-owned subsidiary TAMI. In 2010, the company dropped 62 160-acre claims.

The Colorado Creek project focuses on an intrusive-related gold system which fed gold placers with past production in excess of 250,000 ounces of gold. These placers source from the margin of the Cripple Creek diorite pluton, a 23 square-km intrusive which forms the main body of the Cripple Creek Mountains.

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**1.4 Results of Operations (continued)**

**a) Colorado Creek (continued)**

A gold-in-soil anomaly greater than eight km long and up to four km wide encompasses the source area for much of the placer gold. The gold-in-soil anomaly lies on the west side of the dioritic Cripple Creek pluton which coincides with a magnetic high. A magnetic low approximately one km wide surrounds the pluton and much of the gold-in-soil anomaly lies within this feature. At Porphyry Knob, a  $\geq 100$  ppb gold-in-soil anomaly, which is about 500 metres by 800 metres in extent and open on its west end, overlies a 100 metre ("m") thick southeast dipping rhyodacite sill that intrudes andesite and siltstone. Gold ("Au") mineralization occurs with sericite, carbonate, and clay alteration and with veins of quartz and calcite with arsenopyrite and pyrite throughout the sill, as well as in the surrounding andesite. Historic metallurgical tests with cyanide leach bottle roll tests show greater than 93% Au recovery from pulps, so much of the material may be amenable to leaching.

Placer Dome drilled eleven holes on the property in 1997, some of which intersected portions of the rhyodacite sill with one intercept of 29.1 m grading 1.5 g Au/t (DDH 3). Tintina drilled an additional 12 holes in 2009. In an area about 400 m by 250 m in extent this latest drilling encountered 98.4 m grading 0.57 g Au/t (DDH 12); 24.0 m grading 1.15 g Au/t and 2.3 m grading 7.28 g Au/t within 111.0 m grading 0.64 g Au/t (DDH 14); and 44.8 m grading 1.01 g Au/t within 128.3 m grading 0.6 g Au/t (DDH 15). Drilling to the east across a northwest trending fault encountered only sporadic mineralization. Mineralization at Porphyry Knob is open to the south, southwest, and west.

Colorado Creek shows similar intrusive compositions and ages, host rocks, and geochemistry to Donlin Creek, but mineralization appears higher temperature and lies close to a large intrusive center, the Cripple Creek pluton. The two properties show a similar scale of altered and mineralized area.

During FY2011, the Company incurred \$287,717 on the Colorado Creek property, which \$209,640 of the cost was related to a lease payment. The Company renewed its land claims with the State of Alaska; and analyzed various geological, geochemical, geophysical, and other datasets for optimal drill targeting. The Company analyzed the final results of the airborne survey conducted during fiscal 2010 to identify structural trends and intersections which may host greater concentrations of gold.

For FY2012, the Company plans to engage a partner or embark on an alternate type of financing for future advancement of this property.

**b) Kugruk**

The Kugruk property (comprised of 84,320 acres in 536 Alaska state mining claims) is located 115 km south of Kotzebue in the low tundra of the northern Seward Peninsula and 20 km from northern margin of the Seward Peninsula at Kotzebue Sound. Tintina leases four 160-acre claims from Mr. Joe Wilson and owns the remaining claims through TAMI.

The property consists of a 15 km belt of strong magnetic anomalies along the eastern margin of the Kugruk pluton, a large granodiorite body intruding Paleozoic schists and marbles. A thick layer of loess (windblown silt) covers most of this magnetic belt; however, locally the higher terrain shows anomalously high copper in soils. A few historic drill holes from the Kugruk magnetic belt show strong concentrations of magnetite with associated chalcopyrite and pyrite. Further east, a halo of silver-lead-zinc prospects and further outboard gold prospects ring the intrusive system beyond its magnetic border, showing this to be a very large area of intrusive-related mineralization which has received very little exploration. The property shows potential for a very large copper or copper-gold deposit and a significant iron resource in a reasonably accessible area.

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**1.4 Results of Operations (continued)**

**b) Kugruk (continued)**

During FY2011, the Company incurred \$318,520 on the Kugruk property. The Company renewed its land claims with the State of Alaska; and evaluated the data collected from geological, geochemical, and geophysical work.

The 2010 summer drilling program tested for economic grades of copper mineralization along the magnetic belt. Three specific targets have coincident high magnetic/low resistivity responses along with copper in soils and strong IP (Induced Polarization) chargeability anomalies.

The Company's drilling program succeeded in locating important concentrations of copper mineralization in magnetite-rich calc-silicate skarn, and achieved as much as 0.27% Cu and 0.07 g/t Au over 90.8 meters composited over 3 intervals and locally 1.23% Cu with 7.7 grams/t Ag over 5.5 meters and 1.7% Cu with 18.6 grams/t Ag over 3.3 meters. Mineralization appears best concentrated near the margin of the Kugruk pluton and the geophysical signature of the mineralized area extends for at least 7 km along a north-south trend.

In addition, the geophysical signature expressed by the skarn alteration halo around the pluton extends for at least 15 km north to south, and reaches four km wide. Various geologic indicators identified during FY2010 drilling provide a means to vector toward the presumably better grade part of the property.

For FY2012, the Company plans to engage a partner or embark on an alternate type of financing for future advancement of this property.

**c) Baird**

The Baird property (comprised of 58,640 acres in 371 Alaska state mining claims) is located in arctic Alaska in the Baird Mountains (western Brooks Range) 40 km north of Kiana, a village on the Kobuk River. All claims are owned by Tintina through its wholly-owned subsidiary, TAEI, except for the 60 OMAR claims where the Company has a 60% earn-in agreement and yearly minimum work obligation with Teck American Incorporated ("TAI") discussed further below.

The property covers an area of Paleozoic age limestone and dolomite. Initial exploration drilling on the Omar prospect area in the 1960's encountered Cu grades of 9.59% Cu over 6.1 meters in one hole and 3.16% Cu over 36.6 meters in another hole. Work conducted in 2007 outlined at least four prospect areas, each more than four km long, with anomalous grades of copper and zinc in soil and rocks. In 2009, the Company carried out a small program to evaluate some of the results of the 2007 work.

During FY2011, the Company incurred \$221,928 of exploration costs primarily regarding the renewal of land mining claims with the State of Alaska. The Company conducted further interpretative mapping and imagery analysis during fiscal 2010.

For FY2012, the Company plans to engage a partner or embark on an alternate type of financing for future advancement of this property.

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#### 1.4 Results of Operations (continued)

##### c) Baird (continued)

Subsequent to year-end, an amended earn-in agreement was signed with TAI on the OMAR claims. The amended agreement enables the Company to acquire an initial 60% undivided interest in those mining claims. In order to maintain the option in good standing and earn its initial 60% interest, a minimum US\$500,000 of Exploration costs must be incurred every 12 month period commencing January 1, 2012 until a total of US\$4,000,000 in Exploration costs have been expended, on or prior to December 31, 2015.

##### General and administration

General and administration costs during the year ended September 30, 2011 were \$4,059,255 compared to \$2,423,778 during the year ended September 30, 2010 representing an increase of \$1,635,477 between FY2010 and FY2011. See section 1.2 for discussion of significant variances.

#### 1.5 Summary of Quarterly Results

The following is a summary of certain financial information concerning the Company for each of the last eight reported quarters:

Quarter Ended	Total Revenues	Net Income (Loss)	Net Income (Loss) Per share
December 31, 2009	Nil	(344,159)	(0.01)
March 31, 2010	Nil	(572,595)	(0.01)
June 30, 2010	Nil	(866,254)	(0.01)
September 30, 2010	Nil	(774,940)	(0.01)
December 31, 2010	Nil	(509,414)	(0.01)
March 31, 2011	Nil	(2,018,316)	(0.02)
June 30, 2011	Nil	(750,356)	(0.01)
September 30, 2011	Nil	(533,689)	0.00

#### 1.6/1.7 Liquidity and Capital Resources

As at September 30, 2011, the Company reported working capital of \$28,300,129. Net increase in cash and short-term investments for the year ended September 30, 2011 was \$28,507,652 leaving cash on hand in the amount of \$29,606,132.

Current assets excluding cash at September 30, 2011 consist of amounts receivable of \$191,758, amounts due from related party of \$8,780 and prepaid expenses and other assets of \$227,358.

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**1.6/1.7 Liquidity and Capital Resources (continued)**

Current liabilities as at September 30, 2011 consist of accounts payable and accrued liabilities of \$1,695,365, amounts due to related party of \$28,244 and provision for asset retirement obligation of \$10,290.

The Company expects its current capital resources will be sufficient to carry its planned exploration activities and operations through FY2012 operating year.

During the year ended September 30, 2011, the Company generated net cash of \$37,906,232 from its financing activities:

- a) 4,365,369 warrants were exercised at \$0.49 per share for gross proceeds of \$2,151,691.
- b) 182,440 stock options were exercised for gross proceeds of \$161,334.
- c) 56,299,213 common shares were issued at a price of \$0.635 per share for gross proceeds of \$35,750,000 by non-brokered private placement.

**1.8 Off-Balance Sheet Arrangements**

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

**1.9 Transactions with Related Parties**

During the year ended September 30, 2011 and year ended September 30, 2010, the Company had the following related party transactions which were measured at the exchange amount, which is the amount agreed upon by the transacting parties and are on terms and conditions similar to non-related entities:

	<b>2011</b>		<b>2010</b>	
Payments to related parties:				
Performance bonuses (a)	\$	240,000	\$	-
Management fees (b)		240,000		240,000
Accounting fees (b)		1,500		6,000
Consulting fees (c)		70,000		-
Service agreement fees (d)		6,579		119,857
	\$	558,079	\$	365,857
Services provided to related party:				
Rent income (e)	\$	24,000	\$	24,000
Administration income (e)		31,026		24,000
Geological services income (e)		5,625		7,500
Administration and finance income (f)		8,780		-
	\$	69,431	\$	55,500

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#### **1.9 Transactions with Related Parties (continued)**

- a) Bonuses were paid to the Executive Chairman and the Executive Vice Chairman of the Company for performance.
- b) Management fees and accounting fees were incurred and paid to the Executive Chairman and the Executive Vice Chairman of the Company for their services in those roles. As at September 30, 2011, outstanding balance is \$Nil (September 30, 2010: \$Nil).
- c) Consulting fees were incurred and paid to one of the Directors for geological services. As at September 30, 2011, outstanding balance is \$10,000 (September 30, 2010: \$Nil).
- d) Service fees were incurred and paid to NovaGold under an arms-length market-based service agreement for exploration services, human resource and land management services. NovaGold is a related party having a director and a major shareholder in common with the Company. As at September 30, 2011, outstanding balance is \$Nil (September 30, 2010: \$57,501).
- e) Rent, administration and geological fees were earned and receivable from AsiaBaseMetals for services rendered. AsiaBaseMetals is a related party having a major shareholder in common with the Company. During the year ended September 30, 2011, \$60,651 was earned by the Company (September 30, 2010: \$55,500). As at September 30, 2011, outstanding balance is \$Nil (September 30, 2010: \$55,500).
- f) Administration and finance income was earned and receivable from a company owned by the Executive Vice Chairman for administration and financial services. As at September 30, 2011, outstanding balance is \$8,780 (September 30, 2010: \$Nil).
- g) In fiscal year 2010, the Company received reimbursement of excess costs associated with reclamation work in the Golden Lynx property from a major shareholder (Note 5). This was recorded as a refund of reclamation costs of \$116,496 in the financial statements.

Amounts due to related parties are non-interest bearing, unsecured and are due upon demand.

#### **1.10 Fourth Quarter**

During the fourth quarter ended, September 30, 2011, the following significant transactions occurred:

- a) On August 16, 2011, 150,000 stock options were granted to an employee. The stock options will vest one-third on date of grant; vest one-third on August 16, 2012; and one-third on August 16, 2013. The stock options are exercisable for a period of five years, at a price of \$0.61 per share.

#### **1.11 Subsequent Events and Proposed Transactions**

An amended earn-in agreement regarding the Baird claims was signed subsequent to year end as discussed in section 1.4.

#### **1.12 Critical Accounting Estimates**

Not applicable to the Company.

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#### 1.13 Changes in Accounting Policies

- a) Recent accounting pronouncements
  - (i) Business combinations and related sections

In January 2009, the CICA issued Section 1582, *Business Combinations*, to replace Section 1581. The prospective application of this standard is effective on January 1, 2011, with earlier adoption permitted. This new standard effectively harmonizes the business combinations standard under Canadian GAAP with International Financial Reporting Standards ("IFRS"). The new standard revises guidance on the assets acquired, liabilities assumed, goodwill and non-controlling interests at the time of a business combination.

The CICA concurrently issues Section 1601, *Consolidated Financial Statements*, and 1602, *Non-controlling Interests*, which replaced Section 1601, *Consolidated Financial Statements*. Section 1601 provides guidance on the preparation of consolidated financial statements and Section 1602 provides guidance on non-controlling interests in consolidated financial statements subsequent to a business combination. The Company adopted these pronouncements at October 1, 2010. The result of this adoption had no impact on the Company's consolidated financial statements.

- ii) International financial reporting standards

Under the pronouncement issued by the CICA Accounting Standards Board in February 2008, effective for its fiscal year commencing October 1, 2011, the Company will be required to prepare interim and annual financial statements under International Financial Reporting Standards ("IFRS") including restatement of amounts reported for comparative purposes.

The Company will issue its first IFRS annual consolidated financial statements for the fiscal year ending September 30, 2012, with restatement of comparative balance sheets as at September 30, 2011 and October 1, 2010 and statement of operations for the year ended September 30, 2011.

During the year ending September 30, 2012, the Company will issue interim consolidated IFRS financial statements prepared in accordance with IAS 34 "Interim Financial Reporting" for the periods ended December 31, 2011, March 31, 2012 and June 30, 2012, with restatement of comparative balance sheet as at September 30, 2011 and October 1, 2010 and statements of operations for the comparative periods presented.

The Company has identified IFRS versus Canadian GAAP differences and various policy choices available under IIFRS and is currently following the conversion plan to complete the transition to IFRS. An external IFRS consultant has been engaged to assist with the Company's efforts.

Significant area of difference includes resource properties. Under IFRS, acquisition costs related to the property are capitalized. Capitalizations of all resource property costs are associated with the long delayed revenues and the risk of unforeseeable events and uncertainty. Under IFRS, the Company is changing accounting policy to expense exploration costs, except acquisition costs, while under Canadian GAAP, the exploration costs have been capitalized.

As part of its transition process, the Company will continue to invest in training and resources to ensure a timely conversion. The Company will continue to monitor and report on its conversion to IFRS.

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**1.13 Changes in Accounting Policies (continued)**

- a) Recent accounting pronouncements (continued)
- ii) International financial reporting standards (continued)

During the period leading up to the conversion to IFRS, the Company will continue to monitor changes in both IFRS standards and the Company's transactions and assess any differences in accounting policies between Canadian GAAP and IFRS for the Company.

**1.14 Financial Instruments and Other Instruments**

- a) Financial Instruments

As at September 30, 2011, the Company's financial instruments include cash and cash equivalents, short-term investments, amounts receivable, amounts due from related party, accounts payable and amounts due to related parties. The carrying value of these instruments approximates their fair values due to the relatively short periods of maturity of these instruments

	<b>Classification</b>	<b>2011</b>
Cash and cash equivalents	Held-for-trading	\$ 9,606,132
Short-term investments	Held-for-trading	\$ 20,000,000

- b) Fair Values Measurements

Assets measured at fair value on a recurring basis were presented on the Company's balance sheet as of September 30, 2011 as follows:

Fair Value Measurements Using				
	Quoted Prices in Active Markets for Identical Instruments (Level 1) \$	Significant Other Observable Inputs (Level 2) \$	Significant Unobservable Inputs (Level 3) \$	Total \$
Cash and cash equivalents	9,606,132	-	-	9,606,132
Short-term investments	20,000,000	-	-	20,000,000

- c) Financial Risks

- (i) Credit Risk

The Company maintains a majority of its cash and cash equivalents with a major Canadian financial institution. The Company maintains the remainder of its cash and cash equivalents with major US and Indian financial institutions. Deposits held with these institutions may exceed the amount of insurance provided on such deposits.

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**1.14 Financial Instruments and Other Instruments (continued)**

c) Financial Risks (continued)

(ii) Liquidity Risk

The Company manages liquidity risk by maintaining adequate cash and cash equivalents balances. The Company continuously monitors and reviews both actual and forecasted cash flows, and also matches the maturity profile of financial assets and liabilities.

(iii) Foreign Currency Risk

As the Company operates on an international basis, currency risk exposures arise from transactions and balances denominated in foreign currencies. The Company's foreign exchange risk arises primarily with respect to the U.S. dollar and Indian rupees.

A significant portion of the Company's cash and cash equivalents, accounts payable, and expenses are denominated in U.S. dollars. Fluctuations in the exchange rates between these currencies and the Canadian dollar could have a material effect on the Company's business, financial condition and results of operations. The Company does not engage in any hedging activity.

At September 30, 2011, the Company had cash and cash equivalents denominated in U.S. dollars of \$1,770,141. The fair value of U.S. dollar denominated cash will fluctuate according to changes in the spot exchange rate until they are settled in Canadian dollars. Fluctuations in the exchange rate by 5% can result in a foreign exchange gain or loss of approximately \$92,773 in the cash and cash equivalents balance.

The Company's accounts payable and accrued liabilities related to resource property expenditure are primarily denominated in U.S. dollars of \$1,389,321. The fair value of U.S. dollar denominated accounts payable and accrued liabilities will fluctuate according to changes in the spot exchange rate until they are settled in Canadian dollars. Fluctuations in the exchange rate by 5% can result in a foreign exchange gain or loss of approximately \$72,814 in the accounts payable and accrued liabilities balance.

(iv) Interest Rate Risk

The Company's cash and cash equivalents are subject to interest rate price risk. The Company's interest rate risk management policy is to purchase highly liquid investments with a term to maturity of one year or less on the date of purchase. The Company does not engage in any hedging activity. The Company earned \$149,218 in interest income during the year ended September 30, 2011.

(v) Commodity Price Risk

The Company is exposed to price risk with respect to commodity prices. The Company's ability to raise capital to fund exploration and development activities may be subject to risks associated with fluctuations in the market price of commodities.

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#### 1.15 Other Requirements

##### a) Disclosure Controls

Management has designed disclosure controls and procedures, or has caused them to be designed under its supervision to provide reasonable assurance that material information relating to the Company, including its consolidated subsidiary, is made known to management, particularly during the period in which the annual filings are being prepared.

Management has also designed such internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and preparation of the financial statements for the year ended September 30, 2011, in accordance with Canadian generally accepted accounting principles. There has been no change in the Company's disclosure controls and procedures or in the Company's internal control over financial reporting that occurred during the most recently completed period that has materially affected, or is reasonably likely to materially affect, the Company's disclosure controls and procedures or internal control over financial reporting.

The Chief Executive Officer and Chief Financial Officer of the Company have evaluated the effectiveness of the Company's disclosure controls and procedures in place as at September 30, 2011. Based on this evaluation, the Chief Executive Officer and Chief Financial Officer of the Company concluded that the design and operations of these controls and procedures were effective.

Summary of Outstanding Share Data at December 9, 2011:

- a. Authorized:  
Unlimited common shares without par value  
  
Issued and outstanding:  
142,139,580 common shares
- b. Stock options:  
Options outstanding as of December 9, 2011: 8,089,878
- c. Warrants:  
Warrants outstanding as of December 9, 2011: 22,582,970

Additional disclosures pertaining to the Company's management information circulars, material change reports, press releases and other information are available on the SEDAR website at [www.sedar.com](http://www.sedar.com).

The shareholders will be kept informed of any material changes.