



# **MANAGEMENT DISCUSSION & ANALYSIS**

For Six Months Ended March 31, 2011  
Date Prepared: May 27, 2011

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

### **GENERAL**

The following discussion and analysis is based on our results of operations and financial position and should be read in conjunction with the Company's unaudited financial statements and notes for the six months ended March 31, 2011.

Intor Resources Corporation incorporated on September 7, 2004 to conduct exploration on certain mineral properties held by a related party, Nevada Sunrise LLC ("NSL"). Its initial project was to manage the exploration effort for New York Canyon project in which NSL had an interest. Involvement with this project ceased in March, 2006. On July 19, 2006, NSL transferred its rights to the Golden Arrow property to Intor by an Option to Acquire Purchase Agreement. On June 18, 2007, Intor and NSL entered into Mining Lease Agreements for the Kinsley Mountain, Juniper and Iron Point properties. Each agreement is subject to a royalty with a minimum royalty due upon its anniversary. Intor acquired these rights with the intention of conducting exploration activity on each property.

We incorporated on April 3, 2007, for the purpose of acquiring the issued and outstanding shares of Intor and thereafter to operate as a resource exploration company focussed on the acquisition, evaluation and exploration of mineral resource properties, and have no cash flow from operations. This management's discussion and analysis includes a discussion of the operations of Intor.

The Company filed a prospectus on June 25, 2008, and an amendment to this prospectus on August 22, 2008, in connection with an initial public offering. On September 18, 2008, the Company closed its initial public offering and began trading on September 22 on the TSX-V using the symbol NEV.

Other than the New York Canyon Project income, which ended during fiscal year 2006, our only sources of funding has been by way of private and public placement of equity capital, and option payments received in respect of our Kinsley Mountain Property.

All direct costs related to the acquisition of resource property interests have been capitalized. We are a resource exploration company with no operating cash flow and our level of expenditures is dependent on the sale of equity capital to finance our exploration operations. Therefore, it is difficult to identify any meaningful trends or develop an analysis from our cash flows.

### **CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS**

Certain statements contained in this analysis that are not historical facts constitute "forward-looking statements", including but not limited to those statements with respect to our expected operating and financial results, the development of mineral properties and deposits, exploration plans and programs, the use of proceeds, our business objectives and milestones, and our financial resources. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates", or

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“believes”, or variations (including negative variations) of such words and phrases, or state that certain actions, events or results “may”, “could”, “would”, “might”, or “will” be taken, occur or be achieved. Forward-looking statements in this MD&A include statements regarding the Company’s future exploration plans and expenditures, the satisfaction of rights and performance obligations under agreements that the Company is a part, the ability of the Company to hire and retain key employees and consultants and estimated future costs and expense. Forward-looking statements involve known or unknown risks, uncertainties and other factors, which may cause the actual results, performance or achievements of the Company to be materially different from those projected by such forward-looking statements. Factors that could cause the actual results to differ include, among others, future market prices for gold, exploration success, continued availability of capital and financing, general market conditions and those factors discussed in the section entitled “Risk Factors”. Although we have attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results to differ from those anticipated, estimated or intended. Forward-looking statements contained herein are made as of the date of this analysis based on the opinions and estimates of management, and we disclaim any obligation to update any forward-looking statements, whether as a result of new information, estimates or opinions, future events or results or otherwise, except as may be required by law. There can be no assurance that the forward-looking statements contained in this Analysis will prove to be accurate as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.

**SELECTED FINANCIAL INFORMATION**

The following tables set forth summary financial information of the Company for the six months ended March 31, 2011 and 2010 and for the year ended September 30, 2010. The information for the six months ended March 31, 2011 and 2010 has been summarized from unaudited consolidated financial statements for these periods prepared by management. This summary of financial information should only be read in conjunction with our financial statements, including the notes thereto.

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	<b>Three Months Ended March 31,</b>	
	<b>2011</b>	<b>2010</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
	<b>(\$)</b>	<b>(\$)</b>
Financial results		
Revenue	Nil	Nil
Expenses	293,372	334,921
Loss for period	(301,239)	(347,230)
Basic and diluted loss per share <sup>(1)</sup>	(0.01)	(0.01)

	<b>Six Months Ended March 31,</b>	
	<b>2011</b>	<b>2010</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
	<b>(\$)</b>	<b>(\$)</b>
Financial results		
Revenue	Nil	Nil
Expenses	584,739	464,398
Loss for period	(600,631)	(478,217)
Basic and diluted loss per share <sup>(1)</sup>	(0.01)	(0.01)

	<b>March 31,</b>	<b>September 30,</b>
	<b>2011</b>	<b>2010</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
	<b>(\$)</b>	<b>(\$)</b>
Mineral properties	2,445,529	2,580,601
Total assets	2,546,171	2,684,706
Shareholders' equity	2,091,993	2,016,605
Long-term debt	Nil	Nil

(1) Based-upon the weighted average number of shares issued and outstanding for the period.

**OVERALL PERFORMANCE AND RESULTS OF OPERATIONS**

We are an exploration stage company and currently have no producing mineral properties and thus have had no revenues during all reported periods.

*Three months ended March 31, 2011*

For the three months ended March 31, 2011, we had a loss of \$301,239 or \$0.01 per share as compared to a loss of \$347,230 or \$0.01 per share for the three months ended March 31, 2010. The decrease in loss, \$45,991, is primarily attributable to a \$60,964 decrease in general and administrative expenses, offset by a \$19,415 increase in exploration costs. The increase in exploration costs relates primarily to geological and survey expenses at the Company's Golden Arrow property. The decrease in general and

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administrative costs consist of: a \$34,517 decrease in marketing expense related to a reduction in marketing consultant activities; a \$33,479 decrease in stock-based compensation costs, related to option grants to our employees, officers, directors and consultants; a \$20,616 decrease in rent and office expenses which is related to a reduction in corporate filing fees associated with Q2 2010 debt and equity financings. These decreases were offset by a \$23,511 increase in professional fees related to accounting and tax services; and a \$4,137 increase related to other general and administrative cost.

*Six months ended March 31, 2011*

For the six months ended March 31, 2011, we had a loss of \$600,631 or \$0.01 per share as compared to a loss of \$478,217 or \$0.01 per share for the six months ended March 31, 2010. The increase in loss, \$122,414, is primarily attributable to an increase in total expenses of \$120,341 caused by a \$19,576 increase in exploration costs and a \$100,765 increase in general and administrative costs. Exploration costs increased due to second quarter 2011 geological and survey expenses at the Company's Golden Arrow property. The increase in general and administrative costs consist of: a \$110,273 increase in consulting costs primarily related to an increase in investor relations and corporate development consultants activities during the first quarter of 2011; a \$32,414 increase in professional fees attributable to timing differences in the recognition of certain accounting and tax expenditures; a \$23,645 decrease in marketing costs related to the decreased use of marketing consultants in the second quarter of 2011; and a \$18,277 decrease related to other general and administrative cost.

**LIQUIDITY AND CAPITAL RESOURCES**

We are in the exploration stage and therefore have no cash flow from operations. Our principal source of liquidity since incorporation has been from the sale of equity capital. From the date of our incorporation on April 3, 2007 to March 31, 2011, we have raised approximately \$7,118,000 in net proceeds from the sale of equity capital for cash. At March 31, 2011 we had 50,449,843 Common Shares outstanding.

As noted below in "Financing Activities", in December 2010, the Company closed a non-brokered private placement consisting of 2,000,000 Units at a price of \$0.20 per Unit, yielding the Company gross proceeds of \$400,000. Each Unit consists of one common share of the Company and one common share purchase warrant. Each common share purchase warrant will be exercisable to purchase an additional common share at a price of \$0.30 until December 3, 2012, subject to acceleration on 30-days notice if, on any day on or after April 4, 2011 and before the expiry date of the Warrants, the Company's common shares trade at a price greater than \$0.50 for a period of 10 or more trading days. All shares and warrants issued pursuant to the offering are subject to a four-month hold period.

In addition, in the first fiscal quarter of 2011, a total of 2,363,334 warrants were exercised at a price of \$0.15 per warrant, yielding the Company \$354,500. Of these proceeds, \$45,000 was received in September 2010, and therefore was included in Subscriptions Received In Advance at September 30, 2010.

At March 31, 2011 current assets were \$73,263 and current liabilities were \$454,178 resulting in a deficit in working capital of \$380,915. At March 31, 2011 we had no long-term debt. During the 2010 fiscal year, the Company received US\$500,000 in exchange for a convertible promissory note. In March 2011, the Company repaid US\$100,000 in principal, along with US\$50,000 in accrued interest related to this convertible promissory note and amended the terms and due date on the remaining unpaid US\$400,000. Due to the maturity date, March 25, 2012, the promissory note is classified as a current liability on the

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Company's March 31, 2011 balance sheet. The note is secured by a first charge over Intor's interest in the Golden Arrow mining lease. The Company is actively seeking financing which will allow the Company to meet its obligations, however, there can be no assurance that the Company's efforts will be successful.

See "Additional Disclosure for Companies Without Significant Revenue" below.

There are no known trends affecting liquidity or capital resources. As described below in "Commitments and Contingencies", the Company expects that their exploration activities at the Kinsley Mountain properties will primarily be funded by Animas, as a result of a mining option agreement.

### **FINANCING ACTIVITIES**

At March 31, 2011 we had total assets of \$2,546,171. Our principal assets are cash of \$68,449 and our mineral exploration property interests in Nevada. As at March 31, 2011 we had total capitalized expenditures of \$2,445,529 related to these properties including \$2,159,098 for the Golden Arrow property that has been the subject of an exploration program. Through March 31, 2011, the Company has spent \$1,590,185 on the exploration of the Golden Arrow property which has been recorded as exploration costs.

At March 31, 2011 our capital stock was \$7,118,057 with 50,449,843 common shares issued and outstanding. We also had \$723,429 in contributed surplus primarily associated with the fair value of warrants granted to our agent in connection with our initial public offering and the fair value of stock options vesting during the period. As of March 31, 2011 there was an accumulated deficit of \$5,636,294.

In December 2010, the Company closed a non-brokered private placement consisting of 2,000,000 Units at a price of \$0.20 per Unit, yielding the Company gross proceeds of \$400,000. Each Unit consists of one common share of the Company and one common share purchase warrant. Each common share purchase warrant will be exercisable to purchase an additional common share at a price of \$0.30 until December 3, 2012, subject to acceleration on 30-days notice if, on any day on or after April 4, 2011 and before the expiry date of the Warrants, the Company's common shares trade at a price greater than \$0.50 for a period of 10 or more trading days. All shares and warrants issued pursuant to the offering are subject to a four-month hold period.

In addition, in the first fiscal quarter of 2011, a total of 2,363,334 warrants were exercised at a price of \$0.15 per warrant, yielding the Company \$354,500. Of these proceeds, \$45,000 was received in September 2010, and therefore was included in Subscriptions Received In Advance at September 30, 2010.

Subsequent to March 31, 2011, 650,000 stock options, which were outstanding at March 31, 2011, expired unexercised. Of the expired options 350,000 were exercisable at a price of \$0.15. The remaining 300,000 expired options were exercisable at a price of \$0.25. There have been no other changes in common shares, stock options or warrants from March 31, 2011 to the date of this report.

The proceeds from these financings have been our principal source of funds.

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**Investing Activities**

During the six months ended March 31, 2011, we incurred mineral property acquisition costs related to our mineral property interests in Nevada of \$7,787 and acquired no capital equipment. For the six months ended March 31, 2010, we incurred mineral property acquisition costs of \$451,607 and acquired no capital equipment.

Our ability to continue as a going concern is dependent upon our ability to raise additional capital, and achieve profitability, to fund any additional losses we may incur. Our unaudited financial statements were prepared on a going concern basis, which implies that we will realize our assets and discharge our liabilities in the normal course of business. The unaudited financial statements do not reflect adjustments to the carrying value of assets and liabilities that would be necessary if we are unable to achieve and maintain profitable operations.

**SUMMARY OF QUARTERLY RESULTS**

The following table sets out selected unaudited quarterly financial information of the Company and is derived from unaudited quarterly consolidated financial statements prepared by management. The Company's interim consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles and expressed in Canadian dollars.

Period	Revenues \$	Net Loss \$	Basic and Diluted Loss per Common Share \$
2nd Quarter 2011	Nil	(301,293)	(0.01)
1st Quarter 2011	Nil	(299,392)	(0.01)
4th Quarter 2010	Nil	(279,935)	(0.01)
3rd Quarter 2010	Nil	(309,727)	(0.01)
2nd Quarter 2010	Nil	(347,230)	(0.01)
1st Quarter 2010	Nil	(130,987)	(0.00)
4th Quarter 2009	Nil	(328,007)	(0.01)
3rd Quarter 2009	Nil	(385,790)	(0.01)

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**RELATED PARTY TRANSACTIONS**

The following is a summary of the Company's related party transactions:

	For the Six Month Period Ended March 31,	
	2011	2010
Professional fees to a professional services firm in which Mike Tomczak, chief financial officer is a partner	\$ 36,189	\$ 32,727
Exploration costs to a company owned by Dr. Odin Christensen, former director	-	236
Travel and entertainment to Nevada Sunrise LLC	4,223	-
Stock-based compensation to Steve Vanry, Warren Stanyer, Robert Leppo, Dr. Odin Christensen, William Henderson, Vicky Wadman and Mike Tomczak	23,891	61,736
Advance minimum royalty payments to Nevada Sunrise LLC	7,293	-
Mineral properties costs to company owned by Zach Henderson, the son of William Henderson, chief executive officer and director.	-	747

	As at	
	March 31, 2011	September 30, 2010
<b>Due to Related Parties</b>		
Nevada Sunrise LLC for advance royalties on mining leases and expenses paid on behalf of Company	\$ -	\$ 51,449
<b>Total due to Related Parties</b>	<b>\$ -</b>	<b>\$ 51,449</b>

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**COMMITMENTS AND CONTINGENCIES**

The Company has entered into an operating lease agreement for its office premises in Auburn, California. The term of the lease is through December 31, 2012. The annual commitments under this lease are as follows:

Fiscal Year	Annual Commitment
2011 (paid \$23,970 of this amount during the six months ended March 31, 2011)	\$ 40,345
2012	41,560
2013	10,467

The Company's mineral property interests are covered by mining leases. The Golden Arrow mining lease requires annual lease payments of US\$50,000 until December 2016. The Company may extend the Golden Arrow mining lease for additional one year terms by paying escalating annual lease payments. The Company has mining lease agreements with Nevada Sunrise LLC for each of its other four properties: Iron Point, Juniper, Kinsley Mountain and Pinnacle. The Iron Point and Juniper agreements include a net smelter royalty on production of 2% while the Kinsley Mountain agreement has a sliding scale net smelter royalty rate on production from 2% to 5% depending on the price of gold. The Iron Point, Juniper and Kinsley Mountain leases expires in 2017 and requires an annual advance minimum royalty. The annual advance minimum royalty for each property (Iron Point, Juniper, and Kinsley Mountain) is US\$100,000 in 2011 and all years thereafter. The Company has the right to terminate the Iron Point, Juniper and Kinsley Mountain lease with the Nevada Sunrise LLC with thirty days written notice. The Pinnacle agreement with Nevada Sunrise LLC includes a sliding scale net smelter royalty on production from 2.5% to 5% depending on the price of gold. The Company may terminate the Pinnacle agreement by given written notice prior to July 1 of the year of its determination and executing a quitclaim deed conveying its interest in the property to the related party. The Pinnacle agreement requires advance minimum royalty payments as follows:

	US\$ Advance Minimum Royalty
2011 (quarterly instalments)	\$30,000
2012 (quarterly instalments)	45,000
2013 (quarterly instalments)	60,000
2014-2020 (due July 1 of each year)	60,000

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In addition, the Company must pay annual property maintenance fees on the Pinnacle property and a minimum work commitment of US\$100,000 by the end of 2012; US\$100,000 each year from 2013 through 2015; and US\$250,000 per year from 2016 through 2020.

In March 2010, the Company entered into an agreement with Animas Resources Ltd (“Animas”), whereby the Company agreed to grant Animas an option to acquire a 51% interest in the Golden Arrow property. Animas would have exercised this option by spending \$3,500,000 in specified exploration expenditures within three years, including certain expenditures which were to occur in 2010. In March 2011, after completing their review of the 2010 Field Program, Animas determined that the Golden Arrow property did not meet their criteria for new discovery and notified the Company that they were terminating the agreement. The Company believes that other areas of the project are prospective for the expansion of known resources and new discoveries and anticipates continuing explorations activities at these areas of the Golden Arrow property.

Pursuant to the March 2010 Animas agreement, the Company agreed to grant Animas an option to acquire a 51% interest in the Kinsley Mountain property. Animas may exercise this option by spending \$1,500,000 in exploration expenditures including all annual property maintenance fees, advance royalty payments and lease payments within three years. Per the agreement, \$200,000, of the \$1,500,000 in exploration expenditures occurred during the 2010 calendar year. Upon earning 51% interest in Kinsley Mountain property, Animas and the Company will form a joint venture for further exploration work on the property and Animas will be granted an option to earn an additional 14% interest (for a total interest of 65%) by spending \$3,000,000 in exploration expenditures within 5 years from the date Animas provides notice of its intent to proceed with the second option, provided that Animas must provide such notice within 120 days of the exercise of the first option. Once Animas has earned a 65% interest in the property, and if the Company elects not to participate in the funding of a pre-feasibility study, Animas may earn an additional 10% interest (for a total of 75%) by completing and paying for a pre-feasibility study for the property. Animas’ exploration program at the Kinsley Mountain is ongoing and is not impacted by the termination of the Animas option on Golden Arrow.

On February 29, 2008, a claim was filed in the Supreme Court of British Columbia requesting the Company pay damages arising from the work and effort expended by a third-party. The damages were not specified but the claimant previously demanded (i) the Company issue to the third-party 1.2 million Common Shares; (ii) pay 2% of gross proceeds of a private placement and all funds raised in the Company’s initial public offering, and; (iii) pay the third-party’s out-of-pocket expenses. The Company believes the demands made are without merit and intends to vigorously defend the claim made. The Company has denied the claim, and no further action has been taken by the claimant. The Company’s Chief Executive Officer is also subject to a claim relating to the same matters. Since filing the claim two years ago, the claimant has taken no steps to proceed further.

In 2007 the Company received a demand letter from a third-party claiming to have advanced funds through a separate entity. The third-party sought payment of US\$100,000. The Company believes the claim is without merit and will vigorously defend any claim made.

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**RISK FACTORS**

**Limited Operating History**

We have no history of earnings. Our properties are in the exploration stage and there are no known commercially mineable mineral deposits on our properties.

**Negative Cash Flow**

To date, we have experienced negative operating cash flow and have not recorded any revenues from mining operations. None of our properties have advanced to the commercial production stage and we have no history of earnings or cash flow from operations. There can be no assurance that significant additional losses will not occur in the near future or that we will be profitable in the future. Our operating expenses and capital expenditures may increase in subsequent years as needed consultants, personnel and equipment associated with advancing exploration, development and potentially commercial production of our properties are added. The amounts and timing of expenditures will depend on the progress of ongoing exploration and development, the results of consultants' analyses and recommendations, the rate at which operating losses are incurred, the execution of any joint venture agreements with strategic partners, the acquisition of additional properties and other factors, many of which are our control. We expect to continue to incur losses unless and until such time as our properties enter into commercial production and generate sufficient revenues to fund continuing operations. The development of our properties will require the commitment of substantial resources to conduct the time-consuming exploration and development of properties. There can be no assurance that we will generate any revenues or achieve profitability. There can be no assurance that the underlying assumed levels of expenses will prove to be accurate. We have paid no dividends on our Common Shares since incorporation and do not anticipate doing so for the foreseeable future. Historically, the only source of funds available to us has been through the sale of our equity securities and through the option or joint venture of our projects. Any future additional equity financing would cause dilution to current shareholders. The option, sale or joint venture of our projects could also result in dilution of our interest or loss of, the project optioned, sold or joint ventured. If we do not have sufficient capital for our operations, it could result in delay or indefinite postponement of further exploration or development of the properties or loss of mineral claims, which would have a negative effect on our securities.

**Title Risks**

Although we have exercised due diligence with respect to determining title to the properties in which we have a material interest, there is no guarantee that title to such properties will not be challenged or impugned. Our mineral property interests may be subject to prior unregistered agreements or transfers or native land claims and title may be affected by undetected defects. Surveys have not been carried out on any of our mineral properties in accordance with the laws of the jurisdiction in which such properties are situated; therefore, their existence and area could be in doubt. Until competing interests in the mineral lands have been determined, we can give no assurance as to the validity of our title to those lands or the size of such mineral lands.

**Exploration and Development**

Resource exploration and development is a speculative business, characterized by a number of significant risks including, among other things, unprofitable efforts resulting not only from the failure to discover

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mineral deposits but also from finding mineral deposits that, though present, are insufficient in quantity and quality to return a profit from production. The marketability of minerals we acquire or discover may be affected by numerous factors that are beyond our control and that cannot be accurately predicted, such as market fluctuations, the proximity and capacity of milling facilities, mineral markets and processing equipment, and such other factors as government regulations, including regulations relating to royalties, allowable production, the import and export of minerals and environmental protection, the combination of which factors may result in the Corporation not receiving an adequate return of investment capital.

All of the claims in which we have acquired or have a right to acquire an interest are in the exploration stage only and are without a known commercially-mineable ore body. Development of the subject mineral properties would follow only if favorable exploration results are obtained.

There is no assurance that our mineral exploration and development activities will result in any discoveries of commercial bodies of ore. The long-term profitability of our operations will in part be directly related to the costs and success of its exploration programs, which may be affected by a number of factors.

Substantial expenditures are required to establish reserves through drilling and to develop the mining and processing facilities and infrastructure at any site chosen for mining. Although substantial benefits may be derived from the discovery of a major mineralized deposit, no assurance can be given that minerals will be discovered in sufficient quantities to justify commercial operations or that funds required for development can be obtained on a timely basis.

### **Uninsurable Risks**

Exploration, development and production of mineral properties is subject to certain risks, and in particular, unexpected or unusual geological operating conditions including rock bursts, cave-ins, fires, flooding and earthquakes may occur. It is not always possible to insure fully against such risks and we may decide not to take out insurance against such risks as a result of high premiums or for other reasons. Should such liabilities arise, they could have an adverse impact on our operations and could reduce or eliminate any future profitability and result in increasing costs and a decline in the value of the securities of the Corporation.

### **Environmental Regulations, Permits and Licenses**

Our operations may be subject to environmental regulations promulgated by government agencies from time to time. Environmental legislation provides for restrictions and prohibitions on spills, releases or emissions of various substances produced in association with certain mining industry operations, such as seepage from tailings disposal areas, which would result in environmental pollution. A breach of such legislation may result in the imposition of fines and penalties. In addition, certain types of operations require the submission and approval of environmental impact assessments. Environmental legislation is evolving in a manner that means standards are stricter, and enforcement, fines and penalties for non-compliance are more stringent. Environmental assessments of proposed projects carry a heightened degree of responsibility for companies and directors, officers and employees. The cost of compliance with changes in governmental regulations has a potential to reduce the profitability of operations. We intend to comply fully with all environmental regulations.

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Our current or future operations, including development activities and commencement of production on our properties, require permits from various federal, state or territorial and local governmental authorities, and such operations are and will be governed by laws and regulations governing prospecting, development, mining, production, exports, taxes, labor standards, occupational health, waste disposal, toxic substances, land use, environmental protection, mine safety and other matters.

Such operations and exploration activities are also subject to substantial regulation under applicable laws by governmental agencies that may require that we obtain permits from various governmental agencies. There can be no assurance, however, that all permits that we may require for our operations and exploration activities will be obtainable on reasonable terms or on a timely basis or that such laws and regulations will not have an adverse effect on any mining project which we might undertake.

Failure to comply with applicable laws, regulations, and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in mining operations may be required to compensate those suffering loss or damage by reason of mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations and, in particular, environmental laws.

Amendments to current laws, regulations and permits governing operations and activities of mining companies, or more stringent implementation thereof, could have a material adverse impact on the Corporation and cause increases in capital expenditures or production costs or reduction in levels of production at producing properties or require abandonment or delays in development of new mining properties.

To the best of our knowledge, we are operating in compliance with all applicable rules and regulations.

### **Competition**

The mining industry is intensely competitive in all its phases, and we compete with other companies that have greater financial and technical resources. Competition could adversely affect our ability to acquire suitable properties or prospects in the future.

### **Management**

Our success is currently largely dependent on the performance of our directors and officers. There is no assurance we will be able to maintain the services of our directors and officers or other qualified personnel required to operate its business. The loss of the services of these persons could have a material adverse affect on the Corporation and our prospects.

### **Fluctuating Mineral Prices**

Factors beyond our control may affect the marketability of metals discovered, if any. Metal prices have fluctuated widely, particularly in recent years. The effect of these factors on our operations cannot be predicted.

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**Gold Price**

Our profitability will be linked to the price of gold as our revenues, if any, will be derived primarily from gold mining. Gold prices are affected by numerous factors beyond our control, including central bank sales, producer hedging activities, the relative exchange rate of the U.S. dollar with other major currencies, global and regional demand and political and economic conditions. Worldwide gold production levels also affect gold prices. In addition, the price of gold has on occasion been subject to rapid short-term changes due to speculative activities.

**Future Financings**

Our continued operation will be dependent upon our ability to generate operating revenues and to procure additional financing. There can be no assurance that any such revenues can be generated or that other financing can be obtained on acceptable terms. Failure to obtain additional financing on a timely basis may cause us to postpone development plans, forfeit rights in some or all of our properties or joint ventures, or reduce or terminate some or all of our operations. If available, future equity financing may result in substantial dilution to purchasers under the Offering.

**Further Acquisitions**

As part of our business strategy, we may seek to grow by acquiring companies, assets or establishing joint ventures that it believes will complement its current or future business. We may not effectively select acquisition candidates or negotiate or finance acquisitions or integrate the acquired businesses and their personnel or acquire assets for its business. We cannot guarantee that we will complete any acquisition on favourable terms, or that any acquisitions completed will ultimately benefit our business. Future acquisitions may result in substantial dilution to purchasers under the Offering.

**Price Volatility of Publicly Traded Securities**

In recent years, the securities markets in the United States and Canada have experienced a high level of price and volume volatility, and the market prices of securities of many companies have experienced wide fluctuations in price that have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that continual fluctuations in price will not occur. It may be anticipated that any quoted market for the Common Shares will be subject to market trends and conditions generally, notwithstanding any potential success of the Corporation in creating revenues, cash flows or earnings. The value of securities distributed hereunder will be affected by market volatility.

If an active public market for the Common Shares does not develop or is not sustained, the liquidity of a shareholder's investment may be limited and the share price may decline below their purchase price.

**Foreign Currency Exchange**

Exchange rate fluctuations may affect the costs that we incur in our operations. Our financing activities have been denominated in Canadian dollars, while the expenditures we will incur on our mineral exploration projects in the United States will be denominated in U.S. dollars. The appreciation of the US dollar against the Canadian dollar, if it occurs, would result in increased costs of our activities in the

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United States in Canadian dollar terms, and currency movements may have a significant impact on our financial position and results of operations in the future.

**Conflicts of Interest**

Some of our directors and officers are engaged and will continue to be engaged in the search for additional business opportunities on behalf of other companies, and situations may arise where these directors and officers will be in direct competition with the Corporation. In particular, William Henderson, our CEO and one of our directors, is a director of and holds significant shares of Nevada Sunrise LLC. We hold rights in our properties through option agreements with Nevada Sunrise LLC. Conflicts will be dealt with in accordance with the relevant provisions of the BCBCA.

**Dividends**

We have not paid any dividends on our Common Shares since incorporation and do not anticipate paying any dividends on its Common Shares in the foreseeable future.

**FINANCIAL INSTRUMENTS**

The fair value of the Company's other current assets, accounts payable and accrued liabilities, note payable, convertible note payable, loan payable to shareholder and due to related parties approximate carrying value, which is the amount recorded on the consolidated balance sheet. The Company's other financial instrument, cash, under the fair value hierarchy is based on level one quoted prices in active markets for identical assets or liabilities.

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

**Credit risk**

Credit risk is the risk of loss associated with counterparty's inability to fulfill its payment obligations. The Company's believes it has no significant credit risk.

**Liquidity risk**

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at March 31, 2011, the Company had a cash balance of \$68,449 (September 30, 2010 - \$62,680) to settle current liabilities of \$454,178 (September 30, 2010 - \$668,101). In order for the Company to continue to meet its liabilities as they come due and to continue its operations, the Company is solely dependent upon its ability to obtain additional financing. The Company is actively searching for new or alternative sources of financing but anticipates that the current market conditions may impact the ability to source such funds. If the Company's efforts to raise additional funds are not successful, the Company may be unable to meet its obligations. Also, see "Additional Disclosure For Companies Without Significant Revenue" below.

**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.

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a) Interest rate risk

The Company has cash. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions or by the federal government. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks.

b) Foreign currency risk

The Company is exposed to foreign currency risk on fluctuations related to cash, accounts payable, accrued liabilities, notes payable, convertible notes payable, loan payable to shareholders and due to related parties that are denominated in US Dollars (US).

c) 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 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 of gold, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

**Sensitivity Analysis**

The carrying amount of cash, accounts payable and accrued liabilities, loan payable to shareholder, note payable, and due to related parties approximates their fair value due to their short term nature. The Company does not have any deposits with fixed interest rates.

The Company operates in the United States and is exposed to risk from changes in the U.S. dollar. A 10% fluctuation in the U.S. dollar against the Canadian dollar would affect net loss for the three month period ended March 31, 2011 by approximately \$38,000.

**CHANGE IN ACCOUNTING POLICY INCLUDING INITIAL ADOPTION**

*Financial instruments (Section 3862)*

CICA Handbook Section 3862, Financial Instruments – Disclosures was amended to require disclosure about the inputs used in making fair value measurements, including their classification within a hierarchy that prioritizes their significant. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

See Note 4 to the Company's consolidated financial statements for the six month period ended March 31, 2011, for the relevant disclosures.

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**Future Accounting Pronouncements**

*Business combinations (Section 1582)*

In January 2009, the CICA issued Section 1582 “Business Combinations” to replace Section 1581. Prospective application of the standard is effective for fiscal years beginning on or after January 1, 2011, with early adoption permitted. This new standard effectively harmonizes the business combinations standard under Canadian GAAP with International Financial Reporting Standards. The new standard revises guidance on the determination of the carrying amount of the assets acquired and liabilities assumed, goodwill and accounting for non-controlling interests at the time of a business combination. The Company does not expect the adoption of this section to have a significant effect on its financial statements.

*Consolidated financial statements (Section 1601) and non-controlling interests (Section 1602)*

The CICA concurrently issued Section 1601 “Consolidated Financial Statements” and Section 1602 “Non-Controlling Interests” which replace Section 1600 “Consolidated Financial Statements.” Section 1601 provides revised guidance on the preparation of consolidated financial statements and Section 1602 addresses accounting for non-controlling interests in consolidated financial statements subsequent to a business combination. These standards are effective January 1, 2011, unless they are early adopted at the same time as Section 1582 “Business Combinations.” The Company does not expect the adoption of this section to have a significant effect on its financial statements.

*International financial reporting standards (“IFRS”)*

The CICA has adopted a strategic plan whereby the Canadian accounting standards will be converged with International Financial Reporting Standards (IFRS) with the requirement to report under the new standards for fiscal years commencing in 2011. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date for the company of October 1, 2010 will require the restatement for comparative purposes of amounts reported by the Company for the year ended September 30, 2011. At this time, the most significant impacts appear to be related to potential reclamation and closure obligations, the calculation of stock-based compensation and, the accounting for future business combinations. The resulting effect on the Company’s consolidated financial statements has not yet been determined, however the company does anticipate increased note disclosure.

**CRITICAL ACCOUNTING ESTIMATES**

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the period. Actual results could differ from these estimates. Significant areas where management’s judgement is applied included stock-based compensation.

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**ADDITIONAL DISCLOSURE FOR COMPANIES WITHOUT SIGNIFICANT REVENUE**

Our consolidated financial statements, included herein, have been prepared in accordance with Canadian generally accepted accounting principles assuming the Company will continue on a going-concern basis. The Company has incurred losses since inception and the ability of the Company to continue as a going-concern depends upon its ability to develop profitable operations and to continue to raise adequate financing. As discussed above in “Financing Activities”, in December 2010, we completed a private placement which yielded gross proceeds of \$400,000 and yielded another \$354,500 from the issuance of shares pursuant to the exercise of outstanding stock purchase warrants.

The Company continues to actively target additional sources of financing which Management believes will assure the continuation of the Company’s operations and exploration programs. In order for the Company to continue to meet its liabilities as they come due and to continue its operations, the Company is solely dependent upon its ability to generate such financing.

There can be no assurance that the Company will be able to continue to raise funds in which case the Company may be unable to meet its obligations. Should the Company be unable to realize on its assets and discharge its liabilities in the normal course of business, the net realizable value of its assets may be materially less than the amounts recorded on the balance sheets. Our financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations.

The current market conditions and volatility increase the uncertainty of the Company’s ability to continue as a going concern given the need to both curtail expenditures and to raise additional funds. The Company is experiencing, and has experienced, negative operating cash flows. The Company will continue to search for new or alternate sources of financing but anticipates that the current market conditions may impact the ability to source such funds.

Our financial statements provide a detailed breakdown of various expenses we incurred. Our expenses are relatively basic, including accounting, audit and legal fees, bank charges, and office and miscellaneous expenses. Consulting expenses have increased significantly during the period as a result of increased corporate development and investor relations activities. Details for these expenditures may be found in the Statement of Operations and Deficit included in the Consolidated Financial Statements for the six months ended March 31, 2011.

**BUSINESS OBJECTIVES**

Our only business at present is the exploration and development of our properties. Our primary short-term objective is to complete the initial work program on our Golden Arrow Property. Our future work at the Golden Arrow Property will be based upon our better understanding of this property from the work to date. We will also evaluate development of our other properties: Juniper, Iron Point, Kinsley Mountain and Pinnacle. In addition, we will evaluate other properties for acquisition and joint venture potential. We will require additional funds obtained from additional financing for any new programs.

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**DISCLOSURE OF OUTSTANDING SHARE DATA**

We have one class of shares, being Common Shares without par value. As at the date of this analysis, 50,449,843 Common Shares were issued and outstanding. At the same date, there were outstanding a total of 3,027,164 Common share purchase warrants. Of the outstanding Common share purchase warrants, 1,027,164 are warrants to purchase Common Shares at a price of \$0.25 per share for a period expiring on April 29, 2011; and 2,000,000 are warrants to purchase Common Shares at a price of \$0.30 per share for a period expiring on December 3, 2012; subject to acceleration on 30-days notice if, on any day on or after April 4, 2011 and before the expiry date of the warrant, the Company's common shares trade at a price greater than \$0.50 for a period of 10 or more trading days. The warrants expiring on December 3, 2012 are subject to a four-month hold period. In addition, we have 2,875,000 incentive stock options outstanding to directors, officers, employees and consultants of the Company. All 2,875,000 of the granted options, including 700,000 granted to directors, excluding officers, were outstanding at March 31, 2011 and are exercisable at a price of \$0.25. The outstanding options vest over one to three years and expire on September 18, 2013, November 5, 2013, March 5, 2014, and July 29, 2015.

**APPROVAL**

The Board of Directors of Nevada Sunrise Gold Corporation have approved the disclosures contained in this MD&A. A copy of the MD&A will be provided to anyone who makes a request.