

**CROCODILE GOLD CORP.**  
**Managements' Discussion and Analysis**  
**For the nine months ended September 30, 2011**

This Management's Discussion and Analysis ("MD&A") relates to the financial condition and results of operations of Crocodile Gold Corp. together with its wholly owned subsidiaries (collectively, "Crocodile Gold", or the "Company") for the nine months ended September 30, 2011. The condensed interim consolidated financial statements and related notes of Crocodile Gold have been prepared in accordance with International Financial Reporting Standards ("IFRS"). Additional information, including the audited annual financial statements, MD&A and Annual Information Form for the year ended December 31, 2010 as well as press releases, has been filed electronically through the System for Electronic Document Analysis and Retrieval ("SEDAR") and is available online under the Crocodile Gold profile at [www.sedar.com](http://www.sedar.com).

This MD&A reports on the Company's activities through November 10, 2011. All references to "\$" are to United States dollars. References in this document to "C\$" are to Canadian dollars and references to "A\$" are to Australian dollars. The exchange rates between the US dollar and the Canadian and Australian dollars for the nine months ended September 30, 2011 and 2010 and the year ended December 31, 2010 were as follows:

	Nine months ended September 30, 2011		Nine months ended September 30, 2010		Year ended December 31, 2010	
	Average	Closing	Average	Closing	Average	Closing
US dollars per Canadian dollars	1.0225	0.9540	0.9653	0.9718	0.9706	1.0054
US dollars per Australian dollars	1.0384	0.9658	0.8972	0.9649	0.9192	1.0235
Canadian dollars per Australian dollars	1.0156	1.0123	0.9295	0.9929	0.9470	1.0180

This document contains forward-looking statements and should be read in conjunction with the risk factors described in the "Risk Factors" section and the "Cautionary Statement on Forward-Looking Information" at the end of this MD&A.

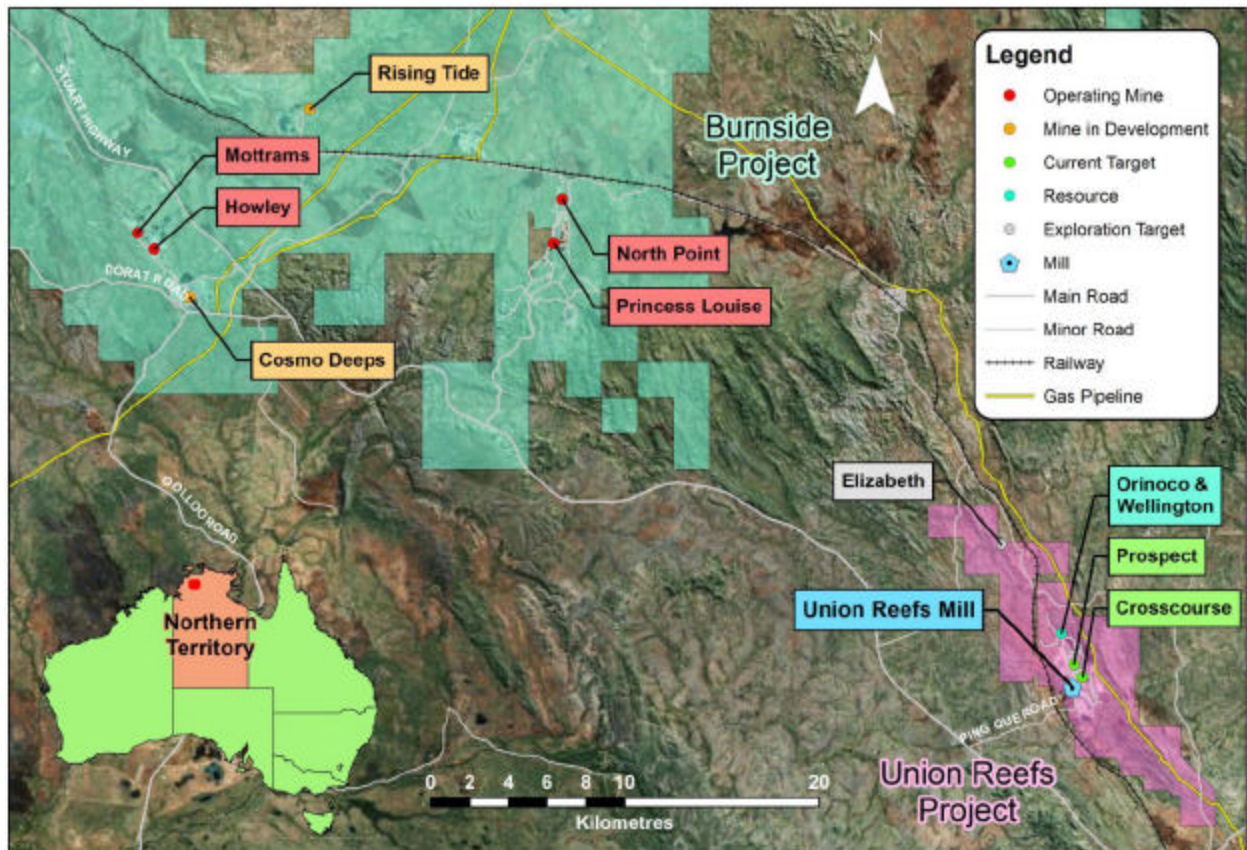
**Qualified Person**

The technical contents of this MD&A have been reviewed and approved by David Keough, MAusIMM and Bill Nielsen, P. Geo of Crocodile Gold, each a "qualified person" as such term is defined in National Instrument 43-101 ("NI 43-101").

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**Overview**

Crocodile Gold is a Canadian company with operating gold mines in the Northern Territory of Australia and a land position of over 3,300 square kilometres. Crocodile Gold is currently mining from the Mottrams and Princess Louise open pit mines and is developing the Cosmo underground mine. Ore is processed at the 2.4 million tonnes per year Union Reefs Mill. Crocodile Gold has 3.175 million ounces of NI 43-101 compliant measured and indicated mineral resources (51.85 million tonnes at an average grade of 1.9 g/t gold) and 2.14 million ounces of inferred mineral resources (36.35 million tonnes at an average grade of 1.8 g/t gold). The Company has an exploration program in place with a main focus on the Union Reefs Project, the Cosmo Mine and the Maud Creek Deposit.



Crocodile Gold's common shares and the share purchase warrants issued on March 24, 2011 (see *Equity Financings* below) trade on the Toronto Stock Exchange ("TSX") under the symbols "CRK" and "CRK.WT" respectively.

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**Highlights**

Highlights during 2011 to date have been:

- The operation of the mill:

	Three months ended September 30, 2011	Three months ended June 30, 2011	Three months ended March 31, 2011
Ore milled (tonnes)	559,447	500,759	315,010
Average head grade (grams per tonne)	1.09	1.32	1.55
Recovery rate (%)	92.8	91.8	93.2
Gold produced (ounces)	18,186	19,502	14,683
Mill utilization (%)	98	88	62

The first quarter of 2011 was much lower as a result of much heavier than normal rains experienced during the wet season, which continued until mid-April 2011.

- The exploration drilling program:

	Three months ended September 30, 2011	Three months ended June 30, 2011	Three months ended March 31, 2011
Surface exploration drilling			
- Reverse Circulation (metres)	7,787	2,808	582
- Diamond (metres)	10,873	3,506	0
Underground exploration drilling (metres)	0	550	0
Underground diamond drilling (metres)	3,274	2,790	0
Grade control drilling (metres)	15,810	18,815	13,280

At Union Reefs, Cosmo, Maud Creek, Yam Creek, Rising Tide and Iron Blow.

- Gold sales:

	Three months ended September 30, 2011	Three months ended June 30, 2011	Three months ended March 31, 2011
Gold sale revenue (\$)	30,595,899	30,206,274	19,858,346
Physical gold sold (ounces)	17,900	20,200	14,300
Average realized price (\$ per ounce)	1,714	1,507	1,389
Average quoted price (\$ per ounce)	1,702	1,506	1,386

- Financial results:

	Three months ended September 30, 2011	Three months ended June 30, 2011	Three months ended March 31, 2011
Net profit (loss) (\$)	(6,078,437)	1,200,539	(7,009,449)
Net profit per share (\$ per share)	(0.02)	0.00	(0.03)
Cash generated by mine operations (\$)	349,963	5,396,584	(2,365,816)

- Net working capital at September 30, 2011 was \$50,936,471 (September 30, 2010: \$10,813,575), which included cash and cash equivalents of \$49,200,630 (September 30, 2010: \$9,484,503). Net working capital at December 31, 2010 amounted to \$20,380,922, which included cash and cash equivalents of \$22,782,593.

The senior management team of Crocodile Gold now includes:

Chantal Lavoie	President and Chief Executive Officer - formerly of De Beers and Barrick Gold Corporation
David Keough	Chief Operating Officer - formerly of Goldcorp Inc.
Stephen Woodhead	Chief Financial Officer - formerly of Desert Sun Mining Corp.
Brianna Davies	Corporate Secretary
Joe Ranford	General Manager Operations - formerly of Mount Gibson Iron and Goldcorp Inc.
Bill Nielsen	Vice President, Exploration - formerly of Nevsun Resources Inc.
Colinda Parent	Vice President, Business Development - formerly of Northland Capital Partners Inc.

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The Company continues to take steps to improve safety, reduce costs and increase production and continues to look at all opportunities to optimize the operations. The flagship asset of Crocodile Gold is the Cosmo underground mine, which is currently being developed, with the first ore extracted in September 2011.

Option of the Mario Property, Peru to Fortuna Silver

On May 30, 2011, the Company and Fortuna Silver Mines Inc. ("Fortuna") announced the signing of an agreement granting Fortuna the exclusive right and option to acquire a 100% interest in the Mario Property of Crocodile Gold, located in the Department of Junin in central Peru, subject to the following terms. The divestment of the Mario property allows Company's management to focus exclusively on its Australian operations.

1. Payment of US\$500,000 on signing of the option agreement (received in escrow);
2. Payment of US\$500,000 on or before six months from the signing of the option agreement (due November 2011);
3. Payment of US\$500,000 on or before 12 months from the signing of the option agreement; and
4. Payment of US\$2,500,000 on or before 24 months from the signing of the option agreement.

Also, the acquisition of the property by Fortuna is subject to a 1% net smelter return (NSR) royalty on production from the property payable to Crocodile Gold. Fortuna shall have the right to purchase the NSR royalty from Company at any time during the five year period following the final option payment for the sum of \$3,000,000. The property is also subject to a 2% NSR royalty on production payable to Teck Cominco and a 0.5% NSR royalty on production payable to Socrate Capital Inc., with each royalty in turn subject to certain buy-back provisions.

Sale of Ball Mill:

In September 2011 the Company sold a spare ball mill for \$4.2 million. A non-refundable deposit of \$860,000 was received in the first week of October, with the balance of the purchase price payable upon the earlier of shipment or within 60-days of the agreement.

**Mineral Resources and Reserves**

On April 26, 2011, Crocodile Gold updated its mineral resource and mineral reserve estimates as at December 31, 2010, covering its Northern Territory ("NT") Properties.

Mineral reserves are included in mineral resources. All mineral reserves have been calculated using a \$1,000 gold price and current mining and mill cost and recovery estimates for each deposit. The exchange rate used was A\$0.91=\$1.00. Mineral resources that are not mineral reserves do not have demonstrated economic viability. Due to the uncertainty of measured, indicated or inferred mineral resources, these mineral resources may never be upgraded to proven and probable mineral reserves.

The mineral reserve estimates were reviewed and optimized by Mark Edwards, MAIG, who is a "qualified person" as such term is defined in NI 43-101.

The mineral resource estimates were generated using the following parameters:

- Models used have been reviewed and optimized by Mark Edwards and Fleur Muller.
- Model technique is Ordinary Kriging, Multiple Indicator Kriging or Inverse Distance (review NI 43-101 for more details).
- Mineralization wireframes conducted on 0.4-2 g/t material with a minimum width of 1-2 metres depending on the deposit and mineralization styles.
- High grade top cut used of 2-40 g/t depending on statistical review of sample results.
- 1 metre samples with core half core or split RC samples used in models.
- Samples were generally submitted to NAL and analyzed using 50 g fire assay with AAS finish, some samples were submitted to umpire laboratory for quality assurance / quality control ("QA/QC") purposes.

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Probable Mineral Reserves for Northern Territory Properties

CROCODILE GOLD MINERAL RESERVE STATEMENT – December 31, 2010					
		PROBABLE MINERAL RESERVE			
Project	Deposit	Cut-off (g/t)	Tonnes	Gold Grade (g/t)	Ounces Gold
<b>Burnside</b>	Brocks Creek	7.1	34,000	8.6	9,300
	Cosmo Deeps	3.1	3,100,000	4.2	420,000
	Howley	1.0	340,000	1.6	18,000
	North Point	1.0	55,000	2.3	4,000
	Princess Louise	1.0	200,000	1.5	9,700
	Mottrams	1.0	980,000	1.2	39,000
<b>Pine Creek</b>	Kohinoor	1.0	290,000	1.9	18,000
	Cox	1.0	500,000	1.6	26,000
	International	1.0	1,300,000	1.5	65,000
	Gandys	1.0	480,000	1.7	26,000
	South Enterprise	1.0	420,000	2.0	27,000
<b>TOTAL</b>			<b>7,699,000</b>	<b>2.7</b>	<b>662,000</b>
<i>Depleted for mining as at December 31, 2010 and does not include any depletion for mining since such date.</i>					

Measured and Indicated Mineral Resources for Northern Territory Properties

CROCODILE GOLD MINERAL RESOURCE STATEMENT - December 31, 2010									
		MEASURED MINERAL RESOURCE				INDICATED MINERAL RESOURCE			
Project	Deposit	Cut-off (g/t)	Tonnes	Gold Grade (g/t)	Ounces Gold	Cut-off (g/t)	Tonnes	Gold Grade (g/t)	Ounces Gold
<b>Mt Bundy</b>	Tom's Gully*					3.7	321,000	8.9	92,000
	Rustler's Roost A					0.5	19,920,000	0.9	572,800
<b>Burnside</b>	Howley					0.7	6,602,000	1.2	259,000
	Mottrams B	0.7	278,000	1.3	11,200	0.7	1,557,000	1.2	60,900
	Brocks Creek *B					7.1	34,000	8.6	9,300
	Cosmo*					2.0	5,300,000	4.6	776,000
	North Point B					0.7	103,000	1.6	5,300
	Princess Louise B	0.7	214,000	1.5	10,200	0.7	533,000	1.3	21,400
	Rising Tide					0.7	1,259,000	1.4	57,200
	Fountain Head					0.7	289,000	1.9	17,400
	Tally Ho*					2.0	274,000	4.3	37,700
	Mined Stockpiles	0.7	110,330	0.8	2,900				
<b>Union Reefs</b>	Prospect Claim					0.5	239,000	2.4	18,200
<b>Pine Creek</b>	Cox					0.5	730,000	1.4	33,100
	Czarina					0.5	1,040,000	1.8	60,300
	Gandy's					0.5	535,000	1.8	31,100
	International					0.5	2,253,000	1.4	105,000
	Kohinoor					0.5	470,000	1.8	27,100
	South Enterprise					0.5	500,000	2.0	32,000
<b>Maud Creek</b>	Maud Creek*					1.0	9,288,000	3.1	935,000
	<b>TOTAL</b>		<b>602,330</b>	<b>1.3</b>	<b>24,300</b>		<b>51,247,000</b>	<b>1.9</b>	<b>3,150,800</b>
<i>Note: * Underground Resource.</i>									
<i>Note: A = Crocodile Gold holds an 80% interest in this deposit.</i>									
<i>Note: B = Depleted for mining as at December 31, 2010 and does not include any depletion for mining since such date.</i>									

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Inferred Mineral Resources for Northern Territory Properties

CROCODILE GOLD MINERAL RESOURCE STATEMENT – December 31, 2010					
		INFERRED MINERAL RESOURCE			
Project	Deposit	Cut-off (g/t)	Tonnes	Gold Grade (g/t)	Ounces Gold
<b>Mt Bundy</b>	Tom's Gully *B	3.7	193,000	7.8	48,400
	Rustler's Roost A	0.5	10,320,000	0.9	302,400
<b>Burnside</b>	Howley	0.7	1,385,000	1.4	62,700
	Mottrams B	0.7	1,151,000	1.2	43,900
	Cosmo*	2.0	5,654,000	3.7	676,000
	North Point B	0.7	146,000	1.6	7,600
	Princess Louise B	0.7	5,000	1.3	200
	Rising Tide	0.7	557,000	1.4	25,500
	Fountain Head	0.7	98,800	2.0	6,200
	Tally Ho*	2.0	114,000	4.9	17,900
	Kazi	0.7	410,000	2.0	25,700
	Western Arm	0.7	3,383,000	1.1	120,300
	Bridge Creek	0.7	1,796,000	1.2	66,800
	Bon's Rush	0.7	805,000	2.3	60,400
	Iron Blow*	1.0	3,175,000	2.1	210,000
<b>Union Reefs</b>	Prospect Claim	0.5	315,000	2.5	25,700
	Low-Grade Stockpiles	NA	260,000	0.8	6,300
	Esmeralda	0.5	1,062,000	2.1	70,300
	Lady Alice	0.5	68,000	1.9	4,100
	Millars / Big Tree / PingQue	0.5	523,000	1.8	30,100
	Orinoco	0.5	135,000	1.2	5,400
	Union North	0.5	559,000	1.5	27,300
	Union South / Temple	0.5	818,000	1.3	35,000
<b>Pine Creek</b>	Cox	0.5	74,000	1.4	3,300
	South Czarina	0.5	294,000	1.5	14,100
	Enterprise	0.5	1,061,000	2.6	87,600
	Gandy's	0.5	482,000	2.9	45,300
	Kohinoor	0.5	335,000	2.6	28,500
	South Enterprise	0.5	101,000	1.4	4,400
<b>Maud Creek</b>	Maud Creek*	1.0	1,072,000	2.4	82,000
		<b>TOTAL</b>	<b>36,351,800</b>	<b>1.8</b>	<b>2,143,400</b>
<i>Note: *Underground Resource.</i>					
<i>Note: A = Crocodile Gold holds an 80% interest in this deposit.</i>					
<i>Note: B = Depleted for mining as at December 31, 2010 and does not include any depletion for mining since such date.</i>					

Inferred Mineral Resources for Northern Territory Properties – Other Commodities

CROCODILE GOLD MINERAL RESOURCE STATEMENT (Other Commodities) – December 31, 2010						
		INFERRED MINERAL RESOURCE				
Project	Deposit	Commodity	Cut-off	Tonnes	Grade (ppm)	Contained Metal
<b>Burnside</b>	Iron Blow	Lead	1.0g/t Au	3,175,000	7,595	53,163,000 pounds
		Zinc	1.0g/t Au	3,175,000	32,823	229,750,000 pounds
		Silver	1.0g/t Au	3,175,000	101	10,200,000 ounces
	Thunderball	Uranium	200 ppm	316,800	796	556,000 pounds
<i>Note: C = Crocodile Gold has a 30% free carried interest in this deposit.</i>						

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The Inferred Mineral Resource estimate – other commodities was generated using the following parameters:

- Models used were generated by Odessa (Iron Blow) and SRK Consulting (Thunderball).
- Model technique is Ordinary Kriging and Inverse Distance.
- Mineralization wireframes conducted on 0.5 g/t material with a minimum width of 2 m at Iron Blow.
- High grade top cut used of 10 g/t Au for Iron Blow and 4,000 ppm (U3O8) for Thunderball.
- 16 diamond and 39 RC drill holes used on Thunderball.
- Approximately 280 samples used at Iron Blow.
- 1 metre samples with core half core used for Iron Blow and 4 m composites used at Thunderball.
- Iron Blow Samples were submitted to NAL and analyzed using 50 g fire assay with AAS finish for gold and ICP-AAS for base metals.

### Mining and Milling Activity

The Company commenced mining activities at the Howley open pit mine and at the Brock's Creek underground mine in December 2009. On June 1, 2010, with the operations having achieved commercial levels of throughput, grades and recoveries on a sustained basis, the Company declared commercial production. During the seven months between the declaration of commercial production and December 31, 2010, the Company milled 1,250,000 tonnes of ore at a head grade of 1.54 g/t and a recovery rate of 91.1% to produce 56,294 ounces of gold. The Union Reefs mill is a 2.4 million tonne per year carbon-in-leach processing plant with two parallel circuits. The mill was originally commissioned in 1994, with the second circuit added in 1998.

Key performance indicators	September 2011	August 2011	July 2011	June 2011	May 2011	April 2011	March 2011	February 2011	January 2011
Safety – lost time injuries	3	3	0	1	1	-	-	-	-
Ore mined (tonnes)	173,877	230,675	175,091	176,747	148,438	135,613	113,225	91,028	62,823
Ore hauled (tonnes)	200,725	201,413	222,482	186,677	195,446	142,164	112,868	103,860	117,884
Dry tonnes milled (tonnes)	187,193	183,951	188,303	177,658	178,671	144,430	101,171	114,322	99,517
Mill utilization (%)	94	99	100	96	95	75	68	70	48
Feed grade (g/t)	1.15	1.05	1.06	1.35	1.17	1.47	1.95	1.36	1.37
Recovery (%)	94.0	93.4	91.1	88.9	91.9	94.6	94.5	93.9	91.1
Gold produced (ounces)	6,536	5,804	5,846	6,855	6,177	6,470	5,994	4,694	3,995
Gold sold (ounces)	7,300	6,400	4,200	7,800	7,700	4,700	6,380	4,570	3,350
Total staff and contractors	510	496	435	443	426	404	441	394	478

During the three months ended September 30, 2011, the Company milled 559,447 tonnes of ore at a head grade of 1.09 g/t and a recovery rate of 92.8% to produce 18,186 ounces of gold, compared with 500,759 tonnes of ore at a head grade of 1.32 g/t and a recovery rate of 91.8% to produce 19,502 ounces of gold in the three months ended June 30, 2011. In three months ended March 31, 2011, production was lower due to much heavier than usual monsoonal rains, and the Company only milled 315,010 tonnes of ore at a head grade of 1.55 g/t and a recovery rate of 93.2% to produce 14,683 ounces of gold.

Ore milled was sourced from the Howley and nearby Mottrams open pits, supplemented since June 2011 by the Princess Louise open pit, and from January to April 2011 by the Brock's Creek underground mine. In the three months ended September 30, 2011, 578,805 tonnes of ore was mined from the open pits at an average grade of 1.10 g/t. In the three months ended June 30, 2011, 452,733 tonnes of ore was mined from the open pit mines at an average grade of 1.22 g/t, while 8,065 tonnes of ore was mined at the Brock's Creek underground mine at an average grade of 5.80 g/t. During the three months ended March 31, 2011, a total of 234,764 tonnes of ore was mined at the open pit mines at an average grade of 1.27 g/t, while 32,312 tonnes of ore was mined at the Brock's Creek underground mine at an average grade of 5.57 g/t. Mining ceased at Brock's Creek in April 2011.

Mill availability in the three months ended September 30, 2011 was 95%, in line with the 97% achieved in each of the three months ended June 30 and March 31, 2011. Targeted mill availability is 95%.

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*Cosmo Underground Mine*

During 2010, the surface installations, portal and 562 metres of underground development were completed at the Cosmo underground mine. Following a tender process, Leighton Contractors Resource Division was awarded a three year contract for the mining and development of the Cosmo underground mine in March 2011. An interim ventilation upgrade, including fan purchase and low resistance ventilation tubing for the ramp, was installed at Cosmo early in the second quarter of 2011. Establishment of the permanent ventilation raise commenced in the third quarter.

Dewatering of the Cosmo pit was completed in the third quarter of 2011, with approximately 3 gigalitres of water being removed in the third quarter (6 gigalitres in 2011). The water was pumped to abandoned open pit mines via pipelines the Company constructed for this purpose. The Company is also constructing a water treatment plant, which is scheduled to be operational by December 2011, that will be used for ongoing dewatering requirements. The total cost to dewater the Cosmo pit was \$15 million.

A detailed optimization study has been undertaken of the Cosmo underground mine to prioritize long-term stable production, identify and mitigate any potential risk areas, and ensure that the infrastructure is designed for future potential expansion. A number of leading consultants in geology, mining, geotechnical, ventilation and metallurgy were engaged to review all previous work, and where possible, improve the existing design and identify new opportunities. Study findings included the awareness of ore structural controls, which will assist in predicting expected geotechnical conditions, modifications to the mining method to ensure a more conservative approach in the first year of production, and modifications to the infrastructure design to facilitate ease of material handling, ventilation and pumping.

The Cosmo Steering Committee includes study leader, Jim Simpson (formerly of New Gold Inc. and Goldcorp Inc.), and is headed by experienced mine operator and board member, Peter Tagliamonte. The dedicated operational management team at Cosmo is led by Joe Ranford, who has extensive underground mine operational experience, and include Terry Carr, the Cosmo Underground Mine Manager, and Craig Pridmore, Geology Manager.

Leighton Mining is making excellent progress with 1,132 metres of total development completed to September 30, 2011, including 589 metres, 455 metres, and 88 metres in the three months ended September, June and March 2011 respectively.

The Company extracted the first underground ore from the Cosmo underground mine in September 2011 (838 tonnes). This initial ore was extracted from the 1055 level access during ore development drives as part of the planned mine development. It was processed at the company's Union Reefs processing facility. Plans are now being put in place to ramp-up ore production through the fourth quarter of 2011 and Cosmo should reach its full production run rate in the second half of 2012.

During the current development at Cosmo, three mining levels have been accessed, and surface and underground infrastructure construction saw the completion of the mine planning office complex, medical and security center, change houses, core shed, workshop, and surface electrical reticulation. The next steps include driving the main decline to the bottom of the first mining block, setting up the mine's main ore stopes and reaching targeted ore production levels on schedule.

As part of upcoming development plans, Crocodile Gold plans to complete:

- the installation of a permanent dewatering system at the bottom of the pit (including water treatment capacity);
- a fourth mining level;
- permanent underground pump stations and underground electrical substations and high voltage power reticulation;
- establishment of the primary ventilation system (ventilation shaft to the surface with secondary egress); and
- re-furbishing and upgrading of the Cosmo accommodation village, including the delivery and installation of additional accommodation blocks.

Underground ore definition diamond drilling will continue, with two high capacity underground diamond drills now operational. Holes drilled on the 1035 and 1025 levels are confirming the known resource with ore widths and grades as expected from previous modeling. Highlights from the underground definition drilling include intersections of 16 meters at 10.7 g/t, 8.3 meters at 6.52 g/t, 9 meters at 5.26 g/t and 13.7 meters at 3.15 g/t. Additionally, recent results from the 1055 level Zone A are encouraging, as these holes targeted an area with little information from previous drilling campaigns. Zone A provides a potential increase in reserves outside the existing mine plan, in a readily accessible position from current development.

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Union Reefs and Pine Creek Areas

The Company has identified deposits within the Union Reefs and Pine Creek areas as potential near term mining areas with the benefit of being adjacent to, and within 15 kilometres of, the Union Reefs mill respectively. The Company is proceeding with permitting and has initiated development activities on certain deposits within these areas with the goal of starting production upon the receipt of the necessary permits. The close proximity of the deposits to the Union Reefs mill, relative to the Burnside deposits (Howley, North Point and Princess Louise) where the Company's current production is being sourced, has the benefit of lower haulage costs. Production from the Burnside deposits is hauled approximately 80 kilometres to the mill at a total cost of approximately A\$8 to A\$9 per tonne (including road maintenance). Due to encouraging results from the Rising Tide deposit, which already has installed infrastructure such as haul roads, etc., the Company is working to bring this deposit into the short-term production profile.

Crocodile Gold has initiated drilling at some assets in the Union Reefs area, targeting high grade underground targets in particular at the Crosscourse, Prospect and Lady Alice deposits. Depending on the success of exploration and mining studies, there is potential for further underground or open pit production from this area. See "*Exploration Review*".

Tom's Gully Underground Mine and Mt. Bundy Deposits

Strategic options for this asset are being considered, including divestment, to allow the Company to focus its resources, both financial and management, on Crocodile Gold's priorities that include the continued development of existing production sources such as North Point, Princess Louise and Howley, while bringing the Cosmo underground mine into production. Currently, neither short nor long-term production forecasts include any assumptions of production from the Tom's Gully mine or the Mt. Bundy mineral deposits.

## **Exploration Review**

The short-term goal of the exploration program is to increase Crocodile Gold's resources to 6.5 million ounces of gold, including 1 million ounces in reserves, with priority being given to higher grade deposits.

The Company has recently completed a thorough strategic review of its extensive exploration ground holdings and growth strategy in order to focus exploration and development activities, including permitting. Additionally, an assessment of the previously identified historical resources (numbering over 20) has identified many deposits/targets that warrant drilling. The quality and quantity of exploration targets generated near the Company's active mining areas, which were also identified to be within close proximity to the Union Reefs processing facility, has enabled the Company to rationalize its extensive tenement holdings in order to focus on high priority exploration and development projects. These prioritized projects hold the highest ranked exploration potential in management's view and are located near Crocodile Gold's operational center of gravity or near potential development projects (Maud Creek).

In the year ended December 31, 2010, the Company completed 81,946 metres of drilling, including 15,804 metres of diamond drilling. In the second and third quarters of 2011, the Company completed 6,314 metres and 18,660 metres of surface exploration drilling respectively, including 3,506 metres and 10,873 metres of diamond drilling; in addition to 582 metres of RC drilling in the three months ended March 31, 2011. Additionally, a total of 550 metres of underground exploration drilling has been conducted at Cosmo. Exploration expenditure in the three months ended September 30, 2011 included \$1,259,122 (six months ended June 30, 2011: \$679,845) on properties in respect of which a decision to develop has not yet been taken by the Company, and which was therefore expensed, and \$4,002,972 (six months ended June 30, 2011: \$2,396,249) on properties where a mineral resource has been established and a development decision has been taken, which was capitalized to mining properties. The Company's 2011 exploration drilling commenced in earnest in the second quarter. Securing exploration drills was challenging, but the Company now has four surface diamond drills, one underground diamond drill and two RC drills working. Drilling has taken place at Union Reefs, Cosmo, Maud Creek, Yam Creek, Rising Tide and Iron Blow. In addition, 47,905 metres of grade control drilling (all of 2010: 70,668 metres) and 6,064 metres of underground diamond drilling were completed in the first nine months of 2011.

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Exploration priorities for 2011 at Crocodile Gold's operations include the following:

- Detailed definition drilling at Cosmo to further upgrade mineral resources and mineral reserves. Exploration drilling will be conducted on the Western and Eastern Lodes in order to add further mineral resources and potentially, mineral reserves;
- The Union Reefs Project area is being explored with the priority to find an additional source of high grade mill feed, with the near term priorities being the Prospect and Crosscourse deposits;
- At Maud Creek, review of the historical resource and the previous mine engineering studies, to determine the most economic development scenario, is supplemented by the deposits inclusion in the VTEM airborne survey and drilling of 6,000 metres;
- Exploration on the precious metal (gold - silver) base metal targets at Mt. Bonnie and Iron Blow to find near surface precious metal enriched deposits and upgrade resources on these deposits; and
- VTEM airborne geophysical surveys have been complete over selected areas to provide a better understanding of the underlying geology and define base and precious metal targets of significance.

Cosmo Project

Drilling of the Eastern Lodes, where the majority of the resources and reserves are located, is concentrating on extensions to the existing orebody and upgrading of the existing resource to higher confidence levels. In addition, the Western Lodes have excellent potential for significant increases to the resource and the establishment of a significant reserve. The initial focus will be on near surface extensions to the orebody to the south of the existing resource and extensions at depth.

Drilling at Cosmo includes both surface and underground diamond rigs. The first underground hole drilled was collared within the dolerite unit and projected towards the Western Lodes. This hole intersected mineralization at a depth of in excess of 250 meters vertical, approximately 650 meters south of the current resource and 300 meters south of the last known Western Lode intersection. The existing Cosmo Western Lodes NI 43-101 resource is currently interpreted to be approximately 350 meters in strike length and around 250 meters in depth. The highlight of hole DDH PHP1, includes 5.14 grams per tonne (g/t) gold (Au) over 8.6 metres, including 16.4 g/t Au over 2 metres and 4.7 g/t Au over 1.6 metres.

The intersection is interpreted to be a southern projection of the Western Lodes. However, management believes the fact that it is in the footwall of the dolerite sill as opposed to the hanging wall, as seen further to the north and as in the Eastern Lodes, indicates that alternative interpretations are possible. Conceivably, the Western Lodes mineralization has cross-cut the dolerite unit. Further drilling and interpretive work will be required to resolve this issue. If successful in increasing the resources at the Western Lodes, the Company believes that it can increase the number of ounces per vertical meter.

The majority of the historical drilling at Cosmo focused on the Eastern Lodes and the current mineral resource model encompasses the Eastern Lodes down to a vertical depth of approximately 655 metres below surface.

Union Reefs and Pine Creek Areas

The Unions Reefs project area has been ranked by the Company as one of its highest priorities for growth of mineral resources and reserves, and near term production, due to:

- its location immediately adjacent to the Union Reefs mill and therefore does not require the haulage costs associated with the Burnside deposits;
- most of the deposits in the project area are within approved mining leases (versus within an exploration licence), and as a result the permitting process should be quicker;
- historical production in the Union Reefs area yielded over 800,000 ounces of gold from 12 shallow open pit operations and the Company believes the potential exists for both higher grade underground deposits and additional open pit deposits;
- in the Pine Creek area, over 750,000 ounces of gold has been produced from six shallow open pits and some limited underground production; and,
- the Company believes that significant exploration upside exists as past exploration in the area (except at the Crosscourse target) was limited in depth, with mainly oxide material being defined to any extent.

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The Company has initiated a major drill program at the Crosscourse and Prospect deposits. The targets are adjacent to the Union Reefs mill and are identified extensions of mineralization of the historical open pits mined in the 1990's. In April 2011, the Company reported high-grade intersections from the RC drilling program between the Prospect and Crosscourse historic open pits. The drill holes targeted high grade mineralized structures identified in 2010, and initially drilled in February 2011. Highlights of these drill results included 11.2 g/t Au over 4 metres, including 21.8 g/t Au over 2 metres, and 13.1 g/t Au over 5 metres, including 30.5 g/t Au over 2 metres.

With these results and the geological understanding gained late in 2010, additional drill rigs were mobilized to Union Reefs to accelerate the definition of these high-grade structures. In July 2011, the Company reported continued high-grade intersections from the exploration drilling program below the historic Prospect pit. Highlights included: 5.75 g/t Au over 4.92 metres, including 24.4 g/t Au over 0.75 metres; 6.67 g/t Au over 2.92 metres, including 37.6 g/t Au over 0.30 metres and 3.60 g/t Au over 1.75 metres; 3.69 g/t Au over 5.35 metres, including 20.4 g/t Au over 0.42 metres and 52.5 g/t Au over 0.30 metres. These results have been encouraging, with mineralization shown to continue below the historic mineral resource. Further step out drilling will test this mineralized structure at depth and along strike.

Past production from the Prospect pit amounted to 400,000 tonnes averaging 1.65 g/t Au to produce over 21,000 ounces of gold. The exploration program aims to complete sufficient drilling to define a high-grade resource below this pit that can be mined from underground thus improving Crocodile Gold's overall reserve grade.

Past production from the Crosscourse pit amounted to 13,000,000 tonnes averaging 1.7 g/t Au, producing over 700,000 ounces of gold. Approximately 83% of the gold from the Union Reefs open pits came from the Crosscourse pit. Drill intercepts from past operators on the E-lens below the pit bottom include, 6.60 g/t Au over 11 metres, 4.10 g/t Au over 36 metres and 6.00 g/t Au over 16 metres.

The first round of drilling on the Prospect deposit was completed in August 2011, whereafter the two diamond drill rigs moved to the E-Lens target at the Crosscourse deposit and at the Lady Alice deposit drilling below the existing pit.

Highlights of the first round of drilling included:

- 7.1 g/t Au over 4.5 meters, including 11.2 g/t Au over 2.6 metres at Prospect;
- 6.2 g/t Au over 3.6 metres, including 67.3 g/t Au over 0.3 metres at Prospect;
- 4.4 g/t Au over 5.5 metres, including 23.3 g/t Au over 0.8 metres at Prospect; and
- 3.6 g/t Au over 9.0 metres, and 8.1 g/t Au over 1.2 metres at Lady Alice.

These results have been encouraging as the defined mineralization is as expected, with minable grades and widths noted. A total of nine holes were completed for more than 1,870 metres of drilling at Prospect. These holes all targeted below the current NI 43-101 resource for the deposit, to a depth of 70-100 meters below the existing pit and along a strike length of around 550 meters. A second phase of drilling has been implemented to follow up on the higher grade zones. This will entail drilling along a strike length of 400 to 500 metres and to a vertical depth of 300 metres. The overall objective is to define resources/reserves for subsequent underground mining.

One hole was also completed at the Lady Alice deposit, which is located to the east of the Prospect drill area. This hole was drilled directly below the existing pit targeting higher grade mineralization. Further drilling of this deposit is being completed. In addition, several shorter exploration holes were drilled under the Crosscourse and the Millars/Big Tree areas. Several of these have shown the existence of higher grade mineralization below these historic mining areas.

In September 2011, the Company released further results from the drilling program including:

- 27.0 g/t Au over 4.23 meters, including 130.0 g/t Au over 0.6 meters at the Prospect deposit; and
- 10.16 g/t Au over 8.1 meters, including 13.9 g/t Au over 4.7 meters at the Crosscourse deposit.

These drill results are consistent with previous drilling and will add to the overall grade and size of these two proximal mineralized zones. The intersection in drill hole URNDD26 at Prospect is almost 50 meters below the current NI 43-101 resource and establishes continuity to depth and the intersection in drill hole URNDD001 is 75 meters below previous drilling and the bottom of the old Crosscourse pit. Their relatively shallow depths are of strategic importance and these wide and high-grade ore zones can be quickly accessed from an exploration/development decline from near the base of the existing historical open pits,

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possibly established in 2012. Numerous short sections of visible gold mineralization were seen throughout a significant core length beneath the Crosscourse pit.

In October 2011, a further drill hole (URNDD02) at the Crosscourse deposit returned the following intersections, within a broad zone of medium grade mineralization containing numerous sections of visible gold. The entire 181.2 meter length, from 389.2 to 570.4 meters, returned an average grade of 1.81 g/t Au.

- 8.89 g/t Au over 12.3 metres;
- 4.51 g/t Au over 14.08 metres, including 16.2 g/t Au over 3.8 metres;
- 13.28 g/t Au over 3.65 metres; and
- 14.83 g/t Au over 2.1 metres.

An additional minimum of 3,500 meters is planned to be drilled by year end. The expansion of resources to vertical depths of 300 to 400 meters will take a few months to complete but it is anticipated that an underground mining center at Crosscourse can be defined that would provide the Company with a very low cost, high grade operation center. The Prospect and Crosscourse deposits are all located within the Union Reefs mill site, less than 1,200 meters from the primary crusher and could be accessed from a single underground entry point, from the base of one of the existing historical pits. Following completion of the drill program, mineral reserve and resource estimates will be updated. A desktop study for the underground exploration program in 2012 is underway with initial concepts and costs expected to become available later this year.

Crocodile Gold's exploration group is also looking at other deposits in the Union Reefs area including Orinoco, Wellington and Elizabeth. A drill program is planned for the Orinoco Deposit to determine if sufficient resources are present to include it in the Company's future mine plan. The Wellington and Elizabeth deposits have some interesting historic high-grade drill intercepts that need additional work to see if they can be expanded upon.



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Rising Tide

The Rising Tide deposit has been included in the Company's Mine Development Plan and is scheduled for production in 2012.

The deposit is located immediately to the north of the Brocks Creek mine site and was previously mined by open pit for 12 months in 2006 and 2007. Production amounted to 768,000 tonnes, grading 1.47 g/t Au containing 36,000 ounces of gold. A total of 565 drill holes, between 1993 and 2006, have defined the deposit to date. Crocodile Gold has access to and has interpreted the historic drilling results from this period to validate the average grade of the Rising Tide deposit. Crocodile Gold's resource statements of December 31, 2010 specifies an indicated resource of 1,259,000 tonnes grading 1.4 g/t Au and inferred resources of 557,000 tonnes grading 1.4 g/t Au (both use a lower cut-off grade of 0.70 g/t Au).

Crocodile Gold is carrying out a reverse circulation (RC) drill program on the deposit to upgrade the resource base. Recent drill results from the first 6 holes have shown results as expected to increase the overall confidence in the current mineral resource model. The Rising Tide deposit is located within a valid and active Mineral Lease tenement therefore allowing production to start once the confirmatory drill program is completed and the mine management plan is approved by the authorities. In addition to the RC drill program, pit optimization studies, using an US\$1,100 per ounce gold price, are being completed; with preliminary results indicating mineral reserves that will supplement production from the Princess Louise open pit mine.

With local infrastructure still in place from previous mining activity on this deposit, as well as the adjacent Brocks Creek mine facilities, very little capital is required to put this deposit back into commercial production. The deposit is hosted by the same stratigraphic horizon as the Company's Cosmo deposit with mineralization in close proximity to sheared sediments in contact with a dolerite sill, which acts as a basal sequence in the area. Mineralization is interpreted to be hosted by multiple sub-parallel pyrrhotitic, carbonaceous units within the sediments. Both normal and reverse faults bound the mineralization. Mineralized horizons vary between 2.0 and 10.0 meters thick. Minor mineralization extends into the dolerite sill. The deposit is in very close proximity to a large granitic unit located to the north, which has created some contact metamorphic assemblages.

Maud Creek Deposit

The Maud Creek deposit is located 20 kilometres east of the town of Katherine and includes the historic Gold Creek Gold Deposit. The Maud Creek deposit is located along a steep easterly dipping, north-south trending fault, the Gold Creek Fault, which forms the contact between lithic sandstone and siltstone to the west and mafic tuff to the east. Gold mineralization is associated with intense quartz veining along the contact. The principal portion of the deposit has a surface exposure of 250 metres in strike length, up to 57 metres wide, striking north and dipping at 60° to the east. The strike extensions of this mineralized Main Zone lode are open to the north. To the south the mineralization is most probably truncated and off-set by a cross fault. Approximately 80% of the mineralization has been defined in the Main Zone, which is open at depth. The ore body is typically oxidized to 15-20 metres depth, then moderately oxidized (Transition Zone) to 25-30 metres, passing abruptly to fresh sulphide ore. Primary mineralization contains up to 5% total sulphides, dominantly pyrite and arsenopyrite. Arsenic levels within the higher grade gold zone may range up to 2%.

The Company considers the Maud Creek deposit to be a major asset and significant effort is being put into researching past work and confirmation of the resource and the previous mine engineering studies. The Company believes that not all development option scenarios have been fully investigated and has commenced a desktop study to determine the most economic development scenario. Based on the findings of this study, the Company will commence a Feasibility Study of the indicated optimum development scenario. An airborne geophysical (VTEM) survey was flown in the third quarter of 2011 and exploration and drilling programs have been implemented.

Precious metal (gold - silver) / base metal targets

A detailed review of the area surrounding the polymetallic Iron Blow deposit (Inferred resource of 3,175,000 tonnes of 2.1 gpt Au, 100.9 gpt Ag, 0.75% Pb, 3.28% Zn and 0.19% Cu), located near the Princess Louise / North Point gold trend, has shown the potential for further resource expansion. Management believes that further drilling of the historic resource at the Mt. Bonnie deposit could see the establishment of a NI 43-101 mineral resource.

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In order to further explore the potential prospectivity of the immediate area and to assist in optimizing future drill targeting, an airborne geophysical survey of the area was conducted. In addition to targeting base metals, a primary target will be the definition of enriched gold/silver oxide caps over base metal deposits.

Yam Creek Deposit

The Yam Creek deposit area lies between the North Point and Princess Louise pits. Exploration work will be undertaken in this area in 2011 in order to determine if significant resources can be defined which would ultimately extend the mine life of this region. An extensive reverse circulation drilling program is ongoing.

Howley Project

The Howley open pits are located immediately to the north of the Cosmo pit, with mineralization present for more than 5 kilometres to the north and the Howley Trend itself continuing for a further 20 kilometres.

The majority of previous drilling at Howley extended less than 100 metres below surface and had focused on the west limb of the structure, which is the location of the majority of the Company's estimated resources. During 2010, the drilling program tested the extent of mineralization in all directions, including the continuity of mineralization to a vertical depth of more than 200 metres. Results to date have confirmed that mineralization is present in several key areas, including:

1. at depth, beneath existing resources;
2. in areas of no existing resources and minimal previous drilling;
3. higher grade mineralization existing on the east anticlinal limb;
4. in the West Zone Area; and the
5. potential upgrade of mineralization within existing pit shells.

The West Zone Area of mineralization is estimated to be located up to 200 metres west of the main Howley mineralization and is in excess of 100 metres wide, but is not currently well defined. The results of the 2010 drill program indicate that the Howley mineralization is part of a larger gold system. Identified mineralization is now within a corridor that is up to 500 metres wide, has a strike length of more than 3.5 kilometres and remains open in all directions.

Airborne Geophysical Survey

At the end of August 2011, the Company completed an airborne geophysical survey consisting of more than 4,000 line kilometres over selected prospective areas. Geotech's VTEM helicopter-borne system was utilized. Southern Geoscience, of Perth Australia, was retained to ensure quality control, commutation and provide detailed interpretation of the results. The VTEM is a state of the art geophysics system what provides deep penetrating electromagnetic and magnetic information of the ground surveyed. It is used worldwide as a fundamental exploration tool to define geophysical signatures of mineral deposits and their hosts.

Crocodile Gold selected the VTEM system to identify anomalies that will indicate the potential to discover further gold and base metal deposits within its land package. For example, it is known that the Cosmo deposit will produce a relatively strong electromagnetic (EM) signature with a coincident magnetic anomaly. The recently completed survey has clearly defined the hosting geological environment and numerous newly identified Cosmo "look-a-like" targets that will need investigation.

The base metal environment represented by the Iron Blow and Mt. Bonnie deposits was also tested. Both deposits were clearly defined by the survey and a number of other newly defined VTEM anomalies lying in a similar stratigraphic position were also identified. Further exploration work will be carried out for their base and precious (gold/silver) metal potential.

Five separate areas were flown within the Burnside project area, close to existing operational infrastructure and a significant part of the Moline Property (located 60 kilometres from the Union Reefs mill) was also tested. The VTEM survey clearly defined the local stratigraphy and the exploration team will use this information to focus its efforts in defining additional significant gold mineralization in the area.

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At Maud Creek, the initial planned survey area was expanded after the Company applied to significantly increase its land position in this region. Crocodile Gold now has a better understanding of the underlying geology and structures which host the significant Maud Creek gold deposit. The Company is currently gearing up its exploration efforts in this area in order to apply the knowledge gained from the VTEM survey and determine if other potentially significant gold deposits exist in this region.

Initial ground investigation of a number of the VTEM anomalies generated from the survey is underway.

### **Equity Financings**

As of September 30, 2011, Crocodile Gold had 310,027,546 common shares outstanding. Details of the equity financings completed in the nine months ended September 30, 2011 are outlined below.

#### March 2011 Bought Deal Financing and Prospectus

On March 24, 2011, the Company issued 81,000,000 units at a price of C\$1.05 (\$1.06) per unit raising C\$80,228,692 (\$82,306,615), net of issue costs. Each unit consisted of one common share of the Company and one-half of a common share purchase warrant. The fair value of the share purchase warrants was estimated to be C\$8,910,000 (\$9,140,769) based on the traded price of the warrants on the TSX immediately after closing. An amount of C\$483,938 (\$496,472) was recorded as a cost of issue with respect to these warrants. Issue costs included underwriter fees of C\$4,252,500 (\$4,362,640). Forbes & Manhattan waived a payment of C\$1,050,000 (\$1,078,000) that would have been due upon the completion of the prospectus financing (see *Commitments and Contingencies* below). A director of the Company, Stan Bharti, is executive chairman of Forbes & Manhattan.

The Company agreed to grant the underwriters an over-allotment option to purchase up to an additional 12,150,000 common shares and/or an additional 6,075,000 common share purchase warrants, or a combination thereof, exercisable for a period of 30 days following the closing date at an exercise price equal to the issue price as allocated and described in the final prospectus to cover over-allotments. On April 25, 2011, the underwriters exercised their over-allotment option in relation to the share purchase warrants only. As a result, the Company issued 6,075,000 additional common share purchase warrants for aggregate gross proceeds of C\$729,000. Each common share purchase warrant entitles the holder thereof to acquire one common share of the Company at an exercise price of C\$2.25 until March 24, 2016.

The common share purchase warrants are listed and trade on the TSX under the symbol "CRK.WT".

#### Grant of Shares pursuant to Share Compensation Plan

At the annual and special meeting of Crocodile Gold's shareholders for the year ended December 31, 2010, shareholders of the Company approved the adoption of a share compensation plan pursuant to which the board of directors was authorized to issue up to 2,500,000 common shares to encourage the recruitment and retention of key persons. The Shares shall be issued from treasury on a quarterly basis in twelve equal instalments over a period of three years. As of September 30, 2011, a total of 2,165,000 were authorized and reserved for issue by the board of directors of which 344,138 were issued, 141,668 have been forfeited and 1,679,194 remain to be issued.

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**Outlook**

Operations

Crocodile Gold initially expected to produce 85,000 to 100,000 ounces of gold in 2011, including 5,000 to 10,000 ounces from the Cosmo underground mine. After a review of the adverse impact of the 2011 wet season on production, year-to-date operating results, and planned production to the end of the year, the Company revised its production forecast to 77,500 to 82,500 ounces of gold in 2011. As a result of the average head grade over the nine months to September 30, 2011 averaging only 1.28 g/t, compared with a forecast 1.54 g/t, the total production for 2011 is now only expected to be 66,000 to 69,000 ounces of gold. A detailed mine plan for 2012 and beyond is being developed, but is impacted in the short-term by uncertainty surrounding the timing of the issue of permits for new areas being included to maximize the amount of open pit material above a 1 g/t cut-off grade. The average grade originally expected from the open pits during 2011 was 1.34 g/t, which was subsequently revised to 1.20 g/t. In the three months ended September 30, 2011, the average grade achieved from the open pits was 1.10 g/t.

The Company is stockpiling ore where possible to help maintain production during the wet season at the end of 2011 and into the first quarter of 2012. The Union Reefs mill is forecast to process in excess of 1.9 million tonnes of ore in 2011.

Exploration

In 2011, definition drilling will be conducted at Cosmo on the Western and Eastern Lodes in order to add further mineral resources and potentially, mineral reserves.

The Union Reefs project area has been prioritized to find additional sources of high-grade mill feed that can be mined from underground, with the near term priorities being the Prospect and Crosscourse deposits.

Drilling has been supplemented by an airborne geophysical survey over selected areas in order to more fully understand the underlying geology and define base and precious metal targets of significance.

Limited drilling is being conducted at Maud Creek to attempt to expand indicated resources and gain more confidence in the resource model. A limited exploration RC drilling program will test the north and south extensions of the Main Zone as well as test one VTEM defined target located to the south of the Maud Creek deposit. The Company has initiated a desktop/scoping study on Maud Creek, which it expects to complete in the fourth quarter of 2011. The outcome of this study will assist in establishing the next steps to maximize the value of this deposit.

Exploration drilling on the precious metal (gold - silver) / base metal targets at Mt. Bonnie and Iron Blow is underway, planned to upgrade mineral resources on existing deposits.

**Liquidity and Capital Resources**

As at September 30, 2011, the Company had net working capital of \$50,936,471 (June 30: \$77,473,864 / March 31: \$90,010,613), of which the major components were cash and cash equivalents of \$49,200,630 (June 30: \$76,819,172 / March 31: \$88,191,145), amounts receivable of \$9,756,496 (June 30: \$2,743,403 / March 31: \$2,981,072) and inventories of \$8,975,760 (June 30: \$11,642,702 / March 31: \$11,378,978), partially offset by current liabilities of \$18,454,676 (June 30: \$15,430,144 / March 31: \$15,027,014). Net working capital at December 31, 2010 amounted to \$20,380,922, including cash and cash equivalents of \$22,782,593, amounts receivable of \$2,229,773 and inventories of \$8,807,187, partially offset by current liabilities of \$14,789,994. In addition to operating expenses, expenditures in 2011 include capital spent on the development of the Cosmo underground mine, other capital projects such as the dewatering of the Cosmo open pit and upgrades to the Union Reefs mill, and an exploration program costing approximately \$13 million.

Future financing requirements, if any, will depend on a number of factors that are difficult to predict and are often beyond the control of the Company.

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**Statement of Operations**

During the nine months ended September 30, 2011, Crocodile Gold recorded a net loss of \$11,887,347, or \$0.04 per share, compared with \$7,173,389, or \$0.04 per share in the nine months ended September 30, 2010. The Company determined that it had reached commercial production effective June 1, 2010 and all operating costs, net of any pre-production revenue, prior to that date were capitalized as mine properties.

The operations recorded a mine operating loss of \$2,702,989 in the nine months ended September 30, 2011, including a mine operating loss in the first quarter of \$4,238,827. The operating loss in the first quarter was due to the effects of the exceptional wet season in the Northern Territories of Australia, which severely constrained mining and processing activities. In the six months since the end of the wet season mine operating earnings were \$1,535,838. The mine operating loss for the nine months ended September 30, 2011 includes depletion and depreciation of \$6,083,720.

During the nine months ended September 30, 2011, the Company has recorded gold sale revenue as follows:

	<b>Three months ended September 30, 2011</b>	<b>Three months ended June 30, 2011</b>	<b>Three months ended March 31, 2011</b>
Gold sale revenue (\$)	30,595,899	30,206,274	19,858,346
Physical gold sold (ounces)	17,900	20,200	14,300
Average realized price (\$ per ounce)	1,714	1,507	1,389
Average quoted price (\$ per ounce)	1,702	1,506	1,386

The Company sold 80,525 ounces of gold at an average price of \$1,246 per ounce in the full twelve months ended December 31, 2010, when the price of gold on the London Bullion Market averaged \$1,225 per ounce.

Royalty expense of \$108,268 relates to ounces produced from the Company's Brock's Creek underground mine and was incurred during the four months ended April 30, 2011. Production from Brock's Creek was subject to a royalty of A\$20 per ounce.

Depreciation, depletion and amortization of \$2,314,476 (six months ended June 30, 2011: \$3,769,244) was recorded on the statement of operations and comprehensive income (loss). Acquisition costs and development expenses capitalized to mine properties are being depleted on a unit-of-production basis, based on the measured and indicated mineral resource ounces. Property, plant and equipment are being depreciated over the lives of the applicable areas of interest on a unit-of-production basis. The remaining life of the present area of operation is estimated to be approximately 10 years. Depreciation of assets with a useful life shorter than the expected mine life is calculated using the straight-line method over the estimated useful lives of the related assets. Useful lives for mobile and other equipment range from 2 to 8 years, except for plant and equipment not currently in use and maintained in reasonable condition, which is depreciated over 20 years.

The net loss included exploration expenditure of \$1,259,122, \$324,135 and \$355,709 in the three months ended September 30, June 30 and March 31, 2011 respectively, compared with \$323,322, \$1,655,050 and \$737,711 in the three months ended September 30, June 30 and March 31, 2010. Exploration expenditure is expensed in respect of properties where mineral resources have not yet been identified and the Company has not yet made a development decision.

During the three months ended September 30, 2011, the Company recorded reclamation accretion expenses of \$208,176 (three months ended June 30 and March 31, 2011: \$205,010 and \$173,993 respectively). Care and maintenance costs relate to properties that have not yet been taken into production, including Maud Creek, Pine Creek and Moline. During the quarters ended September 30, June 30 and March 31, 2011, the Company recorded care and maintenance expenditure of \$96,831, \$104,615 and \$132,216 respectively.

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Corporate general and administrative expenses are made up as follows:

	Three months ended September 30, 2011	Three months ended June 30, 2011	Three months ended March 31, 2011	Three months ended September 30, 2010	Three months ended June 30, 2010	Three months ended March 31, 2010
Local salaries, fees and general expenses	805,416	577,805	196,994	176,830	333,286	105,549
Salaries and consulting fees	616,018	639,194	493,785	353,825	230,504	331,864
Directors' fees	17,872	17,914	0	0	0	0
Professional fees	167,281	54,160	86,170	110,003	167,808	69,297
Travel expenses	119,196	260,949	274,051	48,556	188,597	132,506
Shareholders communication/filing	155,949	128,962	200,742	116,302	153,366	227,930
Insurance expense	13,133	11,103	10,384	9,841	12,787	10,353
Office supplies & general expenditures	46,429	64,564	39,305	34,885	(10,431)	57,449
	<b>1,941,294</b>	<b>1,754,651</b>	<b>1,301,431</b>	<b>850,242</b>	<b>1,075,917</b>	<b>934,948</b>

Corporate general and administrative activity takes place in Australia and Canada. Salaries and consulting fees include the monthly fees payable to Forbes & Manhattan as described below under the section entitled *Commitments and Contingencies*, along with other management contracts. Professional fees include legal fees and amounts paid to the Company's auditors. Travel expenses relate to travel between Canada and the mining assets in Australia and travel for investor relations and corporate development related activities. Shareholders communication / filing fees relate to the communication of the various activities undertaken by the Company, along with TSX listing fees and other regulatory filing costs.

Stock-based compensation expenses of \$1,470,470 were recorded in the statement of operations and comprehensive income (loss) during the three months ended September 30, 2011 (three months ended June 30 and March 31, 2011: 1,296,034 and \$1,125,428 respectively), relating to the vesting of options granted between July 10, 2009 and September 30, 2011. During the nine months ended September 30, 2011, 7,480,000 options were granted (years ended December 31, 2010 and 2009: 6,700,000 and 11,160,000 options respectively). Options granted typically vest over a two-year period with 1/8<sup>th</sup> of the grant vesting each quarter. At September 30, 2011, a total of 19,588,704 options were outstanding, of which 11,313,079 had vested. The options granted during 2011 had an estimated grant date fair value of \$2,914,070. The estimated grant date fair value of the options was calculated by applying the Black-Scholes option pricing model using the following assumptions: expected dividend yield of 0% (2010: 0%); expected forfeiture rate of 5% (2010: 5%); expected volatility of 76% (2010: 100%); risk-free interest rate of 1.6% (2010: 2.2%); and, an expected life of three years (2010: three to five years).

Also included in stock-based compensation in the third quarter was the vesting of awards granted under the Company's share compensation plan. On July 4, 2011 and October 3, 2011 176,235 and 167,903 fully paid and non-assessable common shares in the capital of the Company were issued pursuant to the share compensation plan. In terms of this plan, the board of directors is authorized to issue up to 2,500,000 common shares to encourage the recruitment and retention of key persons who had been and continued to be integral to the Company's development and achievement of milestones.

During the three months ended September 30, 2011, the Company earned interest income of \$1,056,037 (three months ended June 30 and March 31, 2011: \$1,234,804 and \$354,657 respectively). This income was largely earned on the cash and cash equivalents and restricted cash held during the period in Australia. The restricted cash is held as collateral for bank guarantees that have been issued by Westpac Bank to the Northern Territory government as security for environmental bonding. Australian dollar cash and cash equivalents, and restricted cash deposits, earned interest at rates ranging between approximately 4% and 6.2% per annum. To protect against a strengthening Australian dollar vis-à-vis the United States dollar, the Company holds a significant portion of its cash in Australian dollars.

The reporting currency of Crocodile Gold is the US dollar. The functional currency of the group's Australian subsidiaries is the Australian dollar and the functional currency of the Canadian holding companies, and Peruvian investment, is the Canadian

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dollar. The consolidated financial statements are translated into the US dollar using the current rate method. Under this method, all assets and liabilities are translated at the rate of exchange on the balance sheet date and all revenue and expense items are translated at the average rate of exchange for the period. Gains and losses on translation are included in equity as a separate component of other comprehensive income (loss). During the three months ended September 30, June 30 and March 31, 2011, the Company recorded unrealized gains (losses) on foreign currency translation of (\$25,681,048), \$8,529,147 and \$3,213,411 respectively. The net loss on translation in the third quarter was the result of the US dollar strengthening against both the Canadian and Australian dollars in September 2011. This strengthening has subsequently being reversed and the exchange rate between the Australian and US dollars has strengthened from A\$1.00:\$0.9658 to A\$1.00:\$1.0330 as at November 8, 2011.

**Cash Flow**

Cash used in operating activities prior to working capital changes was \$1,833,155 in the three months and \$1,039,374 in the nine months ended September 30, 2011. Cash used in operating activities in the nine months ended September 30, 2011, of \$7,645,941, was made up of cash generated by mine operations of \$3,380,731, less general and administrative type costs (net of interest income) of \$2,147,476, exploration and care and maintenance costs of \$2,272,629, and increased amounts receivable of \$8,227,236, offset by other net decreases in working capital of \$1,620,669. Amounts receivable at September 30, 2011 included \$4,206,928 with respect to the sale of a surplus ball mill concluded shortly before the quarter end. The ball mill will only be shipped upon receipt of the full purchase price, which is expected to occur in November 2011. During 2010, cash used in operating activities was largely due to general and administrative costs of \$1,875,453, exploration expenditure of \$2,392,761 and the net change in non-cash working capital.

Investing activities used \$47,063,093 in the nine months ended September 30, 2011. Expenditure in 2011 was principally incurred on development of the Cosmo underground mine of approximately \$29 million, including the dewatering of the Cosmo pit, and at the Union Reefs mill (approximately \$8 million).

Exploration of properties, where a decision to develop has been taken by the Company, accounted for \$6,399,221 of the investing activities in 2011, but was immaterial in 2010.

Investing activities also included additions to restricted cash, i.e. cash held on deposit with the Company's financial institution in Australia who, in turn, has provided the Northern Territory government with a bank guarantee to secure the Company's reclamation obligations. Restricted cash increased by \$2,514,356 in 2011.

The primary financing activity in the three months ended September 30, 2011, was the financing of the purchase of two Komatsu 6-wheel loaders with a loan from the Company's Australian bank. Financing activities in the first six months of 2011 were dominated by the prospectus offering the Company closed on March 24, 2011 of 81,000,000 units at a price of C\$1.05 (\$1.06) per unit for aggregate gross proceeds to Crocodile Gold of C\$85,050,000 (\$87,252,795). On April 15, 2011, the underwriters exercised an over-allotment option and an additional 6,075,000 common share purchase warrants were issued at a price of C\$0.12 (\$0.13) per warrant for gross proceeds of C\$729,000 (\$759,326). Costs associated with the issue of shares and warrants in the nine months amounted to \$5,825,108, including \$840,962 related to 2010 but paid in the current year.

**Off-Balance Sheet Items**

As at September 30, 2011, the Company did not have any off-balance sheet items.

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**Quarterly Information**

2011 - Quarters Ended		September 30	June 30	March 31
Reporting framework		IFRS	IFRS	IFRS
Revenues		30,803,801	30,400,599	19,965,737
Net earnings (loss)		(6,078,437)	1,200,539	(7,009,449)
Earnings (loss) per share (basic and diluted)		(0.02)	0.00	(0.03)
Total assets		263,120,278	289,683,627	277,909,268
Long-term liabilities		11,867,764	11,486,867	11,942,859

2010 - Quarters Ended	December 31	September 30	June 30	March 31
Reporting framework	IFRS	IFRS	IFRS	IFRS
Revenues	31,760,478	30,646,673	10,944,269	-
Net earnings (loss)	(14,506,896)	2,233,929	(6,525,121)	(2,882,197)
Earnings (loss) per share (basic and diluted)	(0.08)	0.01	(0.03)	(0.02)
Total assets	197,510,132	171,325,235	151,599,462	156,073,916
Long-term liabilities	11,690,331	10,588,952	9,140,487	9,782,798

2009 - Quarters Ended	December 31	September 30	June 30	March 31
Reporting framework *	C.GAAP	C.GAAP	C.GAAP	C.GAAP
Revenues	-	-	-	-
Net loss	(15,902,843)	(956,164)	(566,241)	(635,835)
Loss per share (basic and diluted)	(0.13)	(0.01)	(0.01)	(0.03)
Total assets	117,156,961	61,116,755	55,086,698	6,259,644
Long-term liabilities	5,831,961	12,557,920	10,432,913	-

\* Canadian Generally Accepted Accounting Principles (C.GAAP).

The increase in total assets reflects the purchase of the exploration and mining properties in the Northern Territories of Australia and the development and commissioning of the Union Reefs mill, funded through various equity financings and the exercise of common share purchase warrants and share purchase options. The increase in the long-term liabilities is the result of the establishment and subsequent increases of the provision for rehabilitation of the Company's mine properties. The unusually high loss during the fourth quarter of 2009 is due to the charge of \$12,326,762 to the statement of operations and comprehensive income (loss) of the excess of the purchase price of Franc-Or over the estimated fair value of the net assets acquired. The revenues beginning during the three months ending June 30, 2010, are the result of the operations reaching commercial production.

Three Months Ended September 30, 2011

During the three months ended September 30, 2011, the Company recorded a net loss of \$6,078,437. The net loss was after exploration expenses of \$1,259,122. The Company also recorded non-cash stock based compensation of \$1,470,470 during the period, as well as non-cash depletion and depreciation of \$2,314,476. In the three months, gold sale revenue amounted to \$30,595,899 on the sale of 17,900 ounces of gold for an average realized price of \$1,714 per ounce. The average London PM Fix during the three months ended September 30, 2011 was \$1,702 per ounce.

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**Non-IFRS Measures**

The Company has included a discussion of cash costs in this MD&A, which is a non-IFRS performance measure. In the gold mining industry, this is a common performance measure, but does not have any standardized meaning. The Company believes that, in addition to conventional measures prepared in accordance with IFRS, certain investors use this information to evaluate the Company's performance and ability to generate cash flow. Accordingly, it is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. The Company reports cash costs on a sales basis and it is calculated on a by-product basis by deducting silver sales revenue from operating cash costs. The following is a reconciliation of the cash cost per ounce of gold sold to the reported operating expenses following the Company's declaration of commercial production on June 1, 2010:

	Three months ended September 30, 2011	Three months ended June 30, 2011	Three months ended March 31, 2011	Seven months ended December 31, 2010
Operating expenses per consolidated statement of operations and comprehensive income (loss)	30,453,306	24,940,389	22,287,443	63,726,536
By-product silver sales credit	(207,902)	(194,325)	(107,391)	(173,364)
Non-cash stock option expense charged to operating expenses	(298,333)	(106,049)	(162,669)	(371,518)
<b>Operating cash costs</b>	<b>29,947,071</b>	<b>24,640,015</b>	<b>22,017,383</b>	<b>63,181,654</b>
Divided by ounces of gold sold	17,900	20,200	14,300	56,990
<b>Cash cost per ounce (\$ per ounce)</b>	<b>1,673</b>	<b>1,220</b>	<b>1,540</b>	<b>1,109</b>

The average cash cost per ounce of gold sold since the start of the dry season in April 2011 to September 30, 2011 was \$1,432. This is a reasonable indication of the current cash cost of operating the open pits at their current low grade. The single most important contributing factor to the higher cash cost per ounce of gold sold than expected, is the lower head grade of the ore being processed. This has had an impact on the average cash cost of approximately \$250 per ounce. As the higher grade ore from the Cosmo underground mine begins to make up a significant portion of the ore processed in 2012, this cash cost per ounce of gold sold is expected to drop significantly. The cash cost per ounce of gold sold was approximately \$60 higher than expected as a result of the strong Australian dollar and approximately \$26 higher than expected as a result of the increase in diesel prices. Operating costs in US Dollar terms were negatively affected by a strong Australian dollar (the average exchange rate for the nine months ended September 30, 2011 was 1.04, compared to 1.00 budgeted) and a higher diesel price (which ranged from A\$0.83 to A\$0.99 per litre, net of rebate, compared to A\$0.80 per litre budgeted).

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**Financial Instruments**

The Company's financial assets and financial liabilities as at September 30, 2011, December 31, 2010 and January 1, 2010 were as follows:

	Cash, loans and receivables	Assets / (liabilities) at fair value through profit	Available for sale	Other financial assets	Total
<b>September 30, 2011</b>					
Cash and cash equivalents	\$ 49,200,630	\$ -	\$ -	\$ -	\$ 49,200,630
Restricted cash	14,343,967	-	-	-	14,343,967
Receivables	9,756,496	-	-	-	9,756,496
Other financial assets – current	-	-	-	327,760	327,760
Other financial assets – non-current	1,987,837	-	-	-	1,987,837
Accounts payable and accrued liabilities	-	-	-	14,914,789	14,914,789
Other financial liabilities – current	283,367	-	-	25,392	308,759
Other financial liabilities – non-current	829,796	-	-	-	829,796
<b>December 31, 2010</b>					
Cash and cash equivalents	\$ 22,782,593	\$ -	\$ -	\$ -	\$ 22,782,593
Restricted cash	12,723,487	-	-	-	12,723,487
Receivables	2,229,773	-	-	-	2,229,773
Other financial assets – current	-	-	-	1,301,092	1,301,092
Other financial assets – non-current	2,106,761	-	-	-	2,106,761
Accounts payable and accrued liabilities	-	-	-	13,985,178	13,985,178
Other financial liabilities – current	-	-	-	38,403	38,403
Other financial liabilities – non-current	-	-	-	16,999	16,999
<b>January 1, 2010</b>					
Cash and cash equivalents	\$ 25,434,131	\$ -	\$ -	\$ -	\$ 25,434,131
Restricted cash	47,660	-	-	-	47,660
Receivables	6,063,064	-	-	-	6,063,064
Other financial assets – current	-	-	-	40,260	40,260
Other financial assets – non-current	12,380,206	-	-	-	12,380,206
Accounts payable and accrued liabilities	-	-	-	24,032,552	24,032,552
Other financial liabilities – current	-	-	58,608	123,355	181,963
Other financial liabilities – non-current	-	-	-	48,547	48,547

At the end of the reporting period, there are no significant concentrations of credit risk for loans and receivables designated at FVTPL. The carrying amount reflected above represents the Company's maximum exposure to credit risk for such loans and receivables.

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**Outstanding and Issued Common Shares**

As at November 9, 2011, the following common shares, common share purchase warrants and common share options were issued and outstanding:

- 310,195,449 common shares;
- 69,499,116 common share purchase warrants with exercise prices ranging between C\$1.00 and C\$2.25 and expiry dates ranging between December 18, 2011 and March 24, 2016; and
- 19,173,704 options to purchase common shares under the Company's share option plan with exercise prices ranging between C\$0.20 and C\$2.24 per share and expiry dates ranging between August 11, 2013 and June 29, 2016.

**Critical Accounting Estimates**

The Company's significant accounting policies are described in Note 6 to the condensed interim consolidated financial statements for the nine months ended September 30, 2011. The preparation of statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of expenses during the reporting period. Such estimates and assumptions affect the carrying value of assets and impact decisions as to when exploration and development costs should be capitalized or expensed. Other significant estimates made by the Company include factors affecting the valuation of its inventories; mine properties and related asset retirement obligations; foreign currency translation; tax accounts; warrants and share-based compensation; and estimated mineral resources and reserves. Actual outcomes could differ from these estimates.

**Commitments and Contingencies**

(a) Agreement with Forbes & Manhattan

Payments to Forbes & Manhattan include a general fee of C\$25,000 per month, success fees on equity or debt financings and bonuses on transactions completed by the Company. A "transaction" is defined as any merger, amalgamation, plan of arrangement, reorganization, business combination, take-over bid, purchase or similar transaction. As well, any strategic asset acquisition, pursuant to which the assets and business of the Company are combined with another corporation or the Company acquires more than 50% of another corporation and the Company is the continuing entity. The Company may also, from time to time, make discretionary payments in such amounts and in such form as the board of directors considers appropriate in consideration for value provided by Forbes & Manhattan to the Company.

The success fee on financings is calculated on a graduated basis, with a fee of C\$300,000 payable on financings in the amount of C\$15 million or less, C\$550,000 on financings between C\$15 million and C\$25 million, C\$800,000 on financings between C\$25 million and C\$50 million, C\$1,050,000 on financings between C\$50 million and C\$100 million and a maximum fee of C\$1,300,000 on financings of greater than C\$100 million.

The bonus to be paid on the completion of a transaction is also dependent on the value of the transaction and is calculated as follows:

- transactions with a value of C\$100 million or lower - a bonus equal to 1% of the transaction is payable;
- transactions with a value above C\$100 million, but lower than C\$200 million - a bonus equal to 0.75% of the transaction is payable;
- transactions with a value above C\$200 million, but lower than C\$500 million - a bonus equal to 0.50% of the transaction is payable; and,
- transactions above C\$500 million - a bonus equal to 0.25% of the transaction is payable.

Success fees and transaction fees may be paid in shares of the Company at current market value or in cash, at the option of the Company, subject to regulatory approval. If the Company pays in shares, Forbes & Manhattan will not sell or enter into any agreement to sell the shares so issued for a period of six months from issuance. In addition, the success fees payable on equity or debt financings would no longer be payable if the Company has a market capitalization of C\$500 million or more. Any such restriction shall cease to apply in the event of a change of control. Notwithstanding the foregoing, a fee shall only be paid by the Company to Forbes & Manhattan for a transaction if the transaction does not constitute a change of control.

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In the event that there is a change of control of the Company, either party may terminate this appointment within one year from the date of such change in control. In the event of making such an election, a lump sum termination payment of approximately \$3,673,000 to Forbes & Manhattan, equivalent to 36 months in general fees plus an amount that is equivalent to all bonuses paid to Forbes & Manhattan in the 36 months prior to the change in control, shall be paid.

In terms of this agreement, the following payments were made to Forbes & Manhattan in 2010 and 2011:

- C\$550,000 (\$516,626) following completion of the June 2010 prospectus financing; and
- C\$800,000 (\$804,343) following completion of the November 2010 prospectus financing, paid in March 2011.
- The payment that would otherwise have been due in connection with the March 2011 financing was waived by Forbes & Manhattan as a condition of that financing.

A director of the Company, Stan Bharti, is the executive chairman of Forbes & Manhattan.

(b) Leasing obligations

The Company has entered into leases for an office and car park in the Northern Territory of Australia. These leases have an average term of 2 years (2010: 2 years) with renewal terms at the option of the lessee at lease payments based on market prices at the time of renewal. There are no restrictions placed upon the lessee by entering into these leases.

Payments recognized as an expense were as follows in the nine months ended:

	September 30, 2011	September 30, 2010
Minimum lease payments	\$ 64,942	\$ 50,650

Minimum commitments remaining under these leases were as follows:

	September 30, 2011	December 31, 2010	January 1, 2010
2010	\$ -	\$ -	\$ 172,148
2011	19,991	102,587	89,895
2012	33,318	-	-
	\$ 53,309	\$ 102,587	\$ 262,043

(c) Tenement obligations

The Company intends to carry out expenditures on each project to meet Department of Industry and Resources commitments. These obligations are subject to amendment upon expiry of the exploration leases or when application for a mining license is made. In order to maintain current rights of tenure to exploration and mining tenements, the Company is required to make lease rental payments and to meet minimum expenditure requirements that at September 30, 2011 are estimated to be \$1,541,249 (December 31, 2010 and January 1, 2010: \$1,600,000).

The Company also has an obligation to spend \$2 million on exploration for base metals at Burnside, Iron Blow/Mt Bonnie by the end of 2012.

These obligations are not provided for in the consolidated financial statements.

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(d) Environmental bonds

As at September 30, 2011, the Company had funds placed on deposit as collateral for bank guarantees issued to the Northern Territory Government. The bank guarantees, totalling \$13,072,948, are security under environmental bond requirements, and are in addition to environmental security bonds of \$140,518. A further \$882,940 is scheduled to be deposited over the next 12 months.

(e) Native title claims

A number of native title claims have been applied for under the Native Titles Act 1993 (Cth) ("NTA") over areas of the Northern Territory of Australia in which the Company has an interest. The National Native Title Tribunal has registered some of these claims as the first step in the procedures established under the NTA to enable determination, by the Federal Court of Australia, of whether native title exists. Although the final effect of these applications is uncertain, they currently do not have a significant effect on the activities of the Company.

(f) Contingent contractual royalty obligations

The Company has the following contingent contractual obligations with respect to royalties:

- (i) a vendor royalty of A\$20 per ounce of gold produced from the Brocks Creek underground mine. During the six months ended June 30, 2011, the Company recorded a royalty expense of \$107,736 (during the year ended December 31, 2010, the Company recorded a royalty expense of \$393,534, of which \$150,185 was capitalized as pre-commercial production and the balance expensed to the statement of operations).
- (ii) a vendor royalty of 1% of gold produced from certain tenements in the Brocks Creek area. The royalty becomes payable only after recovery of all operating and capital costs involved with the post-1995 development of the Brocks Creek tenements, and \$nil is expected to be paid.
- (iii) a vendor royalty of A\$4 per ounce of gold produced from the Pine Creek tenements.
- (iv) a 1% ad valorem royalty on any future gold production above 250,000 ounces derived from the Maud Creek Gold Project.
- (v) a 1% royalty payable on gold produced from certain tenements within the Tom's Gully Gold Project.
- (vi) royalties payable to various vendors of tenements located outside the currently anticipated mining areas.

The Company also has contingent contractual obligations with respect to the Maud Creek Gold Project. A payment of A\$2,000,000 would be due upon a decision to proceed with development of the Maud Creek Gold Project, in addition to the production royalty described above.

(g) Management contracts

The Company is party to certain management contracts. As at September 30, 2011, these contracts require that additional payments of approximately \$4,142,000 be made upon the occurrence of a change of control. As the likelihood of this taking place is not determinable, the contingent payments have not been reflected in these condensed interim consolidated financial statements. Minimum commitments upon termination of these contracts are approximately \$1,187,000.

(h) Northern Territory profits royalty/tax

All of the Company's tenements within the Northern Territory are subject to a Northern Territory Government profits royalty/tax. The current tax rate is 20% of the Net Value of mine production, where the Net Value equals the gross realization from the relevant production unit less the operating costs of the production unit for the year, a capital allowance on eligible capital assets expenditure, eligible exploration expenditure and additional deductions as approved by the relevant Northern Territory Government Minister.

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(i) Stamp duty dispute

The Northern Territory of Australia levies a stamp duty on various instruments and transactions. The stamp duty is levied at a rate of approximately 5% on the dutiable value of the transaction. On the purchase of the Australian mineral properties in 2009, the Company paid stamp duty of A\$2,264,000 (\$1,818,000). In January 2010, the Territory Revenue Office ("TRO") of the Northern Territory notified the Company that it was the position of the TRO that stamp duty was payable on the fair value of the Company's dutiable Australian property on the date of the amalgamation that created the Crocodile Gold, November 3, 2009. The Company believes that the amalgamation did not trigger a stamp duty liability and is contesting the TRO decision. In February 2010, the Company paid A\$2,058,334 (\$2,208,361) to the TRO, being a reasonable estimate of the potential stamp duty arising if the TRO's position eventually prevails. Despite the payment, which is recorded as a financial deposit, the Company's position remains that the amalgamation did not trigger a stamp duty liability and is pursuing its options to recover the amount paid; however, the eventual outcome of this dispute is unknown. Also, while the Company believes that the amount paid is based on a reasonable estimate of the value of the assets subject to stamp duty liability if the TRO position is upheld, the final amount due could be higher and would be subject to interest and possible penalties.

(j) Environmental contingencies

The Company's mining and exploration activities are subject to various federal, provincial and international laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company conducts its operations so as to protect public health and the environment and believes its operations are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

**Related Party Transactions**

**Compensation of key management of the Company**

The directors' fees, consulting fees and other compensation of directors and other key management personnel were as follows during the nine months ended:

	September 30, 2011	September 30, 2010
Short-term compensation and benefits	\$ 1,500,900	\$ 803,801
Share-based payments	2,713,025	2,020,010
	<u>\$ 4,213,925</u>	<u>\$ 2,823,811</u>

In accordance with IAS 24, key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any directors (executive and non-executive) of the Company. Included with the compensation of directors and key executives in the above table, is the compensation and benefits paid to Forbes & Manhattan for consulting and advisory services (see *Commitments and Contingencies* above). The remuneration of directors and key executives is determined by the compensation committee.

The Company shares its premises with other corporations that have common directors and/or officers. The Company reimburses and recovers from the related corporations their proportional share of expenses. Included in accounts payable at September 30, 2011 was \$26,334 (December 31, 2010: \$nil, January 1, 2010: \$10,844) owing to and \$1,885 (December 31, 2010: \$50,878, January 1, 2010: \$47,329) owing from related corporations. Such amounts are unsecured, non-interest bearing, with no fixed terms of repayment.

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**Risk Factors**

The exploration for, and development and mining of, mineral deposits involves significant risks, which even a combination of careful evaluation, experience and knowledge may not eliminate. Risk factors relating to the business are described under *Risk Factors* in the Company's MD&A and Annual Information Form for the year ended December 31, 2010 filed on SEDAR under the profile of Crocodile Gold Corp. on March 31, 2011. A sample of the more immediate risk factors are listed below:

*Production Estimates*

Crocodile Gold has prepared estimates of future gold production for its existing and future mines. The Company cannot give any assurance that it will achieve its production estimates. The failure by Crocodile Gold to achieve its production estimates could have a material adverse effect on any or all of its future cash flows, profitability, results of operations and financial conditions. The realization of production estimates is dependent on, among other things, the accuracy of mineral reserve and resource estimates, the accuracy of assumptions regarding ore grades and recovery rates, ground conditions (including hydrology), the physical characteristics of ores, the presence or absence of particular metallurgical characteristics, and the accuracy of the estimated rates and costs of mining, ore haulage and processing. Actual production may vary from estimates for a variety of reasons, including the actual ore mined varying from estimates of grade or tonnage; dilution and metallurgical and other characteristics (whether based on representative samples of ore or not); short-term operating factors such as the need for sequential development of ore bodies and the processing of new or adjacent ore bodies, which might be different from those planned; mine failures or slope failures; industrial accidents; natural phenomena such as inclement weather conditions, floods, droughts, rock slides and earthquakes; encountering unusual or unexpected geological conditions; changes in power costs and potential power shortages; shortages of principal supplies needed for mining operations; including explosives, fuels, chemical reagents, water, equipment parts and lubricants; plant and equipment failure; the inability to process certain types of ores; labour shortages or strikes; and restrictions or regulations imposed by government agencies or other changes in the regulatory environment. Such occurrences could also result in damage to mineral properties or mines, interruptions in production, injury or death to persons, damage to property of Crocodile Gold or others, monetary losses and legal liabilities in addition to adversely affecting mineral production.

*Cost Estimates*

Capital and operating cost estimates made in respect of Crocodile Gold's mines and development projects may not prove accurate. Capital and operating cost estimates are based on the interpretation of geological data, feasibility studies, anticipated climatic conditions, assumptions regarding foreign exchange currency rates, and other factors. The ultimate accuracy of such estimates could be affected by unanticipated changes in grade and tonnage of ore to be mined and processed; incorrect data on which engineering assumptions are made; delay in construction schedules; unanticipated or increased transportation costs; the accuracy of major equipment and construction cost estimates; labour negotiations; the replacement of significant contractors; changes in government regulation (including regulations regarding prices, cost of consumables, royalties, duties, taxes, permitting and restrictions on production quotas on exportation of minerals), and title claims.

*Price of Gold*

Changes in the market price of gold, that in the past has fluctuated widely, will affect the profitability of Crocodile Gold's operations and its financial condition. Crocodile Gold's revenues, profitability and viability will depend on the market price of gold produced from the Company's mines. The market price of gold is set on the world market and is affected by numerous industry factors beyond the Company's control. A decline in the market price of gold below Crocodile Gold's anticipated production costs for any sustained period would have a material adverse impact on the profit, cash flow and results of operations of the Company's projects and anticipated future operations. A decline in the market price of gold may also require Crocodile Gold to reduce its estimated mineral reserves, which would have a material adverse effect on the value of Crocodile Gold's securities.

*Northern Territory Wet Season*

All of Crocodile Gold's material properties are located in the Northern Territory of Australia. Typically, the Northern Territory's tropical wet season is from the end of November to the end of March. During the wet season, the properties may be subject to unpredictable weather conditions such as cyclones, heavy rains, strong winds and flash flooding. Crocodile Gold has undertaken several steps to minimize the effects of the wet season on its operations, including sealing roads, accommodating the build-up of mined inventory, and planning exploration and mining activities around the wet season. Nonetheless, no assurance can be given that the unpredictable weather conditions will not adversely affect mining and exploration activities. In particular, mining, drilling and exploration activities may have to be suspended due to poor ground conditions; ore haulage activities may be slowed

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or delayed as roads may be temporarily flooded, and deposits where the host rock is clayish in nature may have to be mined or processed at slower-than-anticipated rates and/or mixed with lower grade stockpile ore. As a result, during the first and fourth quarters of the calendar year, the financial performance and results of operations may vary significantly from the second and third quarters.

*Crocodile Gold's Securities May Experience Price Volatility*

Securities markets have recently experienced a high level of price and volume volatility, and the market price 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 the prospects of such companies. The market price of the securities of the Company at any given point in time may not accurately reflect the long term value of Crocodile Gold.

**Controls and Procedures**

*Disclosure Controls and Procedures*

Disclosure controls and procedures are designed to provide reasonable assurance that material information is gathered and reported to senior management, including the President and Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO"), as appropriate to permit timely decisions regarding public disclosure.

Crocodile Gold's management, including the CEO and CFO, have as at September 30, 2011 designed Disclosure Controls and Procedures (as defined in National Instrument 52-109 of the Canadian Securities Administrators), or caused them to be designed under their supervision, to provide reasonable assurance that material information relating to the issuer is made known to them by others, particularly during the period in which the interim filings are being prepared; and information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation.

*Internal Control over Financial Reporting*

Crocodile Gold's management, including the CEO and CFO, is responsible for establishing and maintaining adequate internal control over financial reporting. Under their supervision, the Company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The Company's internal control over financial reporting includes policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions in and acquisitions and dispositions of the assets of the Company;
- provide reasonable assurance that transactions are recorded as necessary to permit the preparation of financial statements in accordance with IFRS and that the Company's receipts and expenditures are made only in accordance with authorization by management and the Company's directors; and
- provide reasonable assurance regarding the prevention or timely detection of the unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the annual or interim financial statements.

Crocodile Gold's management, including the CEO and CFO, designed internal control over financial reporting, or caused it to be designed under their supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission on Internal Control (COSO) Framework to design the Company's internal control over financial reporting.

The Audit Committee of the Company has reviewed this MD&A and the condensed interim consolidated financial statements for the nine months ended September 30, 2011, and Crocodile Gold's board of directors approved these documents prior to their release.

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*Changes in internal control over financial reporting*

There has been no changes in the Company's internal control over financial reporting during the nine months ended September 30, 2011 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

*Limitations of Controls and Procedures*

Crocodile Gold's management, including the CEO and CFO, believe that disclosure controls and procedures and internal control over financial reporting, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, they cannot provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been prevented or detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by unauthorized override of the controls. The design of any control system also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed.

**Cautionary statement regarding forward-looking information**

Except for statements of historical fact relating to Crocodile Gold certain information contained herein constitutes forward-looking information under Canadian securities legislation. Forward-looking information includes, but is not limited to, information with respect to the Company's expected production from, and further potential of, the Company's (as defined herein) properties; the Company's ability to raise additional funds; the future price of minerals, particularly gold; the estimation of mineral resources and mineral reserves; conclusions of economic evaluations; the realization of mineral reserve estimates; the timing and amount of estimated future production; costs of production; capital expenditures; success of exploration activities; mining or processing issues; currency exchange rates; government regulation of mining operations; and environmental risks. Generally, forward-looking information can be identified by the use of forward-looking terminology such as "plans", "expects" or "does not expect", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved". Forward-looking information is based on the opinions and estimates of management as of the date such statements are made. Estimates regarding the anticipated timing, amount and cost of exploration and development activities are based on assumptions underlying mineral resource and reserve mineral estimates and the realization of such estimates. Capital and operating cost estimates are based on extensive research of the Company, purchase orders placed by the Company to date, recent estimates of construction and mining costs and other factors. Forward-looking information involves known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking information. Such factors include: price volatility of the Company's securities, limited lives of mines, the price of gold and base metals, the need for additional capital, land title issues, exploration development and operating risks, accuracy of production estimates, accuracy of cost estimates, unexpected events and delays during construction, expansion and start-up, failure of plant, equipment or processes to operate as anticipated, native and aboriginal heritage issues, risks relating to infrastructure, permitting and licenses, government regulation of the mining industry, risks relating to foreign operations, uncertainty in the estimation and realization of mineral resources and mineral reserves, quality and marketability of mineral product, environmental regulation and reclamation obligations, risks relating to the Northern Territory wet season, risks relating to litigation, risks relating to foreign mining tax regimes, insurance and uninsured risks, competition, currency fluctuations, adequacy of financial resources, limited historical production revenues, dependence on outside parties, dependence on key personnel, conflicts of interest, accidents, labour disputes and other risks of the mining industry. Although management of the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking information, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. Accordingly, readers should not place undue reliance on forward-looking information. The Company does not undertake to update any forward-looking information, except in accordance with applicable securities laws.

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This document uses the terms "Measured", "Indicated" and "Inferred" Resources. United States investors are advised that while such terms are recognized and required by Canadian regulations, the United States Securities and Exchange Commission does not recognize them. "Inferred Mineral Resources" have a great amount of uncertainty as to their existence, and as to their economic and legal feasibility. It cannot be assumed that all or any part of an Inferred Mineral Resource will ever be upgraded to a higher category. Under Canadian rules, estimates of Inferred Mineral Resources may not form the basis of feasibility or other economic studies. United States investors are cautioned not to assume that all or any part of Measured or Indicated Mineral Resources will ever be converted into Mineral Reserves. United States investors are also cautioned not to assume that all or any part of an Inferred Mineral Resource exists, or is economically or legally mineable.

November 9, 2011