

CROCODILE GOLD CORP.
Managements' Discussion and Analysis
For the six months ended June 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 six months ended June 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.

This MD&A reports on the Company's activities through August 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 six months ended June 30, 2011 and 2010 and the year ended December 31, 2010 were as follows:

	Six months ended June 30, 2011		Six months ended June 30, 2010		Year ended December 31, 2010	
	Average	Closing	Average	Closing	Average	Closing
US dollars per Canadian dollars	1.0237	1.0368	0.9670	0.9393	0.9706	1.0054
US dollars per Australian dollars	1.0333	1.0729	0.8932	0.8447	0.9192	1.0235
Canadian dollars per Australian dollars	1.0094	1.0348	0.9237	0.8993	0.9470	1.0180

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

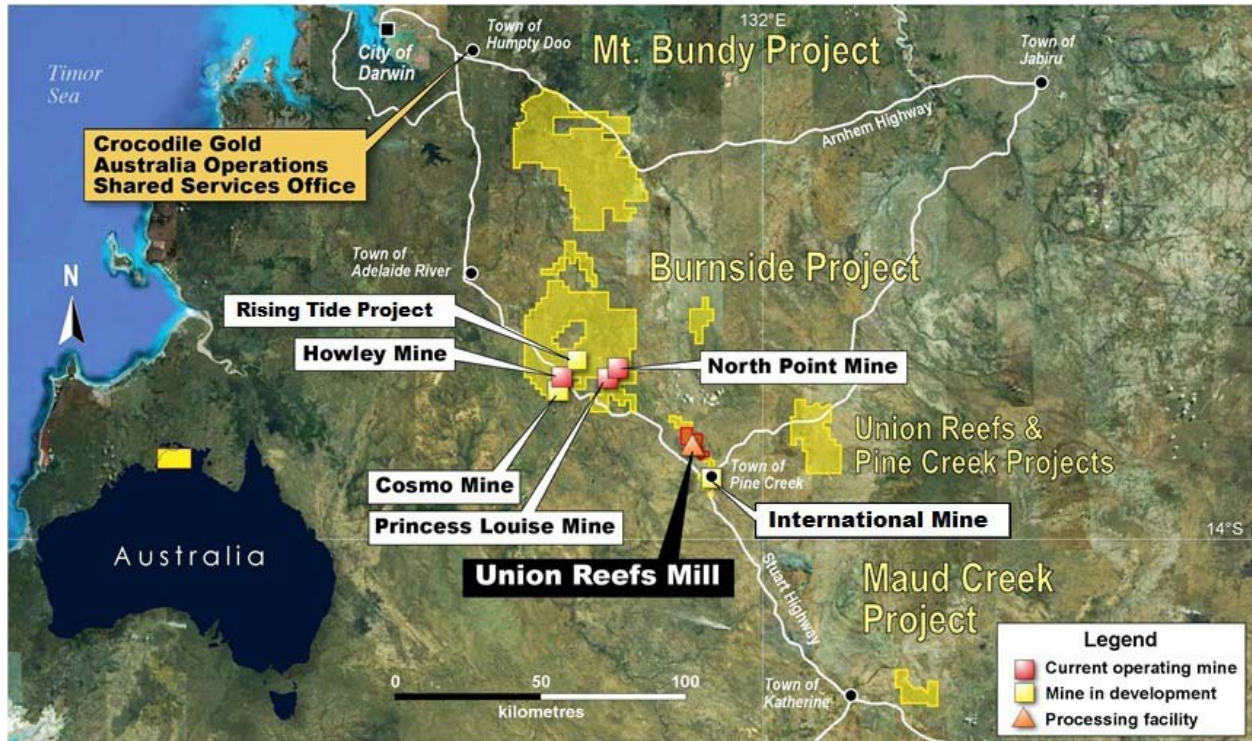
Qualified Person

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 2,700 square kilometres. Crocodile Gold is currently mining from the Howley, Mottrams, North Point 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 National Instrument 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 in terms of the equity financing that closed 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:

- A total of 500,759 tonnes of ore was milled in the three months ended June 30, 2011 at an average grade of 1.32 g/t and a recovery rate of 91.8% to produce 19,502 ounces of gold, compared to 315,010 tonnes of ore milled in the three months ended March 31, 2011 at an average grade of 1.55 g/t and a recovery rate of 93.2% to produce 14,683 ounces of gold.
- Mill utilization was 88% in the three months ended June 30, 2011, up from 62% in the first quarter of 2011, and compared to 95% and 88% during the third and fourth quarters of 2010 respectively. 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 Company's exploration drilling program commenced in earnest in the second quarter of 2011 with 6,842 metres of surface exploration drilling was completed at Union Reefs and Cosmo, compared to 582 metres of exploration drilling at Union Reefs in the first quarter of 2011, including 2,031 metres of RC and 4,811 metres of diamond drilling. Additionally, a total of 550 metres of underground exploration drilling was conducted during the second quarter at Cosmo.
- During the three months ended June 30, 2011, the Company recorded gold sale revenue of \$30,206,274 on the sale of 20,200 ounces of gold, for an average realized price of \$1,495 per ounce, compared with gold sale revenue of \$19,858,346 in the three months ended March 31, 2011 on the sale of 14,300 ounces, for an average realized price of \$1,389 per ounce.
- In the three months ended June 30, 2011, the Company recorded a net profit of \$1,200,539, or \$0.00 per share, and provided cash from operations of \$3,440,533. In the three months ended June 30, 2011, cash generated by mine operations was \$5,396,584.
- Net working capital at June 30, 2011 was \$77,473,864 (March 31: \$90,010,613), which included cash and cash equivalents of \$76,819,172 (March 31: \$88,191,145). 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.
Bill Nielsen	Vice President, Exploration - formerly of Nevsun Resources Inc.
Brianna Davies	Corporate Secretary
Colinda Parent	Vice President, Business Development - formerly of Northland Capital Partners Inc.
Joe Ranford	General Manager Operations - formerly of Mount Gibson Iron and Goldcorp Inc.

With the end of the wet season in mid-April, production and mill throughput returned to normal. The Company continues to take steps to optimize safety, costs and overall 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 production expected late in the third quarter of 2011. Due to the strategic importance of Cosmo, a Cosmo mine optimization study is underway and a dedicated project team has been appointed.

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. Crocodile Gold is currently ramping up its exploration effort at its properties in the Northern Territory of Australia with 6 drills currently on site drilling priority targets at Cosmo and Union Reef, and with further drilling rigs expected over the next few weeks. The divestment of the Mario property in Peru allows Company's management to focus exclusively on its Australian operations.

The Option Agreement grants to Fortuna the exclusive right and option to acquire an undivided 100% interest in the Mario Property subject to the following terms:

1. Payment of US\$500,000 on signing of the option agreement (paid in escrow);
2. Payment of US\$500,000 on or before six months from the signing of the option agreement;
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.

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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.

Mineral Resources and Reserves

On April 26, 2011, Crocodile Gold updated its mineral resource and mineral reserve statements 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 who is a "qualified person" as such term is defined in National Instrument 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 NI43-101 for more details).
- Mineralization wireframes conducted on 0.4-2 g/t material with a minimum width of 1-2 m depending on 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 QAQC purposes.

Probable Mineral Reserves for Northern Territory Properties

CROCODILE GOLD MINERAL RESERVE STATEMENT – December 31, 2010					
Project	Deposit	PROBABLE MINERAL RESERVE			
		Cut-off (g/t)	Tonnes	Gold Grade (g/t)	Ounces Gold
Burnside	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
Pine Creek	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
TOTAL			7,699,000	2.7	662,000
<i>Depleted for mining as at December 31, 2010 and does not include any depletion for mining since such date.</i>					

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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
Mt Bundy	Tom's Gully*					3.7	321,000	8.9	92,000
	Rustler's Roost A					0.5	19,920,000	0.9	572,800
Burnside	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				
Union Reefs	Prospect Claim					0.5	239,000	2.4	18,200
Pine Creek	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
Maud Creek	Maud Creek*					1.0	9,288,000	3.1	935,000
	TOTAL		602,330	1.3	24,300		51,247,000	1.9	3,150,800
<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
Mt Bundy	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
Burnside	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
Union Reefs	Iron Blow*	1.0	3,175,000	2.1	210,000
	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
Pine Creek	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
Maud Creek	Maud Creek*	1.0	1,072,000	2.4	82,000
		TOTAL	36,351,800	1.8	2,143,400

Note: *Underground Resource.

Note: A = Crocodile Gold holds an 80% interest in this deposit.

Note: B = Depleted for mining as at December 31, 2010 and does not include any depletion for mining since such date.

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
Burnside	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

Note: C = Crocodile Gold has a 30% free carried interest in this deposit.

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The Inferred Mineral Resource estimate – other commodities was reviewed and optimized by Mark Edwards who is a “qualified person” as such term is defined in National Instrument 43-101. The Mineral Resource estimate 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

Following the receipt of title to the mining licences and tenements in November 2009, the Company commenced mining activities at the Howley open pit mine and at the Brock's Creek underground mine. During the commencement of mining activity and the recommissioning of the Union Reefs mill, all operational activities and their related costs and revenues were treated as pre-commercial production and capitalized as development. 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. Production activity at the mill, using one of the circuits, commenced in December 2009 with the crushing of ore from Howley and Brock's Creek and the commissioning of the first grinding mill. The first gold from gravity processing was poured on December 29, 2009. The second grinding mill was commissioned at the end of January 2010.

Key performance indicators	January 2011	February 2011	March 2011	April 2011	May 2011	June 2011	Year to Date
Safety – lost time injuries	-	-	-	-	1	1	2
Ore mined (tonnes)	62,823	91,028	113,225	135,613	148,438	176,747	727,874
Ore hauled (tonnes)	117,884	103,860	112,868	142,164	195,446	186,677	858,899
Dry tonnes milled (tonnes)	99,517	114,322	101,171	144,430	178,671	177,658	815,769
Feed grade (grams per tonne)	1.37	1.36	1.95	1.47	1.17	1.35	1.41
Recovery (%)	91.1	93.9	94.5	94.6	91.9	88.9	92.5
Mill utilization (%)	48.0	69.9	68.1	74.8	95.1	95.6	75.2
Gold produced (ounces)	3,995	4,694	5,994	6,470	6,177	6,855	34,185
Gold sold (ounces)	3,350	4,570	6,380	4,700	7,700	7,800	34,500
Total staff and contractors	478	394	441	404	426	443	

During the three months ended June 30, 2011, the Company milled 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. Gold poured was 20,126 ounces. This is an improvement on the three months ended March 31, 2011, during which the Company 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. Gold poured was 14,266. Production was lower during the last quarter of 2010 and the first quarter of 2011 due to much heavier than usual monsoonal rains. Since mid-April 2011, at the mine site in the Northern Territory, one of the worst wet seasons has ended and the dry season has begun.

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Ore milled during the period was sourced from the Howley and nearby Mottrams open pits and the Brock's Creek underground mine. Production has also commenced at the Princess Louise open pit mine. In the three months ended June 30, 2011, a total of 452,733 tonnes of ore was mined at the open pit mines at an average grade of 1.22 g/t, containing an estimated 17,685 ounces of gold, while 8,065 tonnes of ore was mined at the Brock's Creek underground mine at an average grade of 5.80 g/t, containing an estimated 1,504 contained ounces of gold. 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, containing an estimated 9,587 ounces of gold, while 32,312 tonnes of ore was mined at the Brock's Creek underground mine at an average grade of 5.57 g/t, containing an estimated 5,787 contained ounces of gold. Mining ceased at Brock's Creek in April 2011.

The targeted recovery rate is 90% on mixed oxide and fresh ore, and 86% on 100% fresh ore.

Mill availability in the three months ended June 30, 2011 was 97%, consistent with the 97% achieved in the three months ended March 31, 2011 and compared to 92% in the seven month period June to December 2010. Targeted mill availability is 95%.

During the fourth quarter of 2010 and first quarter of 2011 the mill utilization dropped to 88% and 62% respectively, largely due to the abnormal monsoonal wet season impacting ore supply and crusher throughput issues with wet clay open pit ore types. Mill utilization improved to 88% during the three months ended June 30, 2011.

Cosmo Underground Mine

During 2010, the surface installations, portal and 562 metres of underground development were completed. The focus during the fourth quarter was on developing and installing the required underground infrastructure, including electrical and water reticulation. The contract for the development of the Cosmo underground mine was put out to tender and 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 so that development can continue until a new ventilation raise is established in the third quarter.

Dewatering of the Cosmo pit is expected to be completed in the third quarter of 2011, with approximately 50% (2.7 gigalitres) of the required water being removed during the quarter ended June 30, 2011. The remaining water is being pumped to abandoned open pit mines via pipelines the Company has constructed for this purpose. The Company has also commenced test work and detailed engineering for the construction of a water treatment plant at an estimated cost of approximately \$3 million. The water treatment plant will be used in both the initial dewatering of the Cosmo open pit as well as for ongoing dewatering requirements. The total cost to dewater the Cosmo pit, including the addition of a water treatment plant, is expected to now be approximately \$11 million.

With the contractor changeover, and delays to dewater the Cosmo pit and establish ventilation underground, the Company now anticipates that Cosmo will be into development ore in the third quarter and into production ore in the fourth quarter of 2011. Factors affecting this timeline include development rates, establishment of ventilation, dewatering the open pit, definition of ore and geotechnical considerations.

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

The Cosmo Design Steering Committee, made up of site management, the study leader Jim Simpson (formerly of New Gold Inc. and Goldcorp Inc.), and board members, is headed by Mr. Peter Tagliamonte, a Crocodile Gold board member and experienced mine operator. The dedicated operational management team at Cosmo is led by Joe Ranford, who has extensive underground mine operational experience. Terry Carr, the Cosmo Underground Mine Manager, with his dedicated staff of mine engineers, and Craig Pridmore, Geology Manager, leading a team of underground mine geologists, will supervise the activities of the mine contractor on behalf of Crocodile Gold.

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The new underground contractor at the Cosmo underground, Leighton Mining, is making excellent progress on the development at Cosmo with 543 metres of development completed to June 30, 2011, including 455 metres in the three months ended June 30, 2011.

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 accelerating permitting and development activities on certain deposits within this area with the goal of starting production at Pine Creek in the latter half of 2011 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. Due to recent encouraging results from the Rising Tide deposit, which would easily be permitted and 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

The decision to defer restarting Tom's Gully has allowed 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 preparing Cosmo for production in 2011. Currently both short and long-term production forecasts do not include any assumptions of production from Tom's Gully. Further strategic options for this asset are being considered.

Cosmo / Howley Proposed Mill

The Company has studied the feasibility of building a new mill at the Cosmo/Howley area, initially at a throughput rate of 1.5 million tonnes per year with expansion potential to 3.0 million tonnes per year. With the potential of lower cost Union Reefs and Pine Creek production adjacent to the existing mill at Union Reefs, the decision on building a new mill has been deferred.

Exploration Review

The long-term goal of the exploration program is to increase Crocodile Gold's resources to 10 million ounces of gold. In the short-term, the Company is targeting 6.5 million ounces of gold in resources, including 1 million ounces in reserves, with priority being given to higher grade deposits.

In the year ended December 31, 2010, the Company completed 81,946 metres of drilling, including 15,804 metres of diamond drilling. In the three months ending June 30, 2011, the Company completed 6,842 metres of surface exploration drilling, including 4,811 metres of diamond drilling, in addition to the 582 metres of drilling in the three months ended March 31, 2011. Additionally, a total of 550 metres of underground exploration drilling was conducted during the second quarter at Cosmo. Exploration expenditure in the six months ended June 30, 2011 included \$679,844 on properties in respect of which a decision to develop has not yet been taken by the Company, and which was therefore expensed, and \$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 of 2011. While securing exploration drills has been challenging, it is expected that a full complement of drills will be in site in the third quarter of 2011. The Company plans to have four surface diamond drills, one underground diamond drill and at least two RC drills working at Union Reefs, Cosmo, Maud Creek and Iron Blow.

In addition, 32,095 metres of grade control drilling (all of 2010: 70,668 metres) was completed in the first six months of 2011.

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The Company's exploration personnel are also focussing on the very large historical geological database to not only guide current exploration activities, but to also identify new targets. In some cases it may be possible, with very little effort, to verify historical data and add additional resources from previously defined deposits.

Exploration priorities for 2011 at Crocodile Gold 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 will be explored with the priority to find an additional source of high grade mill feed, with the near term priorities being the Prospect, Lady Alice and Crosscourse deposits;
- 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 existing deposits;
- Further drilling of historical deposits along the Howley Trend such as Bons Rush and Kazi to upgrade existing mineral resources to mineral reserves and bring historical mineral resources into the overall resource;
- Continue the review of historical geological information to assist in prioritizing future targets. This will entail compiling an extensive database of all past work; and
- Complete airborne geophysical surveys over selected areas in order to more fully understand the underlying geology and define base and precious metal targets of significance.

Cosmo Project

One of the Company's priorities in 2011 is the continued drilling at Cosmo. Drilling of the Eastern Lodes, where the majority of the resources and reserves are located, will concentrate 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 the Cosmo Deeps project has recommenced with both surface and underground diamond rigs operational. The first underground hole drilled was collared within the dolerite unit and projected towards the Western Lodes. This hole has intersected mineralization at a depth 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 National Instrument 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.

With the encouraging drill results, management believes that the mineralization strike length of the Western Lodes could potentially be up to 750 meters in strike length, or more than double the current resource. This interpretation is very preliminary and significantly more drilling is required to both definitively establish the continuity of mineralization and establish a NI 43-101 resource. 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 and with this there is a distinct possibility of increasing the production rate from the Cosmo Mine over the intermediate term from the existing planned infrastructure.

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.

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Union Reefs and Pine Creek Areas

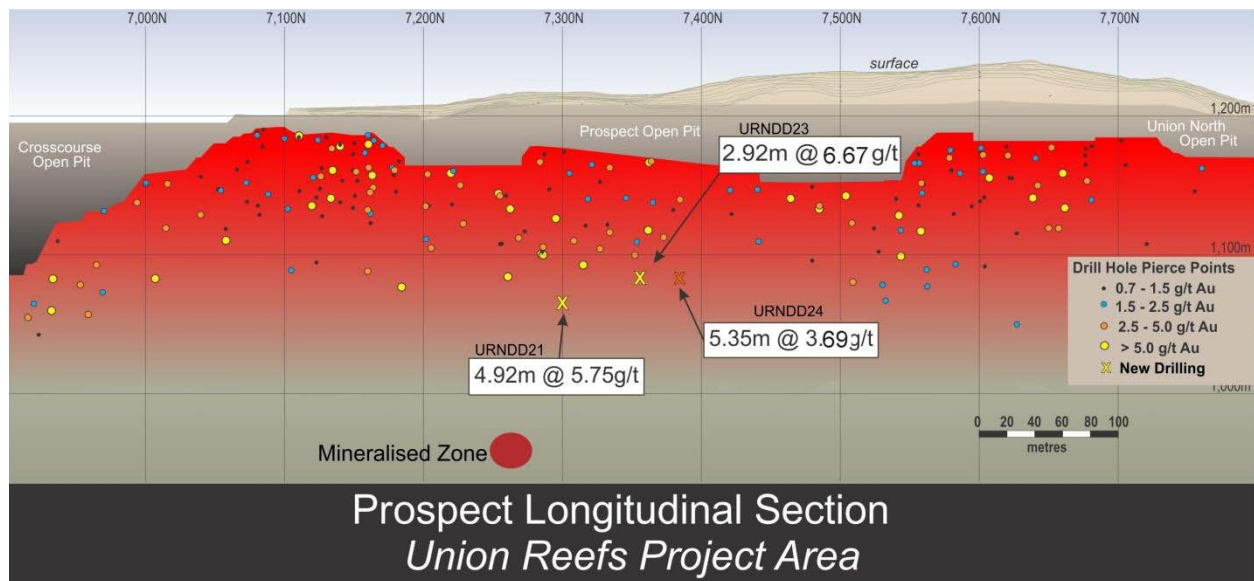
The Unions Reefs project area has been ranked by the Company as one of its highest priorities for growth of mineral resources and reserves and near term production. The high priority is due to:

- the fact that the project area is located immediately adjacent to the Union Reefs mill and therefore does not require the high truck 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), 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 targets and lower grade open pit targets;
- 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 has been limited in depth with mainly oxide material being drilled to any extent, except for the Crosscourse target.

The Company has initiated a drill program at the Crosscourse and Prospect open pit targets. 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 in the Union Reefs project area. 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 being conducted 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.

Results from the first three Prospect Deposit diamond drill holes have been encouraging, with mineralization shown to continue down below the current historic mineral resource. Further step out drilling is planned to test this mineralized structure at depth and along strike. Initial interpretations would indicate that there are a series of plunging high-grade mineralized zones beneath the Prospect and Crosscourse pits. The Company is starting to gain a better understanding of this style of mineralization and its overall structural configuration.



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Past production from the Prospect pit amounted to 400,146 tonnes averaging 1.65 g/t Au to produce over 21,000 ounces of gold. The Company's current thinking is to define high-grade resources in this area which can be mined from underground. The Union Reefs mill facility is located less than a kilometre away. The current objective for this year is to complete sufficient drilling to enable the Company to make a decision on underground mining, thus improving Crocodile Gold's overall reserve grade.

Drilling under the Crosscourse pit targeting the high grade mineralization identified as the E-Lens will commence when another rig becomes available. 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. Past production from the Crosscourse pit amounted to 13,036,535 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.

The Company expects sufficient drill rigs will be operating on site in the third quarter to continue testing Prospect and Lady Alice and also the deeper Crosscourse underground deposit.

Rising Tide

The Rising Tide deposit has been added to 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 from 2006 to 2007. Production figures amounted to 768,019 tonnes, grading 1.47 g/t Au containing 36,300 ounces of gold. A total of 565 drill holes, established by past operators between 1993 and 2006 have defined the deposit to date. Crocodile Gold has access to the historic drilling results from this period. The Company has interpreted these results 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) drilling program on the deposit to upgrade the resource base. Recent drill results from the first 6 holes have shown results as would be expected to increase the overall confidence in the current 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 drilling 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 and North Point open pit mines.

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.

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 at Iron Blow. In addition, further drilling of the historic resource at Mt. Bonnie could see the establishment of a National Instrument 43-101 mineral resource at this deposit.

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 is being conducted. In addition to targeting base metals, a primary target will be the targeting of enriched gold/silver oxide caps over potential base metal deposits.

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Maud Creek Deposit

The Maud Creek Deposit is located south of the Edith Falls Basin and includes the historic Gold Creek Gold Deposit, which 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 is 250 metres long, 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 orebody 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 invested and as such the Company has commenced a Development Options desktop study for this deposit 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 is planned for early August 2011 and additional exploration and drilling programs are scheduled for the third quarter of this year.

Yam Creek Deposit

The Yam Creek Deposit area lies between the North Point and Princess Louise Deposits, both of which are within the Company's 2011 Mining Plan. 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 planned for the third quarter of this year.

Howley Project

The Howley open pits are located immediately north of the Cosmo pit with mineralization present for more than five 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. These areas include:

1. mineralization at depth beneath existing resources;
2. mineralization in areas of no existing resources and minimal previous drilling;
3. higher grade mineralization existing on the east anticlinal limb;
4. further mineralization 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 drilling 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 that remains open to the north, south, east, west and at depth.

Additional airborne geophysical surveys will be flown over both the south and north end of the 25 kilometer long Cosmo/Howley trend and over the north section of the Burnside area. In total, over 3,700 line kilometers of airborne geophysical survey will be completed.

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Equity Financings

As of June 30, 2011, Crocodile Gold had 309,851,311 common shares outstanding. Details of the equity financings completed in the six months ended June 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\$80,170,892 (\$82,246,746), net of issue costs. Each unit consists 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".

Outlook

Operations

Crocodile Gold initially expected to produce approximately 85,000 to 100,000 ounces of gold in 2011. This was to include a contribution of approximately 5,000 to 10,000 ounces from the Cosmo underground mine, which was expected to reach commercial levels of production in the fourth quarter of 2011. After a review of the adverse impact of the 2011 wet season on production, and on the dewatering of the Cosmo pit; higher exchange rates; higher oil prices, year-to-date operating results; and planned production to the end of the year, Crocodile Gold now expects to mine 77,500 to 82,500 ounces of gold in 2011. A detailed 18-month plan is being developed and plans are currently being finalized to maximize the amount of open pit material above a 1 g/t cut-off grade to maximize the amount of higher grade material sent to the mill. Most of the ore tonnes mined in 2011 will be open pit ore, sourced from the Howley open pits throughout the year and from the North Point and Princess Louise open pit mines while the pits are accessible through the dry season. The average grade expected from the open pits during 2011 is 1.20 g/t. Also, approximately 40,000 tonnes of higher grade underground ore was mined from Brocks Creek until April 2011, supplementing the open pit ore tonnes.

In preparation for the wet season that will begin in the fourth quarter of 2011, the Company expects to stockpile over 400,000 ore tonnes during the first eleven months of 2011. This will help the Company 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 approximately 2.1 million tonnes of ore based on an average mill utilization of 90%. Expected mill availability of 95% during the dry season is forecast to be offset by lower mill utilization during the wet season in the first and fourth quarters of 2011.

Exploration

In 2011, detailed definition drilling will be conducted 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.

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The Union Reefs Project area has also been prioritized to find an additional sources of high grade mill feed, with the near term priorities being the Prospect, Lady Alice and Crosscourse deposits.

Drilling will be supplemented with 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.

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 existing deposits, and further drilling of historical deposits along the Howley Trend such as Bons Rush and Kazi to upgrade existing mineral resources to mineral reserves and bring historical mineral resources into the overall resource, complete the 2011 program.

Liquidity and Capital Resources

As at June 30, 2011, the Company had net working capital of \$77,473,864 (March 31: \$90,010,613), which included cash and cash equivalents of \$76,819,172 (March 31: \$88,191,145), restricted cash of \$1,253,474 (March 31: \$1,214,192), amounts receivable of \$2,743,403 (March 31: \$2,981,072), prepaid expenses of \$445,257 (March 31: \$1,272,240) and inventories of \$11,642,702 (March 31: \$11,378,978), partially offset by current liabilities of \$15,430,144 (March 31: \$15,027,014). Net working capital at December 31, 2010 amounted to \$20,380,926, which included cash and cash equivalents of \$22,782,593, restricted cash of \$50,271, amounts receivable of \$2,229,773, prepaid expenses of \$1,301,092 and inventories of \$8,807,187, partially offset by current liabilities of \$14,789,990). In addition to operating expenses, expenditures over the next twelve month period will 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 of approximately \$10 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.

Statement of Operations

During the six months ended June 30, 2011, Crocodile Gold recorded a net loss of \$5,808,910, or \$0.02 per share, compared with \$9,407,318, or \$0.05 per share in the six months ended June 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 development.

In the first and second quarters of 2011, the mine operating loss was \$4,238,827 and the mine operating earnings were \$3,500,351 respectively. 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. During the three months ended June 30, 2011, the Company has recorded gold sale revenue of \$30,206,274 on the sale of 20,200 ounces of gold, for an average realized price of \$1,495 per ounce, compared with gold sale revenue of \$19,858,346 in the three months ended March 31, 2011 on the sale of 14,300 ounces, for an average realized price of \$1,389 per ounce.

Royalty expense of \$107,736 related to ounces produced from the Company's Brock's Creek underground mine was incurred during the six months ended June 30, 2011. Production from Brock's Creek is subject to a royalty of A\$20 per ounce.

Depreciation, depletion and amortization of \$1,896,233 (three months ended March 31, 2011: \$1,873,011) 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 is being depreciated over the life of the area of interest on a unit-of-production basis. The remaining life of the present area of operation is estimated to be approximately 11 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.

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Operating costs and depreciation, depletion and amortization expenses recorded prior to the declaration of commercial production and on assets not yet in production are capitalized to mine properties. Revenues on metals sales prior to the declaration of commercial production and on assets not yet in production are credited against mine properties.

The net loss included exploration expenditure of \$324,135 and \$355,709 in the three months ended June 30 and March 31, 2011 respectively, compared with \$1,655,050 and \$737,711 in the three months ended 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 June 30, 2011, the Company recorded reclamation accretion expenses of \$205,010 (three months ended March 31, 2011: \$173,993). Care and maintenance costs relate to properties that have not yet been taken into production, including Maud Creek, Pine Creek and Tom's Gully. During the quarters ended June 30 and March 31, 2011, the Company recorded care and maintenance expense of \$104,615 and \$132,216 respectively.

Corporate general and administrative expenses are made up as follows:

	Three months ended June 30, 2011	Three months ended March 31, 2011	Three months ended June 30, 2010	Three months ended March 31, 2010
Local salaries, fees and general expenses	\$ 577,805	\$ 196,994	\$ 333,286	\$ 105,549
Salaries and consulting fees	639,194	493,785	230,504	331,864
Directors' fees	17,914	0	0	0
Professional fees	54,160	86,170	167,808	69,297
Travel expenses	260,949	274,051	188,597	132,506
Shareholders communication/filing fees	128,962	200,742	153,366	227,930
Insurance expense	11,103	10,384	12,787	10,353
Office supplies & general expenditures	64,564	39,305	(10,431)	57,449
	\$1,754,651	\$1,301,431	\$1,075,917	\$ 934,948

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 \$1,296,034 were recorded in the statement of operations and comprehensive income (loss) during the three months ended June 30, 2011 (three months ended March 31, 2011: \$1,125,428), relating to the vesting of options granted between July 10, 2009 and June 30, 2011. During the six months ended June 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 1/8th of the grant vesting each quarter. At June 30, 2011, a total of 19,741,204 options were outstanding, of which 9,280,829 had vested (March 31, 2011: 13,264,704 options outstanding; 7,214,079 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).

During the three months ended June 30, 2011, the Company earned interest income of \$1,234,804 (three months ended March 31, 2011: \$354,657). 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% per annum. To protect against a

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strengthening Australian dollar vis-à-vis the United States dollar, the Company holds a significant portion of its cash in Australian dollars.

During the three months ended June 30 and March 31, 2011, the Company recorded a net foreign exchange gain of \$62,484 and a net foreign exchange loss of \$34,174 respectively.

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 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 June 30 and March 31, 2011, the Company recorded unrealized gains on foreign currency translation of \$8,529,147 and \$3,213,411 respectively. The gain on translation was the result of the US dollar weakening against both the Canadian and Australian dollars during 2011.

Cash Flow

During the three months ended June 30, 2011, cash provided by operating activities amounted to \$3,440,533, compared with \$4,764,962 used in operations in the three months ended March 31, 2011. Cash used in operating activities in 2011 included increases in inventories and amounts receivable of \$2,302,802 and \$392,781 respectively, decreases in accounts payable and prepaid expenses of \$305,089 and \$882,462 respectively, net general and administrative costs of \$1,320,312, exploration expenditure of \$679,844 and care and maintenance costs of \$236,831; offset by cash generated by Mine operations of \$3,030,768. 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 \$17,021,671 in the three months ended June 30, 2011, compared to \$13,333,372 in the three months ended March 31, 2011. Expenditure in 2011 was principally incurred on development of the Cosmo underground mine, including the dewatering of the Cosmo pit, and at the Union Reefs mill.

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 \$1,067,238 in 2011.

During the three months ended June 30, 2011, the Company sold 20,200 ounces of gold at an average price of \$1,495 per ounce, compared with 14,300 ounces of gold at an average price of \$1,389 per ounce in the three months ended March 31, 2011, and 80,525 ounces of gold at an average price of \$1,246 per ounce in the full twelve months ended December 31, 2010. During the periods, the price of gold on the London Bullion Market averaged \$1,506, \$1,386 and \$1,225 per ounce respectively.

Financing activities in the three months ended June 30, 2011 provided cash of \$396,236, compared with \$81,856,814 during the three months ended March 31, 2011. On March 24, 2011, the Company closed a prospectus offering 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 six months amounted to \$5,847,011, including \$840,962 related to 2010 but paid in the current quarter. The exercise of 12,500 share purchase options generated \$9,174 (three months ended March 31, 2011: \$97,735, from the exercise of 116,369 share options) in the quarter ended June 30, 2011.

During the quarters ended June 30 and March 31, 2011, capital lease obligations at the Australian operations used \$9,843 and \$9,126 respectively. The net carrying value of assets under capital lease obligations at the Australian operations totalled \$219,482 (March 31, 2011: \$213,464).

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Off-Balance Sheet Items

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

Quarterly Information

2011 - Quarters Ended			June 30	March 31
Reporting framework			IFRS	IFRS
Revenues			30,400,599	19,965,737
Net earnings (loss)			1,200,539	(7,009,449)
Earnings (loss) per share (basic and diluted)			0.00	(0.03)
Total assets			289,683,627	277,909,268
Long-term liabilities			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)	(14,506,897)	2,233,930	(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 June 30, 2011

During the three months ended June 30, 2011, the Company recorded net income of \$1,200,539. The net income was after exploration expenses of \$324,135. The Company also recorded non-cash stock based compensation of \$1,296,034 during the period. In the three months, gold sale revenue amounted to \$30,206,274 on the sale of 20,200 ounces of gold for an average realized price of \$1,495 per ounce. The average London PM Fix during the three months ended June 30, 2011 was \$1,506 per ounce.

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Outstanding and Issued Common Shares

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

- 310,027,546 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
- 19,691,204 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.

Financial Instruments

The Company's financial assets and financial liabilities as at June 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
June 30, 2011					
Cash and cash equivalents	\$ 76,819,172	\$ -	\$ -	\$ -	\$ 76,819,172
Restricted cash	14,444,360	-	-	-	14,444,360
Receivables	2,743,403	-	-	-	2,743,403
Other financial assets – current	-	-	-	445,257	445,257
Other financial assets – non-current	2,208,361	-	-	-	2,208,361
Accounts payable and accrued liabilities	-	-	-	12,246,476	12,246,476
Other financial liabilities – current	-	-	-	38,377	38,377
Other financial liabilities – non-current	-	-	-	-	-
December 31, 2010					
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
January 1, 2010					
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

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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.

Subsequent Events

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 were authorized to issue up to 2,500,000 common shares to encourage the recruitment and retention of key persons. In June 2011, upon the recommendation of the compensation committee, the board of directors authorized and reserved the issue of 2,140,000 common shares as fully paid and non-assessable common shares in the capital of the Company to certain persons who have been and continue to be integral to the Company's development and achievement of milestones. The issue of the common shares shall be completed at a deemed price equal to the fair market value based on the closing price as of the last trading day in each quarter, provided the person remains contracted to the Company at that date. The Shares shall be issued from treasury on a quarterly basis in twelve equal instalments over a period of three (3) years, with the first instalment issued on July 4, 2011.

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 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)	24,940,389	22,287,443	63,726,536
By-product silver sales credit	(194,325)	(107,391)	(173,364)
Non-cash stock option expense charged to operating expenses	(106,049)	(162,669)	(371,518)
Operating cash costs	24,640,015	22,017,383	63,181,654
Divided by ounces of gold sold	20,200	14,300	56,990
Cash cost per ounce (\$ per ounce)	1,220	1,540	1,109

The cash cost per ounce of gold sold in the three months ended June 30, 2011 was approximately \$70 higher than projected as a result of the strong Australian dollar and approximately \$26 higher than projected as a result of the increase in diesel prices. Operating costs were negatively affected by a strong Australian dollar (the average exchange rate for the three months ended June 30, 2011 was 1.06, compared to 1.00 budgeted) and a higher diesel price (which ranged from A\$0.93 to A\$0.99 per litre, net of rebate, compared to A\$0.80 per litre budgeted).

Critical Accounting Estimates

The Company's significant accounting policies are described in Note 6 to the condensed interim consolidated financial statements for the six months ended June 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

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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.

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 \$3,970,000 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;
- 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.

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(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 six months ended:

	June 30, 2011	June 30, 2010
Minimum lease payments	\$ 32,083	\$ 27,734

Minimum commitments remaining under these leases were as follows:

	June 30, 2011	December 31, 2010	January 1, 2010
2010	\$ -	\$ -	\$ 172,148
2011	44,415	102,587	89,895
2012	44,415	-	-
	\$ 88,830	\$ 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 June 30, 2011 are estimated to be \$1,712,162 (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.

(d) Environmental bonds

As at June 30, 2011, the Company had funds placed on deposit as collateral for bank guarantees issued to the Northern Territory Government. The bank guarantees, totalling \$13,034,780, are security under environmental bond requirements, and are in addition to environmental security bonds of \$156,106. A further \$1,393,724 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.

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(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 June 30, 2011, these contracts require that additional payments of approximately \$5,180,000 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 \$1,572,000.

(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.

(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

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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.

(k) Changes to the proposed Resource Super Profit Tax

On May 2, 2010, the Australian government announced the proposed introduction of a 40% resource rent tax that was to apply to resource companies earning "super profits" from the exploitation of non-renewable resources. The proposed Resource Super Profits Tax ("RSPT") would come into effect on July 1, 2012 and would apply to all existing projects and future projects. Following a consultation process with the mining industry, it was agreed that the proposed RSPT would be replaced with a Mineral Resource Rent Tax, which will only apply to coal and iron ore. Pursuant to the revised proposal, all other mining companies, including gold, copper, nickel and other base metals, would not be subject to the tax. The new proposed tax has not yet been passed into law.

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 six months ended:

	June 30, 2011	June 30, 2010
Short-term compensation and benefits	\$ 930,201	\$ 567,642
Share-based payments	1,846,638	1,410,028
Directors' fees	17,914	-
	<u>\$ 2,794,753</u>	<u>\$ 1,977,670</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 June 30, 2011 was \$nil (December 31, 2010: \$nil, January 1, 2010: \$10,844) owing to and \$36,797 (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.

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

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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 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 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.

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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 June 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 six months ended June 30, 2011, and Crocodile Gold's board of directors approved these documents prior to their release.

Changes in internal control over financial reporting

There has been no changes in the Company's internal control over financial reporting during the six months ended June 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

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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.

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.

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