

CROCODILE GOLD CORP.
Managements' Discussion and Analysis
For the three months ended March 31, 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 three months ended March 31, 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 May 27, 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 three months ended March 31, 2011 and 2010 and the year ended December 31, 2010 were as follows:

	Three months ended March 31, 2011		Three months ended March 31, 2010		Year ended December 31, 2010	
	Average	Closing	Average	Closing	Average	Closing
US dollars per Canadian dollars	1.0146	1.0314	0.9615	0.9846	0.9706	1.0054
US dollars per Australian dollars	1.0050	1.0381	0.9039	0.9169	0.9192	1.0235
Canadian dollars per Australian dollars	0.9905	1.0065	0.9402	0.9312	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.

The technical contents of this MD&A have been reviewed and confirmed 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.

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 tonne per year Union Reef's 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 Reef's Project and the Cosmo Howley Mineral Corridor, which covers a strike length of over 25 kilometres and includes other deposits such as Bons Rush and Bridge Creek.

The Company also holds rights to the exploration stage Mario Property in Peru (see "*Subsequent Events*" below).

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 in 2011 to date were:

- During the three months ended March 31, 2011, the Company recorded a net loss of \$7,009,449, or \$0.03 per share, and utilized cash in operations of \$4,764,962.
- A total of 315,010 tonnes of ore was 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 14,682 ounces of gold. During the year ended December 31, 2010, the Company milled 1,856,180 tonnes of ore at an average head grade of 1.55 g/t and at a recovery rate of 88.4% to produce 81,793 ounces of gold.
- Mill utilization was 62% in the first quarter of 2011, compared with 95% and 88% during the third and fourth quarters of 2010 respectively. This was as a result of heavier than normal rains experienced during the wet season.
- The Company's exploration drilling program has commenced in earnest in the second quarter of 2011. In the first quarter of 2011, 582 metres of exploration drilling was completed at Union Reef's. During the year ended December 31, 2010, a total of 81,946 metres was drilled at Brock's Creek, Howley, Cosmo, Princess Louise and Tom's Gully.

On May 17, 2011, Crocodile Gold announced the appointment of Chantal Lavoie as President and Chief Executive Officer, effective June 17, 2011. Mr. Lavoie is a Professional Mining Engineer with extensive experience in mining operations and projects. Mr. Lavoie has spent the last eight years at De Beers Canada Inc. where he was responsible for their Canadian operations, including the Snap Lake and Victor mines and the Gahcho Kue project. Mr. Lavoie has also worked for Barrick Gold Corporation at Goldstrike in Nevada and Aur Resources Inc. at the former Louvicourt mine.

The executive management team of Crocodile Gold was significantly strengthened during the quarter with the addition of Bill Nielsen, Joe Ranford, Colinda Parent and Chantal Lavoie, and now includes the following personnel:

Chantal Lavoie	Incoming President and CEO - 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 has 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 in the fourth 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.

Mineral Resources and Reserves

Following completion of a significant amount of exploration drilling through 2010, the recalculation of several mineral resource models and the review of many historic resource models, on April 26, 2011, the Company updated its mineral resource and mineral reserve statements as at December 31, 2010, covering its Northern Territory ("NT") Properties and including the following significant mineral resource inventory estimate changes:

- Cosmo: a gain of 100,000 ounces in indicated mineral resources and a gain of 100,000 ounces in inferred mineral resources.
- Pine Creek: a gain of 219,000 ounces in indicated mineral resources, resulting in a reduction of 98,000 ounces in inferred mineral resources.
- Howley (including Mottrams): a loss of 120,000 ounces in indicated mineral resources and a loss of 88,000 ounces in inferred mineral resources. The reduction in indicated mineral resources was due to mining depletion and partly due to the re-classification of mineral resources.
- Mt Bundy (including Tom's Gully): an overall gain of 490,000 ounces in indicated mineral resources and a gain of 283,000 ounces in inferred mineral resources, despite a reduction in Indicated and Inferred mineral resources at Tom's Gully.

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The substantial upgrade in inferred to indicated mineral resources demonstrates the near term upside potential of the NT Properties. Crocodile Gold has implemented a new mine schedule with the updated mineral reserves and is also in the process of analyzing other indicated mineral resources, particularly at Cosmo, and the current Life of Mine Plan.

Additional Highlights include:

- An increase to probable mineral reserves of 310,000 contained ounces, representing an increase of 54% before depletion of 95,000 ounces through mining and the removal of 99,000 ounces from the mineral reserves at Tom's Gully.
- An addition to measured and indicated mineral resources of 776,000 ounces, an increase of 31%. This includes adding 100,000 indicated mineral resource ounces to the Cosmo mineral resource, which now stands at over 750,000 indicated mineral resource ounces.
- An increase in inferred mineral resources from 1.7 million ounces to 2.1 million ounces, representing an increase of 29%.
- Inferred base metal (other commodities) resources now consist of 556,000 pounds of Uranium, 229,750,000 pounds of Zinc and 53,163,000 pounds of Lead, as well as 10.2 million ounces of silver.

The first full year of systematic exploration by Crocodile Gold, resulted in a significant increase in the estimated mineral resources, including a significant increase in mineral resources for the Cosmo deposit currently in development. In addition, several new deposits have been included in the mineral reserve inventory for 2011, providing additional opportunities to optimize the Life of Mine Plan. During 2010, Crocodile Gold updated the mineral resource estimates for the Cosmo East Lode, the Howley deposits (including Mottrams), Pine Creek, Toms Gully, Princess Louise, Iron Blow and Thunderball (through Joint Venture partner, Thundelarra Exploration Ltd.). Crocodile Gold also reviewed and re-optimized all other deposits to ensure consistency in reporting.

Through reviewing historic mineral resources and new field studies, Crocodile Gold has also estimated mineral resources at several historic deposits in the Union Reef's Project area. These include Lady Alice, Millars/Big Tree, Orinoco, Union North and Union South. Several other historic resources are located within the Crocodile Gold tenement package, which will require reviewing and evaluation in 2011 and 2012. At Tom's Gully, reserves have been removed until a thorough review of the Mt Bundy project is completed in 2011. New mineral reserves have been incorporated for the Princess Louise, Mottrams, Kohinoor, Cox, International, Gandys and South Enterprise deposits. Engineering studies are underway at the Cosmo deposit using the updated indicated mineral resource model and additional ore reserves are anticipated.

All mineral reserves have been calculated using a \$1,000 gold price and current mining and mill cost and recovery estimates for each deposit. Exchange rate used was A\$0.91=\$1.00

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Probable Mineral Reserves for Northern Territory Properties

CROCODILE GOLD MINERAL RESERVE STATEMENT – December 31, 2010					
		PROBABLE MINERAL RESERVE			
Project	Deposit	Cut-off (g/t)	Tonnes	Gold Grade (g/t)	Ounces Gold
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
Mineral Reserves are included in Mineral Resources.					
Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability.					
Depleted for mining as at December 31, 2010 and does not include any depletion for mining since such date.					
Calculated at a gold price of \$1,000 / oz and exchange rate of A\$0.91:\$1.00.					

The Mineral Reserve estimate 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 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.

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Measured and Indicated 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 Reef's	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
Note: * Underground Resource									
Note: A = Crocodile Gold holes 80% interest in this deposit									
Note: B = depleted from mining as of December 31, 2010									
Mineral Resources include Mineral Reserves.									
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.									
Calculated at a gold price of \$1,000 / oz and exchange rate of A\$0.91:\$1.00 and contained within optimizing pit shells using current operating costs.									

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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
	Iron Blow*	1.0	3,175,000	2.1	210,000
Union Reef's	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 from mining as of December 31, 2010					
Mineral Resources include Mineral Reserves.					
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.					

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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

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 Inferred Mineral Resource estimate 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

Key performance indicators	January 2011	February 2011	March 2011	Total
Safety – lost time injuries	-	-	-	-
Ore mined (tonnes)	62,823	91,028	113,225	267,076
Ore hauled (tonnes)	117,884	103,860	112,868	334,612
Dry tonnes milled (tonnes)	99,517	114,322	101,171	315,010
Feed grade (grams per tonne)	1.37	1.36	1.95	1.55
Recovery (%)	91.1	93.9	94.5	93.4
Mill utilization (%)	48.0	69.9	68.1	61.7
Gold recovered (ounces)	3,994	4,694	5,994	14,682
Gold sold (ounces)	3,350	4,570	6,380	14,300
Total staff and contractors	478	394	441	

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 Reef's 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.

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The Union Reef's 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.

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. In the three months ended March 31, 2011, 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 14,681 ounces of gold. Lower production during the last two quarters was due to 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. Throughput levels through the mill and mining operations have quickly returned to normal.

Ore milled during the period was sourced from the Howley open pit, nearby Mottrams open pit and the Brock's Creek underground mine, with production expected to shortly begin at North Point and Princess Louise open pits. In the three months ended March 31, 2011, 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. A total of 1,840,108 tonnes of ore was mined at the open pit mines at an average grade of 1.31 g/t, having an estimated 74,606 contained ounces of gold in 2010. During 2010, 89,124 tonnes of ore was mined at the Brock's Creek underground mine at an average grade of 7.52 g/t, containing an estimated 21,535 contained ounces of gold. Through the last quarter of 2010 it became apparent that the length and gold grade of the lodes at Brock's Creek was decreasing with depth, reducing the ounces per vertical metre. Mining ceased at Brock's Creek in April 2011. An impairment charge of \$6,927,682 was recorded during the fourth quarter of 2010 against the Brock's Creek underground mine's assets.

The targeted recovery rate is 90% on mixed oxide and fresh ore, and 86% on 100% fresh ore. Steps taken to improve recovery rates included allowing for increased residence time, improvements to the gravity circuit process and a focus on ore blending to achieve desired grind size. During the fourth quarter of 2010, a liquid oxygen facility was installed and commissioned that is expected to improve the recovery rate in the carbon-in-leach circuit. In addition, a number of recovery initiatives are currently underway to increase the recovery on 100% fresh ore.

Mill availability in the three months ended March 31, 2011 was 96.6%, compared to 92% during 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.

Cosmo Underground Mine

With the end of the wet season in May 2010, the dewatering of the Cosmo pit was discontinued due to permitting requirements. While a large quantity of water remained in the Cosmo pit, the water levels were sufficiently lowered by the dewatering program to allow for the start of the construction and development of the 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.

Also during the fourth quarter, the contract for the development of the Cosmo underground mine was put out to tender. Following the completion of a highly competitive tender process, Leighton Contractors Resource Division was awarded a three year contract for the mining and development of the Cosmo underground mine in March 2011. The terms of the contract are consistent with the average mining costs detailed in the 2007 Cosmo underground feasibility study, which the Company is currently optimizing with its consultants. Development work at Cosmo ended at the end of December 2010 and Leighton Contractors Resource Division mobilized to site and restarted development in mid 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.

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Dewatering of the Cosmo pit will need to be completed prior to the production of ore from stopes in the Cosmo underground mine. Most of the remaining water will be pumped to an abandoned open pit mine named Alligator, located 14 kilometres northeast of the Cosmo pit, via a pipeline the Company has constructed for this purpose. Pumping of the water was expected to be finalized before the end of the first quarter of 2011. However, together with the rest of Australia, the Company's operations have been impacted by abnormal rainfall. Since the beginning of the monsoonal season in October almost 2.8 metres of rain fell to the end of March 2011, approximately double the normal long-term average. Compounded by delays in the receipt of government permits to begin dewatering, this exceptionally high level of rain resulted in additional inflows of water into the Cosmo pit. As a result, the amount of water remaining in the Cosmo open pit has exceeded the capacity in the destination pits and the Company will need to accelerate the building 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, delays to dewater the Cosmo pit and establishing ventilation underground, the Company now anticipates that Cosmo will be into development ore in mid 2011 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 well underway, with expected completion in July 2011. 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 Company has formed a 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. The Steering Committee is headed by Mr. Peter Tagliamonte, a Crocodile Gold board member and experienced mine operator. The new 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 the team of underground mine geologists, will supervise the activities of the mine contractor on behalf of Crocodile Gold.

The new underground contractor at the Cosmo underground, Leighton Mining, is making excellent progress on the development at Cosmo with the first crosscut to the ore reached at 1035 Level.

Union Reef's and Pine Creek Areas

In September 2010, the Company announced that it had identified deposits within the Union Reef's and Pine Creek areas as potential near term mining areas with the benefit of being adjacent to and within 15 kilometres of the Union Reef's mill. 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. The close proximity of the deposits to the Union Reef's 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.

Crocodile Gold has initiated drilling at some assets in the Union Reef's area, targeting high grade underground targets in particular at the Crosscourse, Prospect Claim 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

Crocodile Gold began drilling at the Tom's Gully underground mine in August 2009 as part of an exploration program to provide added confidence in the resource model prior to commencing mining operations. During the third quarter of 2010, following a review of the exploration results to date, the development progress, current available ore stockpiles and the remaining capital

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requirements to restart Tom's Gully, the Company decided to defer the decision on reopening of Tom's Gully. The Company is also reviewing geological information in the area to determine if there are other sources of ore which would assist in providing sustainable mill feed. Currently both short and long-term production forecasts do not include any assumptions of production from Tom's Gully.

In addition, the deferral of Tom's Gully has allowed the Company to focus its resources, both financial and management, on Crocodile Gold's priorities which include the continued development of existing production sources such as North Point, Princess Louise and Howley, while preparing Cosmo for production in 2011.

Cosmo / Howley Proposed Mill

The Company has been studying 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. Although the study on the mill is completed, the Company is still studying the optimal period for beginning construction. With the potential of lower cost Union Reef's and Pine Creek production adjacent to the existing mill at Union Reef's, the decision on building a new mill will be deferred until later in 2011 or 2012.

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 of reserves, with priority being given to higher grade deposits.

During the year ended December 31, 2010, the Company spent approximately \$13 million on the evaluation of exploration and mining properties, including \$2.15 million on explorations properties that will be expensed as incurred. The Company completed 81,946 metres of drilling, including 15,804 metres of diamond drilling.

In the three months ended March 31, 2011 an additional 582 metres of drilling was completed and \$355,709 of exploration costs were expensed. The Company's 2011 exploration drilling commenced in earnest in the second quarter of 2011.

In addition, 12,986 metres of definition drilling (2010: 70,668 metres) was completed.

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 new deposits.

Exploration priorities for 2011 at Crocodile Gold include the following:

- Detailed definition drilling at Cosmo to further upgrade mineral reserves and mineral resources. Exploration drilling will be conducted on the Western and Eastern Lodes in order to add further mineral resources and potentially, mineral reserves;
- The Union Reef's 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 Western Arm and Bridge Creek 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.

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Cosmo Project

One of the Company's priorities in 2011 will be 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 to depth. Crocodile Gold is currently developing the Cosmo underground mine with commercial production expected in the fourth quarter of 2011. Ramp development has allowed the Company to start drilling from underground, with the advantage of lower cost drilling (shorter drill holes) compared to drilling from surface. While the majority of drilling will be conducted from underground, there will be some drilling of the Western Lodes from surface.

During 2010, drill results doubled the strike length of the existing mineralization and indicated the potential for resource growth at depth and locally at surface. Mineralization was intersected approximately 400 metres north of the current resource outline in the direction of the Howley Project. Mineralization was encountered at a vertical depth of 850 metres, the deepest intersection to date. Mineralization within the Western Lodes was encountered at a vertical depth of 675 metres, which is more than 300 metres below the base of the current resources. The majority of the historical drilling at Cosmo focused on the Eastern Lodes and the current mineral resource model encompasses the Eastern Lodes down to a vertical depth of approximately 655 metres below surface.

Union Reef's and Pine Creek Area

In February 2011, the Company announced that it had initiated a drill program at the Crosscourse and Prospect Claim open pit targets. The targets are adjacent to the Union Reef's mill and are identified extensions of mineralization of the historical open pits mined in the 1990's.

The Unions Reef's project area has been ranked by the Company as one of the highest priorities for growth for 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 Reef's 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 Reef's area yielding 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 have 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 only oxide material being drilled to any extent, except for the Crosscourse target.

In April 2011, the Company announced continued high grade intersections from the RC infill drilling exploration program between the Prospect and Crosscourse historic open pits in the Union Reef's 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 have been mobilized to Union Reef's to accelerate the definition of these high grade structures. These drill results highlight the continuation of high grade mineralization of the Prospect deposit and the potential for mineralization close to surface north of the Crosscourse historic pit, which may be suitable for open pit extraction.

Current drilling activities are concentrated on extensions to known mineralization at Crosscourse, Prospect and Lady Alice, with the potential of defining a "Cosmo" scale orebody (tonnes and grade) by further drilling of the downplunge extension of the Crosscourse orebody, where there has been over 700,000 ounces of historical production. Existing intersections downplunge of the open pit include 36 meters of 4.10 gram/tonne and 19 meters of 10.62 gram/tonne gold, outlining the potential of a narrow

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high grade underground deposit at the Prospect deposit. Further drill results are expected in the coming months, which could see sufficient confidence in the existing resource to develop an underground ramp from the historic Prospect pit to conduct further exploration and test mining from underground.

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 will be conducted in June and July 2011. In addition to targeting base metals, a primary target will be the targeting of enriched gold/silver oxide caps over potential base metal deposits.

Howley Project

The Howley open pit is 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 drill 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,
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.

TOP Tenements

During the second quarter of 2010, the Company decided not to exercise its option on properties referred to as the "TOP" tenements. These tenements, representing approximately 750 square kilometres of property, did not contain any ounces included in Crocodile Gold's indicated or inferred resources and the Company had no near-term plans to conduct any exploration on the properties. With the decision not to exercise its option on the TOP tenements, the Company has written off the value assigned to these tenements in 2010 as an impairment charge on the consolidated statement of loss and comprehensive loss.

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Equity Financings

As of March 31, 2011, Crocodile Gold had 309,838,811 common shares outstanding. Details of the equity financings completed since January 1, 2010 are outlined below.

October 2009 Subscription Receipt Financing

On October 9, 2009, the Company completed a private placement of 35,000,000 subscription receipts at a price of C\$1.00 per subscription receipt. Each subscription receipt was exercisable without further action required on the part of the holder into one common share and one-half of a common share purchase warrant. Each warrant entitled the holder to acquire one common share at a price of C\$1.50 for a period of two years following the release of the proceeds from escrow.

Accelerated Expiry of Common Share Purchase Warrants

The common share purchase warrants issued as part of this private placement were subject to an accelerated expiry. The expiry date of the warrants could be accelerated at any time prior to the expiry of the warrants if the closing price of the underlying common shares listed on the TSX was greater than C\$2.00 for 10 or more consecutive trading days, at which time the Company could give notice to the warrant holders that the warrants would expire on the 30th day following receipt of the notice. In January 2010, Crocodile Gold's share price did trade in excess of C\$2.00 for a period of 10 consecutive days and on January 18, 2010, the Company exercised its right to accelerate the expiry date of these warrants. The 1,050,000 common share purchase warrants underlying the 2,100,000 compensation options provided to the underwriters on the October 9, 2009 private placement were also subject to the accelerated expiry date. Warrants for the issuance of 18,529,988 common shares were exercised at C\$1.50 per warrant along with the 2,100,000 compensation options at C\$1.00, resulting in proceeds of C\$29,894,982 (\$28,531,558) on the issuance of 20,629,988 common shares.

Accelerated Expiry of Common Share Purchase Warrants

The Company issued 3,823,410 common share purchase warrants in connection with a reverse acquisition completed in 2009. The common share purchase warrants had an average exercise price of C\$0.97. Common share purchase warrants representing 3,341,268 common shares were subject to accelerated expiry. The terms of the warrants provided that the expiry of the warrants could be accelerated if, at any time following the one year anniversary of the date of the warrant certificates, the closing price of the underlying common shares listed on the TSX was greater than C\$1.134 for 20 or more consecutive trading days, at which time the Company could give notice to the warrant holders that the warrants would expire on the 20th day following receipt of the notice. Crocodile Gold's share price did trade in excess of C\$1.134 for 20 or more consecutive days and on January 18, 2010, the Company exercised its right to accelerate the expiry date of these warrants. A total of 3,341,268 warrants were exercised at C\$0.756 per warrant resulting in proceeds of C\$2,525,999 (\$2,407,782).

June 2010 Prospectus Financing

On June 16, 2010, the Company completed a prospectus financing of 17,710,000 common shares at a price of C\$1.30 (\$1.27) per share, raising C\$20,211,593 (\$19,744,752), net of issue costs and compensation warrants. The total number of shares issued included a 15% over-allotment that was exercised by the underwriters in full, representing 2,310,000 shares. Share issue costs included underwriter fees of C\$1,151,150 (\$1,124,558) and a success fee of C\$550,000 (\$537,295) paid to Forbes & Manhattan, as per the agreement the Company signed with Forbes & Manhattan, as outlined below under "Commitments and Contingencies". A director of the Company, Stan Bharti, is an officer and director of Forbes & Manhattan. In addition, 930,500 compensation options were issued to the underwriters that entitle the holder to acquire the same number of common shares at a price of C\$1.30 for a period of two years. The fair value of the compensation options was estimated using the Black-Scholes option pricing model based on the following assumptions: expected dividend yield of 0%; expected volatility of 100%; risk-free interest rate of 1.8%; and an expected average life of two years. An amount of \$627,214 was recorded as a cost of issue with respect to these warrants.

November 2010 Prospectus Financing

On November 22, 2010, the Company completed a prospectus financing, on a bought deal basis, issuing 20,000,000 common shares at a price of C\$1.40 (\$1.37) per share raising C\$25,054,181 (\$24,593,184), net of issue costs. Share issue costs included underwriter fees of C\$1,680,000 (\$1,649,088) and a success fee of C\$800,000 (\$804,343) to Forbes & Manhattan, as per the agreement the Company signed with Forbes & Manhattan as outlined below under "Commitments and Contingencies". A director of the Company, Stan Bharti, is an officer and director of Forbes & Manhattan. In addition, the Company agreed to grant the

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underwriters an over-allotment option to purchase up to an additional 3,000,000 common shares at C\$1.40 (\$1.37) per share, exercisable in whole or in part, at any time on or prior to the date that is 30 days following the closing of the offering. On December 8, 2010, the over-allotment option was exercised in full and an additional C\$3,941,700 (\$3,903,071), net of issue costs, was raised bringing the aggregate net proceeds to C\$28,995,881 (\$28,496,255).

March 2011 Bought Deal Financing and Prospectus

On March 24, 2011, the Company closed a prospectus offering, on a bought deal basis, of 81,000,000 units at a price of C\$1.05 (\$1.06) per unit raising C\$80,241,538 (\$82,319,794), net of issue costs of C\$4,820,996 (\$4,933,001). 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). A director of the Company, Stan Bharti, is an officer and director 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 the 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".

\$25 Million Standby Credit Facility

On October 16, 2009, the Company entered into a \$25 million standby secured credit facility. Crocodile Gold had the option to draw on the credit facility, in full, at any time on or prior to June 30, 2010. Following the completion of the June 2010 prospectus financing described above and having only recently entered into commercial production, the Company chose not to draw down on the credit facility and it expired on June 30, 2010. The Company paid a commitment fee of 4,000,000 common share purchase warrants ("Standby Credit Facility Warrant"). Each Standby Credit Facility Warrant is exercisable into one common share of the Company at a price of C\$1.50 for a period of three years. The fair value of the common share purchase warrants was estimated to be C\$2,400,000 (\$2,310,240) on the date of grant, as determined by the Black-Scholes option pricing model based on the following assumptions: expected dividend yield of 0%; expected volatility of 100%; risk-free interest rate of 2.1%; and, an expected life of three years. The cost of the warrants and other deferred costs related to the credit facility were initially classified as an asset on the consolidated balance sheets as "Deferred credit facility costs", until the Company drew upon the credit facility. At which point it would have been applied against the carrying value of the loan and amortized over the life of the loan. With the expiry of the standby credit facility, the deferred costs of \$2,417,389 were charged to the statement of loss and comprehensive loss as a financing cost during 2010.

Outlook

Operations

Crocodile Gold is forecasting to produce approximately 85,000 to 100,000 ounces of gold in 2011. The decrease in the expected production for 2011 is largely due to the delay in the start up of the Cosmo underground mine. The mine is expected to reach commercial levels of production in the fourth quarter of 2011 and produce approximately 5,000 to 10,000 ounces during the year.

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The delays in bringing the Cosmo underground mine into production are largely the result of three factors:

- 1) The above average rainfall experienced during this year's wet season, which began in November and lasted until early April. Since the beginning of the wet season, the operations have received approximately twice the normal rainfall, making the current wet season the wettest on record. The heavy rains have delayed the underground development and increased the amount of water to be removed from the Cosmo open pit.
- 2) Prior to completing the development of the Cosmo underground ore body, the Cosmo open pit mine must be dewatered. Most of the water will be pumped to an abandoned open pit mine named Alligator, located 14 kilometres northeast of the Cosmo pit, via a pipeline the Company has constructed. Delays in receiving the permits to begin the pumping process meant that the completion of the dewatering is only expected to occur by the third quarter 2011.
- 3) In the fourth quarter of 2010, the Cosmo mine development and production contract was put out to tender. Following the completion of a tender review process, Leighton Contractors Resource Division was awarded a three year mining and development contract in March 2011. The terms of the contract are consistent with the average mining costs detailed in the 2007 Cosmo underground feasibility study, which the Company is currently optimizing with its consultants. Development work at Cosmo therefore ended in December 2010 and Leighton Contractors Resource Division mobilized to site and restarted development in mid March 2011. While the change is expected to benefit the overall development and long-term operation of the Cosmo underground mine, it has had an impact on the timing of the start of production.

With the delay in the start of mining at the Cosmo underground mine, most of the ore tonnes mined in 2011 will be open pit ore. Ore will be sourced from the Howley open pits throughout the year and from the North Point and Princess Louise open pit mines beginning in the second quarter of 2011, once the seasonal rains stop and the pits become accessible. 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. The average grade expected from the open pits during 2011 is 1.30 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 prior to production commencing at Cosmo.

In preparation for the wet season that will begin in the fourth quarter of 2011, the Company expects to stockpile over 100,000 ore tonnes during the first nine 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 Reef's mill is forecast to process approximately 2.1 million tonnes of ore based on an average mill availability 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 reserves and mineral resources. Exploration drilling will be conducted on the Western and Eastern Lodes in order to add further mineral resources and potentially, mineral reserves.

The Union Reef's 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 Western Arm and Bridge Creek to upgrade existing mineral resources to mineral reserves and bring historical mineral resources into the overall resource complete the 2011 program.

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Liquidity and Capital Resources

As at March 31, 2011, the Company had net working capital of \$90,010,613, which included cash and cash equivalents of \$88,191,145, restricted cash of \$1,214,192, amounts receivable of \$2,981,072, prepaid expenses of \$1,272,240 and inventories of \$11,378,978, partially offset by current liabilities of \$15,027,014 (December 31, 2010: \$20,380,922, 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 \$14,789,994). In addition to operating expenses, expenditures over the next twelve month period will include expenditures on the development of the Cosmo underground mine, various capital projects such as the dewatering of the Cosmo open pit, 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 three months ended March 31, 2011, Crocodile Gold recorded a net loss of \$7,009,449, or \$0.03 per share, compared with \$2,882,197, or \$0.02 in the three months ended March 31, 2010. The Company was not yet in commercial production during the comparable period in 2010 and all operating costs, net of any pre-production revenue, were capitalized.

In the first quarter of 2011, the mine operating loss was \$4,238,827 due to the effects of the exceptional wet season in the Northern Territories of Australia which severely constrained mining and processing activities. The Company's Australian operations have been in commercial production since June 1, 2010. Prior to June 1, 2010, all operational activity and related revenue and costs were capitalized as development. During the seven month period from June to December 2010, the Company has recorded gold sale revenue of \$73,178,056 on the sale of 56,990 ounces of gold, for an average realized price of \$1,284 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 \$44,110 related to ounces produced from the Company's Brock's Creek underground mine was incurred during the three months ended March 31, 2011. Production from Brock's Creek is subject to a royalty of A\$20 per ounce. The royalty expense on production from Brock's Creek prior to June 1, 2010 was capitalized to mine properties.

Depreciation, depletion and amortization of \$1,873,011 was recorded on the statement of operations and comprehensive income (loss) relating to the acquisition costs and development expenses capitalized to mineral properties, now being depleted on a unit-of-production basis based on proven and probable reserves. Property, plant and equipment is 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.

Operating costs and depreciation, depletion and amortization expense recorded prior to the declaration of commercial production and on assets not yet in production, have been capitalized to mineral interests. Revenue on metals sales prior to the declaration of commercial production and on assets not yet in production are credited against mineral interests. During the three months ended March 31, 2010, operating costs and depreciation, depletion and amortization expense of \$21,405,125 was capitalized to mine properties. Revenue on metals sales of \$12,752,998 during the same period was credited against mine properties.

The net loss included \$355,709 and \$737,711 of exploration expenses in the first quarters of 2011 and 2010 respectively. Exploration expenditure is expected to increase significantly in the second half of 2011.

During the three months ended March 31, 2011, the Company has recorded total reclamation accretion expense of \$173,993, compared to \$139,094 in the three months ended March 31, 2010. Care and maintenance costs for the quarter ended December 31, 2011 of \$132,216 related to properties that have not yet been taken into production, including Maud Creek, Pine Creek and Tom's Gully, since the decision was made to defer start up. During the quarter ended March 31, 2010, the Company recorded care and maintenance expense of \$28,245.

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Corporate general and administrative expenses of \$1,301,430 and \$934,948 was recorded during the three months ended March 31, 2011 and 2010, respectively, and is summarized as follows:

	Three months ended March 31, 2011	Three months ended March 31, 2010
Salaries and consulting fees	\$ 690,779	\$ 437,413
Professional fees	86,170	69,297
Travel expenses	274,051	132,506
Shareholders communication/filing fees	200,742	227,930
Insurance expense	10,384	10,353
Office supplies & general expenditures	39,305	57,449
	<u>\$ 1,301,431</u>	<u>\$ 934,948</u>

Corporate general and administrative activity takes place in Australia and Canada. Salaries and consulting fees include 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 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 since listing on the TSX in November 2009.

Stock-based compensation expense of \$1,125,428 was recorded in the statement of operations and comprehensive income (loss) during the three months ended March 31, 2011 (three months ended March 31, 2010: \$1,283,288), relating to the vesting of options granted between July 10, 2009 and March 31, 2011. During the three months ended March 31, 2011, 750,000 options were granted (year ended December 31, 2010: 6,700,000 options / year ended December 31, 2009: 11,160,000). Options granted typically vest over a two-year period with 1/8th of the grant vesting each quarter. At March 31, 2011, a total of 13,264,704 options were outstanding of which 7,214,079 had vested (December 31, 2010: 12,996,150 options outstanding; 6,240,190 vested). The options granted during 2011 had an estimated grant date fair value of \$436,168 (year ended December 31, 2010: \$5,209,750). 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 78% (2010: 100%); risk-free interest rate of 1.67% (2010: 2.2%); and, an expected life of three years (2010: three to five years). The exercise price of the stock options granted during 2010 ranged between C\$1.09 and C\$2.24 per share (2009: C\$0.20 and C\$1.91 per share).

During the three months ended March 31, 2011, the Company earned interest income of \$354,657 (three months ended March 31, 2010: \$140,655). This income was largely earned on the cash and cash equivalents held during the year in Australia along with interest earned on the restricted cash being used as collateral for bank guarantees that have been issued by Westpac Bank to the Northern Territory government as security on environmental bonding requirements. 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 strengthening Australian dollar vis-à-vis the United States dollar, the Company holds a significant portion of its cash in Australian dollars. During 2010, the Company also entered into currency forward contracts to help manage this foreign exchange risk. At both March 31, 2011 and December 31, 2010, the Company had no currency forward contracts outstanding; however, management may use currency derivatives to help manage its foreign exchange risk within guidelines approved by the board of directors. Under those guidelines, the Company may hedge up to 50% and 30% of its Australian dollar expenditures over the immediate three month period and subsequent four to twelve month period, respectively. This could be done both through holding Australian dollars and the use of currency derivatives.

During the three months ended March 31, 2011 and 2010, the Company recorded a net foreign exchange loss of \$34,174 and \$5,214 respectively. While the reporting currency of Crocodile Gold is the US dollar, the functional currency of its Australian operations is the Australian dollar and of its Canadian and Peruvian operations 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 or loss. During the three months ended March 31, 2011 and 2010, the Company recorded unrealized gains on foreign currency translation of \$3,213,411 and \$2,828,570 respectively. The gain on translation was the result of the US dollar weakening against both the Canadian and Australian dollars during both 2011 and 2010.

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Cash Flow

During the three months ended March 31, 2011, cash used in operating activities amounted to \$4,764,962, compared with \$5,529,319 in 2010. Cash used in operating activities in 2011 was primarily due to a cash shortfall on mine operations of \$2,365,816, an increase in inventories of \$2,548,703 and general and administrative costs of \$1,301,431. During 2010, cash used in operating activities was largely due to general and administrative costs of \$934,948, exploration expenditure of \$737,711 and the net change in non-cash working capital.

Investing activities used \$13,333,372 in 2011, compared to \$20,222,673 in the three months ended March 31, 2010. Expenditure in 2011 was principally incurred on development of the Cosmo underground mine, including the dewatering of the Cosmo pit, and at the Union Reef's mill. In 2010, the cost of mine development was split relatively evenly between capital development activities, including dewatering of the Cosmo pit, commencement of activities at the Cosmo underground mine and the start up costs at Brocks Creek, Howley, Tom's Gully and at the Union Reef's mill, and the result of pre-commercial production activities.

Investing activities also included the addition 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.

During the three months ended March 31, 2011, the Company sold 14,300 ounces of gold at an average price of \$1,389 per ounce, compared to 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 first quarter of 2011, the price of gold on the London Bullion Market averaged \$1,386 per ounce, compared to \$1,225 per ounce during the year ended December 31, 2010.

Financing activities provided cash of \$81,856,814 during the three months ended March 31, 2011, versus \$31,320,528 in 2010. 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), less costs associated with the issue of the shares and warrants amounting to \$4,933,001. A further \$97,735 was raised from the exercise of 116,369 share options. During the first quarter of 2010, the Company received \$31,402,806 on the exercise of warrants for 24,487,970 common shares and \$324,224 on the exercise of 812,959 share options.

During the three months ended March 31, 2011, capital lease obligations for the Australian operations used \$9,126, (2010: \$61,056). The net carrying value of assets under capital lease obligations at the Australian operations totalled \$213,464 (December 31, 2010: \$211,170).

Off-Balance Sheet Items

As at December 31, 2010, the Company did not have any off-balance sheet items.

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Quarterly Information

2011 - Quarters Ended	March 31st
Reporting framework	IFRS
Revenues	\$ 19,965,737
Net earnings (loss)	\$ (7,009,449)
Earnings (loss) per share (basic and diluted)	\$ (0.03)
Total assets	\$ 277,909,268
Long-term liabilities	\$ 11,942,859

2010 - Quarters Ended	December 31st	September 30th	June 30th	March 31st
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 31st	September 30th	June 30th	March 31st
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 between March 31, 2009 and March 31, 2011 reflects the purchase of the assets of GBS Gold Australia, the completion of various equity financings and the exercise of common share purchase warrants and share purchase options, the proceeds from which have been used to develop the assets acquired. The increase in the long-term liabilities is due to the asset retirement obligation established on the purchase of the assets from GBS Gold Australia and the liability component of the preferred shares issued in June 2009, which was subsequently converted into common shares in the fourth quarter of 2009. The increase in the loss during the fourth quarter of 2009 is largely due to the charge of \$12,326,762 to the statement of operations and comprehensive income (loss) on 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 March 31, 2011

During the three months ended March 31, 2011, the Company recorded a net loss of \$7,009,449. The net loss included exploration expenses of \$355,709. The net loss during the quarter was also the result of lower than expected production, which was largely the result of heavier than usual monsoonal rains. The Company also recorded a non-cash stock based compensation expense of \$1,125,428 during the period. During the period, the revenue amounted to \$19,965,737 on the sale of 14,300 ounces of gold for an average realized price of \$1,389 per ounce. The average London PM Fix during the three months ended March 31, 2011 was \$1,386 per ounce.

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Outstanding and Issued Common Shares

As at June 3, 2011, the following common shares, common share purchase warrants and common share options were issued and outstanding:

- 309,851,311 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
- 13,906,204 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 May 27, 2016.

Financial Instruments

The Company's financial assets and financial liabilities as at March 31, 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
March 31, 2011					
Cash and cash equivalents	\$ 88,191,145	\$ -	\$ -	\$ -	\$ 88,191,145
Restricted cash	13,283,347	-	-	-	13,283,347
Receivables	2,981,072	-	-	-	2,981,072
Other financial assets – current	-	-	-	1,272,240	1,272,240
Other financial assets – non-current	2,136,668	-	-	-	2,136,668
Accounts payable and accrued liabilities	-	-	-	14,127,051	14,127,051
Other financial liabilities – current	-	-	-	39,792	39,792
Other financial liabilities – non-current	-	-	-	6,970	6,970
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

March 2011 Bought Deal Financing

On April 25, 2011, the underwriters partly exercised the over-allotment option in connection with the bought deal offering which closed on March 24, 2011. As a result, the Company has 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".

Option of the Mario Property, Peru to Fortuna Silver

On May 30, 2011, the Company and Fortuna Silver Mines Inc. 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 four drills currently on site drilling priority targets at Cosmo and Union Reef, and with further drilling rigs expected in 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);
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.

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 the Crocodile. 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.

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:

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	Three months ended <u>March 31, 2011</u>	Seven months ended <u>December 31, 2010</u>
Operating expenses per consolidated statement of operations and comprehensive income (loss)	\$ 22,287,443	\$ 63,726,536
By-product silver sales credit	(107,391)	(173,364)
Non-cash stock option expense charged to operating expenses	<u>(162,669)</u>	<u>(371,518)</u>
Operating cash costs	22,017,383	63,181,654
Divided by ounces of gold sold (commercial production ounces)	<u>14,300</u>	<u>56,990</u>
Cash cost per ounce	<u>\$ 1,540</u>	<u>\$ 1,109</u>

Critical Accounting Estimates

The Company's significant accounting policies are described in Note 6 to the consolidated financial statements for the three months ended March 31, 2011. The preparation of statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of expenses during the reporting period. Such estimates and assumptions affect the carrying value of assets and impact decisions as to when exploration and development costs should be capitalized or expensed. Other significant estimates made by the Company include factors affecting the valuation of its inventories, mine properties and related asset retirement obligations, foreign currency translation, tax accounts, warrants and share-based compensation, and estimated mineral resources and reserves. Actual outcomes could differ from these estimates.

Inventories

Gold bullion, gold in circuit and ore stockpiles are valued at the lower of average production cost or net realizable value. Production costs include the cost of raw materials, direct labour, mine-site overhead expenses and depreciation and depletion of mining interests. Net realizable value is calculated as the estimated price at the time of sale based on prevailing metal prices less estimated costs of completion and costs to be incurred in the selling of the inventory. At March 31, 2011, certain ore stockpiles, gold in circuit and gold bullion were carried at net realizable value. Supplies are valued at the lower of average cost and net realizable value. At March 31, 2011, the Company had inventories carried at a total value of \$11,378,978 (December 31, 2010: \$8,807,187), which included ore stockpiles of \$2,477,904, gold in circuit of \$4,471,204, gold bullion of \$229,705 and supplies of \$4,200,165.

Mine properties and deferred mining expenditure

The acquisition costs and development expenses relating to mine properties, net of any pre-production revenues and related costs, are deferred until the property is brought into production, at which time they are depleted on a unit-of-production basis based on proven and probable reserves. If the property is subsequently determined to be significantly impaired in value, the property and related deferred costs are written down to its net realizable value. The cost of a mine property abandoned or sold and its related deferred exploration costs are charged to operations in the current period.

Capital development costs incurred during the production stage are deferred. Deferred mining expenditure includes the cost of decline and access development in underground operations and waste removal in open pit operations. The costs associated with the removal of overburden and other mine waste materials that are incurred in the production phase of mining operations are charged to income in the year in which they are incurred, except when the costs represent a betterment to the mineral property. Costs represent a betterment when the activity provides access to reserves that would not have been accessible in the absence of the activity concerned. When costs are deferred in relation to betterment, the costs are amortized over the life of the area of interest on a unit of production basis.

The Company reviews its long-lived assets, including mine properties, exploration and evaluation assets, and property, plant and equipment, on a periodic basis to determine if events or changes in circumstances have transpired which indicate that the carrying value may not be recoverable. The recoverability of costs incurred is dependent upon numerous factors including exploration results, environmental risks, commodity risks, political risks, and the Company's ability to attain profitable production. In reviewing its long-lived assets, the Company estimates the future cash flows expected to result from each asset and its eventual disposition. If the sum of the discounted expected future cash flow is less than the carrying value of the asset, an

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impairment loss is recognized. During the year ended December 31, 2010, the Company recorded an impairment charge against mine properties of \$6,927,682. It is reasonably possible, based on existing knowledge, that changes in future conditions in the near-term could require a change in the determination of the need for and amount of any write down.

As at March 31, 2011, the Company had mine properties, exploration and evaluation assets, and property, plant and equipment on the balance sheet of \$106,407,987, \$11,610,324 and \$40,647,507 respectively.

Asset retirement obligations

The Company is required to record a liability for the estimated future costs associated with its obligations relating to the abandonment and reclamation of mineral properties and facilities. This amount is based on environmental management plans, in compliance with current environmental and regulatory requirements, and is initially recorded at its discounted present value with subsequent annual recognition of an accretion amount on the discounted liability included in operations. An equivalent amount is recorded as an increase to mine properties and is amortized over the useful life of the properties. Increases or decreases to the obligation usually arise due to additional development activities, changes in technology, changes in legal or regulatory requirements, the extent of environmental remediation required or methods of reclamation, cost estimates, changes in the proposed mining operations, changes in the timing of reclamation, or changes in interest rates. The present value of the estimated costs of these changes is recorded in the period in which the change is identified and quantified. The present value is determined using the appropriate risk-free interest rate.

At March 31, 2011, the estimated asset retirement obligation liability was \$12,796,060, based on total undiscounted future liabilities of approximately \$19 million (A\$18 million), an inflation rate assumption of 3% and a risk-free rate of 5.75%. Reclamation is expected to occur between the next one to 21 years.

Stock-based compensation

The Company records stock-based compensation costs based on the fair value method of accounting for stock-based compensation. The fair value of common shares is based on the quoted market value. The fair value of stock options is determined using the Black-Scholes option-pricing model with market related inputs as of the date of grant. The compensation expense is recognized over the vesting period. When options are exercised, the proceeds received, together with any related amount in contributed surplus, are credited to common shares.

Stock-based compensation expense of \$1,125,428 was recorded in the statement of operations and comprehensive income (loss) during the three months ended March 31, 2011, relating to the vesting of options granted between July 10, 2009 and March 31, 2011. During the three months ended March 31, 2011, 750,000 options were granted (year ended December 31, 2010: 6,700,000). At March 31, 2011, a total of 13,264,704 options were outstanding of which 7,214,079 had vested (December 31, 2010: 12,996,150 options were outstanding of which 6,240,190 had vested). 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 volatility of 78% (2010: 100%); risk-free interest rate of 1.67% (2010: 2.2%); expected forfeiture rate of 5% (2010: 5%) and, an expected life of three years (2010: three to five years).

Foreign currency translation

The reporting currency of Crocodile Gold is the United States dollar ("US dollar"). The functional currency of Crocodile Gold's Canadian parent companies is the Canadian dollar and the functional currency of the Australian subsidiaries is the Australian dollar.

The consolidated financial statements of the Canadian parents and the Australian subsidiaries are translated into the US dollar using the current rate method. Under this method, all assets and liabilities are translated at the year-end rate of exchange and all revenue and expense items are translated at the average rate of exchange for the year. Gains and losses on translation are included in equity as a separate component of accumulated other comprehensive income or loss.

Transactions in foreign currencies are translated into the currency of measurement at the exchange rates in effect on the transaction date. Monetary balance sheet items expressed in foreign currencies are translated into the functional currency at the exchange rates in effect at the balance sheet date. The resulting exchange gains and losses are recognized in operations.

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The Company's integrated foreign subsidiaries in Peru are financially dependent on the Company and as a result, the temporal method is used to translate the accounts of these integrated operations into Canadian dollars.

Due to the strengthening of both the Canadian and Australian dollars against the US dollar, the Company recorded an unrealized gain on foreign currency translations of \$3,213,411 in the three months ended March 31, 2011 and \$19,073,122 in the twelve months ended December 31, 2010.

Recent Accounting Pronouncements

Status of Crocodile Gold's Transition to International Financial Reporting Standards (IFRS)

The Company's conversion to IFRS progressed into the implementation phase during 2010 and in the first quarter of 2011, culminated in the quantification of the Company's opening balance sheet as of January 1, 2010 and the conversion of the 2010 financial statements for the three months ended March 31, 2010, which have become the comparatives for the 2011 IFRS quarterly financial statements.

Background

On February 13, 2008, the Canadian Accounting Standards Board (AcSB) confirmed that publicly accountable enterprises will be required to change over to IFRS from Canadian GAAP for interim and annual financial statements effective for fiscal years beginning on or after January 1, 2011. As a result, Crocodile Gold will report under IFRS for interim and annual periods beginning January 1, 2011, with comparative information for 2010 restated for IFRS. Adoption of IFRS as Canadian GAAP will require the Company to make certain accounting policy choices that could materially impact the reported financial position and results of operations. The Company's goal is to make policy changes that are compliant with IFRS, but also provide the most meaningful information to the Company's shareholders.

The conversion project is being completed in three phases:

Assessment phase:

In this phase, the Company formed a working group, developed an initial project plan, and identified high level differences between Canadian GAAP and IFRS that were expected to impact the Company. This phase was completed in 2009 in conjunction with external consulting resources.

Design phase:

This phase involved the analysis of the differences between Crocodile Gold's accounting policies under Canadian GAAP and IFRS to provide a basis for accounting policy recommendations. The working group in this phase is comprised of the CFO and the corporate finance teams, with updates regarding the progress of the IFRS changeover plan provided quarterly to the Company's audit committee and regular consultation with the external auditors. Crocodile Gold's Australian subsidiaries have in fact prepared consolidated financial statements for the years ended December 31, 2009 and 2010 under IFRS due to the existing regulatory requirements to prepare IFRS compliant financial statements in Australia. The IFRS accounting policies of Crocodile Gold's Australian subsidiaries will conform when the Company prepares its IFRS compliant consolidated financial statements. This phase also included the Company considering its accounting policy choices under the IFRS 1 conversion standard and the elections/exemptions to be applied to its January 1, 2010 opening balance sheet.

Implementation phase:

This phase involves the implementation of the necessary changes to the Company's information systems and business processes as identified through the assessment and design phases of the changeover plan, the amendment and testing of internal controls over financial reporting and disclosure controls and procedures impacted by accounting policy, and the preparation of a January 1, 2010 opening balance sheet and 2010 comparative data under IFRS, with reconciliations from Canadian GAAP. The final phase will result in the preparation of financial reporting under IFRS beginning in the first quarter of 2011.

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IFRS 1, First-Time Adoption of IFRS

IFRS 1 provides the framework for the first-time adoption of IFRS and specifies that, in general, an entity shall apply the principles under IFRS retrospectively. Certain optional exemptions and mandatory exceptions to retrospective application are provided for under IFRS 1. The Company has decided to apply the following exemptions contained in IFRS 1:

Business combinations

The Company elected under IFRS 1 not to restate business combinations that occurred prior to the transition date.

Fair value as deemed cost

The Company did not elect under IFRS 1 to initially measure any item of property, plant and equipment upon transition to IFRS at fair value on the transition date, or at an event-driven fair value (i.e. a fair value determined through a business combination or initial public offering).

Cumulative translation account ("CTA")

The Company has not elected the option under IFRS 1 that allows cumulative translation differences for all foreign operations to be deemed zero at the date of transition to IFRS, with future gains or losses on subsequent disposal of any foreign operations to exclude translation differences arising from prior to the date of transition to IFRS.

Decommissioning liabilities

The Company elected under IFRS 1 to apply the provisions of IFRIC 1, *Changes in Existing Decommission, Restoration and Similar Liabilities*, as they relate to changes in such liabilities before the date of transition to IFRS. Applying this exemption the Company determined its decommissioning liabilities at the transition date, discounted the liabilities back to the dates when they first arose using management's best estimate of the historical risk-adjusted discount rates, and depreciated these amounts forward to the transition date to determine the amount to be included in the depreciated cost of the assets.

Share-based payments

IFRS 1 encourages, but does not require a first time adopter to apply IFRS 2, *Share-based Payments* to equity instruments that were granted on or before November 7, 2002, but permits the application only to equity instruments granted after November 7, 2002 that had not vested before the Company's IFRS transition date. This Company availed itself of the exemption provided by IFRS 1 and applied IFRS 2 for all equity instruments granted after November 7, 2002 that had not vested by its transition date.

Borrowing costs

The Company did not elect under IFRS 1 to apply the transitional provisions of IAS 23, *Borrowing Costs* as an alternative to full retrospective application. Under these provisions, the Company may have elected to only apply IAS 23 to qualifying assets for which the commencement date for capitalization is on or after the date of transition (or an elected earlier date).

Impact of Adopting IFRS on the Company's Opening Balance Sheet

Standards under IFRS are based on a conceptual framework similar to Canadian GAAP, however significant differences exist in certain matters of recognition, measurement and disclosure. While the adoption of IFRS will not have a material impact on the Company's reported cash flows, it will have a larger impact on the consolidated balance sheets and statements of operations and comprehensive income (loss). In particular, the Company's opening balance sheet reflects the expensing of post-acquisition exploration costs, as well as the restatement of the asset retirement obligations. Certain income statement items such as depreciation, depletion and amortization expense, accretion and share-based compensation expense were also impacted as a result of these changes.

This discussion has been prepared using the IFRS standards and interpretations currently issued and expected to be in force during 2011, the Company's first annual IFRS reporting period. It should be noted that should the regulatory environment or standards substantially change from those currently defined, the Company's elections and accounting policy selections may be modified accordingly. At the present time however, the Company is not aware of any significant expected changes that would materially impact the summary presented below.

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Provision for reclamation and rehabilitation

Under IFRS, a liability must be recognized at the time when the entity becomes legally or constructively obliged to rehabilitate a disturbance resulting from mining activities, while under Canadian GAAP, a liability is only recognized when the entity is legally bound. Discount rates used should reflect the risks specific to the decommissioning provision. Unlike IFRS, under Canadian GAAP discount rates for asset retirement obligations are based on the entity's credit-adjusted risk-free rate. IFRS requires re-measurement of the liability at each reporting date, whereas Canadian GAAP requires re-measurement of the liability in the event of changes in the amount or timing of cash flows required to settle the obligation. Over and above this, IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, requires the re-measurement of the provision for reclamation and rehabilitation if there is a change in the current market-based discount rate, while under Canadian GAAP, HB 3110 *Asset Retirement Obligations*, the provision for reclamation and rehabilitation is not adjusted for changes in the discount rate.

The use of the current discount rate for all changes in estimates, combined with the requirement to re-measure the liability at each reporting date under IFRS, will significantly simplify the process required to measure any restoration liabilities as there will no longer be a need to record and account for separate layers of the original liability and each subsequent upward revision in estimated cash flows. As a result, the ARO liability under IFRS has been re-measured using the risk-free discount rate in effect at January 1, 2010, which resulted in an adjustment of approximately \$3.6 million recorded as an increase to asset retirement obligations as at January 1, 2010, with a corresponding increase in mine properties.

Exploration expenditures

IFRS 6 applies to exploration and evaluation expenditures incurred by an entity in connection with the exploration and evaluation of mineral resources. An entity may choose to defer on the balance sheet nearly all exploration and evaluation expenditures, or recognize all such expenditures in the statement of income and comprehensive income as incurred.

The Company elected to change its current policy of deferring all exploration and evaluation expenditures and to expense post-acquisition exploration costs as incurred. Consequently, the carrying value of exploration and evaluation assets at January 1, 2010 was reduced by approximately \$2.4 million.

Share-based payments

In certain circumstances, IFRS requires a different measurement of share-based compensation than current Canadian GAAP. The Company has amended its calculation of share-based payments, but such amendment had minimal impact on the opening balance sheet as at January 1, 2010.

Full auditor attestation of the 2010 converted IFRS statements, including the opening balance sheet as of January 1, 2010 and the 2010 interim financial statements, will be provided at the conclusion of the annual audit of the 2011 financial statements, which is scheduled to be completed during the first quarter of 2012.

Impact of ongoing or future differences between IFRS and Canadian GAAP

Impairment of assets

IAS 36, *Impairment of Assets*, uses a one-step approach for both the testing and measurement of impairment, with the asset carrying values compared directly with the higher of fair value less costs to sell and value in use, which is based on discounted future cash flows. Canadian GAAP, on the other hand, generally used a two-step approach to impairment testing of long-lived assets and finite-life intangible assets by first comparing asset carrying values with undiscounted future cash flows to determine whether an impairment exists. If it is determined that there is impairment under this basis, the impairment is then calculated by comparing the asset carrying values with fair values (on a discounted basis) in much the same manner as computed under IFRS. Additionally under IFRS, testing for impairment occurs at the level of cash generating units, which is the lowest level of assets that generate largely independent cash inflows. This lower level of grouping compared to Canadian GAAP along with the one-step approach to testing for impairment may or may not increase the likelihood that the Company will realize an impairment of assets under IFRS. It should also be noted that under IAS 36, previous impairment losses can be reversed when there are indications that the circumstances that gave rise to the impairment have changed, whereas Canadian GAAP prohibits reversal of non-financial asset impairment losses.

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As at January 1, 2010, impairment of asset carrying values was considered in accordance with the provisions of IAS 36. The result indicated no impairment of the assets. The Company's IFRS-based accounting policies related to impairment of non-financial assets will be changed to reflect the differences in the standards.

Foreign currency

IFRS requires that the functional currency of Crocodile Gold and its subsidiaries be determined independently for each entity. Under IFRS, the factors considered to determine the entity's functional currency are somewhat different than the factors considered under Canadian GAAP.

After review, the Company has determined that its current accounting treatment related to foreign currency and its determination of its entity-specific functional currencies is appropriate under IFRS.

There was, however, a brief period in 2009 when the functional currency of the Company's Australian subsidiaries was determined under Canadian GAAP to be the Canadian dollar for consolidation purposes. Applying the principles of IFRS, the functional currency would have been the Australian dollar, as is currently the case. The Company has retroactively applied the principles of its current IFRS compliant accounting policy, which has resulted in a reduction in foreign exchange losses in 2009 by approximately \$1.2 million.

Financial disclosures

Annual IFRS-compliant financial statement note disclosures will be drafted and reviewed with the Company's audit committee during the fourth quarter of 2011. The Company has included a significant increase in its note disclosures resulting from the adoption of IFRS in its first interim financial statements, for the three months ended March 31, 2011, and is continuing to assess the level of disclosure required for year end, as well as any further system changes that may be necessary to gather and process the information.

Training

Training of IFRS requirements with all management levels will continue in 2011. IFRS training program requirements for other stakeholders of the Company are being assessed.

IFRS Impact on Internal Control over Financial Reporting (ICFR) and Disclosure Controls and Procedures (DC&P)

Management continually evaluates the impact of the adoption of IFRS on the reporting and disclosure processes of the Company. During the conversion project, management has and will continue to make modifications to certain of its internal reports, its data analysis, information systems and reporting processes to incorporate the collection of information necessary under IFRS. Since these changes represented only a component part of the reporting process, no material changes to the Company's processes or controls have been specifically required as a result of this conversion.

As a result of the convergence of Canadian GAAP with IFRS standards, the Company has not made material changes to its ICFR or DC&P during the course of its conversion project.

IFRS Impact on Information Systems

In order to facilitate the compilation of information required for IFRS reporting and disclosures, management has made appropriate modifications to its consolidation system and processes. Those changes generally required minor changes to reports or data analysis to ensure that additional information required for disclosures under IFRS, which was not collected under Canadian GAAP, were appropriately tracked for IFRS reporting purposes.

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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 an officer and director of Forbes & Manhattan.

(b) Leasing obligations

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

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

	March 31, 2011	March 31, 2010
Minimum lease payments	\$ 18,577	\$ 15,909

Minimum commitments remaining under these leases were as follows:

	March 31, 2011	December 31, 2010	January 1, 2010
2010	\$ -	\$ -	\$ 172,148
2011	54,233	102,587	89,895
	\$ 54,233	\$ 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 March 31, 2011 are estimated to be \$1,650,756 (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 March 31, 2011, the Company had funds placed on deposit as collateral for bank guarantees issued to the Northern Territory Government. The bank guarantees, totalling \$11,918,117, are security under environmental bond requirements, and are in addition to environmental security bonds of \$151,038. A further \$997,105 is scheduled to be deposited over the next 12 months.

(e) Native title claims

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

(f) Contingent contractual royalty obligations

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

- (i) a vendor royalty of A\$20 per ounce of gold produced from the Brocks Creek underground mine. During the three months ended March 31, 2011, the Company recorded royalty expense of \$44,110 (during the year ended December 31, 2010, the Company recorded royalty expense of \$393,534, of which \$150,185 was capitalized as pre-commercial production and the balance expensed to the statement of operations).

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- (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 or minimal royalty 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 March 31, 2011, these contracts require that additional payments of approximately \$3,996,000 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 interim consolidated financial statements. Minimum commitments upon termination of these contracts are approximately \$1,193,000.

(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 (\$2,106,761) to the TRO, being a reasonable estimate of the potential stamp duty arising if the TRO's position eventually prevails. Despite the payment, which is recorded as a financial deposit, the Company's position remains that the amalgamation did not trigger a stamp duty liability and is pursuing its options to recover the amount paid; however, the eventual outcome of this dispute is unknown. Also, while the Company believes that the amount paid is based on a reasonable estimate of the value of the assets subject to stamp duty liability if the TRO position is upheld, the final amount due could be higher and would be subject to interest and possible penalties.

(j) Environmental contingencies

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

(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

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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 three months ended:

	March 31, 2011	March 31, 2010
Short-term compensation and benefits	\$ 409,055	\$ 273,708
Share-based payments	883,311	2,957,401
	\$ 1,292,366	\$ 3,231,109

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 in the above table are 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.

In September 2010, an officer and two directors of the Company exercised an aggregate of 1,225,000 stock options at a price of \$1.19 per option. Of the options exercised by one of the directors, 500,000 options had not yet vested. The board of directors, within the authority granted by the Company's stock option plan, accelerated the vesting of the unvested options to allow for their exercise.

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 March 31, 2011 was \$866 (December 31, 2010: \$nil, January 1, 2010: \$10,844) owing to and \$60,434 (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, with a sample of the more immediate risk factors listed below:

Crocodile Gold's Securities May Experience Price Volatility

Securities markets have recently had 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 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.

Production Estimates

Crocodile Gold has prepared estimates of future gold production for its existing and future mines. Crocodile Gold 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.

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

Cost Estimates

Capital and operating cost estimates made in respect of Crocodile Gold's mines and development projects may not prove accurate. Capital and operating cost estimates are based on the interpretation of geological data, feasibility studies, anticipated climatic conditions, other factors and assumptions regarding foreign exchange currency rates. 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; 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 have 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 in the world market and is affected by numerous industry factors beyond Crocodile Gold'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.

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.

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Crocodile Gold's management, including the CEO and CFO, have as at March 31, 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 GAAP. 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 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 of management and the Company's directors; and
- provide reasonable assurance regarding the prevention or timely detection of 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 them 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 consolidated financial statements for the three months ended March 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 three months ended March 31, 2011 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Limitations of Controls and Procedures

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

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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 reserves and mineral resources; 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 reserve and mineral resource 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 reserves and mineral resources, 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.

June 3, 2011