

**CROCODILE GOLD CORP.**  
**Management's Discussion and Analysis**  
**For the three and nine months ended September 30, 2010**

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 and nine months ended September 30, 2010. This MD&A should be read in conjunction with the Company's unaudited interim consolidated financial statements and related notes as at and for the three and nine months ended September 30, 2010. The consolidated financial statements and related notes of Crocodile Gold have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). Additional information, including the Amended Annual Information Form dated November 5, 2010 and press releases, has been filed electronically through the System for Electronic Document Analysis and Retrieval ("SEDAR") and is available online under the Crocodile Gold profile at [www.sedar.com](http://www.sedar.com).

Crocodile Gold is the continuing combined entity following the November 2009 transaction between Crocodile Gold Inc. and Franc-Or Resources Corporation ("Franc-Or") whereby Franc-Or, a public company listed on the Toronto Stock Exchange ("TSX"), acquired all of the outstanding shares of the Company in exchange for common shares of Franc-Or (the "Transaction"). Following completion of the Transaction, the Crocodile Gold board and management team became the board and management team of the combined entity, which was renamed Crocodile Gold Corp. and began trading on the TSX under the symbol "CRK" as of November 6, 2009. The Transaction was accounted for as a purchase of assets with Crocodile Gold Inc. as the acquirer and Franc-Or as the acquired. Additional details are provided below under the section entitled "Transaction with Franc-Or Resources Corporation".

This MD&A reports on the Company's activities through November 5, 2010. 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 and between the Canadian and Australian dollars for the nine months ended September 30, 2010 and 2009 were as follows:

Nine months ended September 30,	2010		2009	
	Average	Closing	Average	Closing
Canadian dollars per US dollars	0.9653	0.9718	0.8577	0.9327
Australian dollars per US dollars	0.8972	0.9649	0.7724	0.8876
Australian dollars per Canadian dollars	0.9295	0.9929	0.9006	0.9516

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 by Mark Edwards, B.Sc (Honours), MAusIMM, and Heath Gerritsen, BEng, MAusIMM, both are Qualified Persons under National Instrument 43-101 and employees of the Company.

**Overview**

Crocodile Gold is a company engaged in the acquisition, exploration, development and operation of mineral properties. The Company's primary focus is the Burnside, Union Reefs and Pine Creek Projects in the Northern Territory of Australia, which were acquired in 2009. These mining assets are held by Crocodile Gold Australia Pty Ltd, a wholly-owned subsidiary of Crocodile Gold. Additional details are provided below under the section entitled, "Purchase of Mining Assets from GBS Gold Australia Pty Ltd". The Company has produced gold from the Brock's Creek underground mine, the Howley open pit mine, the North Point open pit mine and, most recently, the Princess Louise open pit mine since acquiring the assets. Ore from these mines is being processed through the Union Reefs mill, which was declared to be in commercial production on June 1, 2010. Prior to the declaration of commercial production, the Company was a development stage entity as defined by the Canadian Institute of Chartered Accountants' ("CICA") Accounting Guideline 11. The Company also holds rights to the exploration stage Mario Property in Peru.

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**Highlights – Three and Nine Months Ended September 30, 2010**

Highlights for the three and nine months ended September 30, 2010:

- During the three months ended September 30, 2010, the Company recorded net earnings of \$2,393,803, or \$0.01 per share, and cash flow from operations of \$3,555,300. For the nine month period, the Company recorded a net loss of \$5,074,034, or \$0.03 per share, and cash flow from operations of \$6,004,103.
- During the three months ended September 30, 2010, the Union Reefs mill processed 557,189 tonnes of ore at an average head grade of 1.58 grams per tonne ("g/t") and at a recovery rate of 92.4% to produce 26,138 ounces of gold.
- Mill availability during the third quarter of 2010 was 95%.
- During the four months of production since commercial production was declared on June 1, 2010, a total of 731,524 tonnes of ore was processed at an average grade of 1.58 g/t and a recovery rate of 91.9% to produce 34,060 ounce of gold.
- During the nine months ended September 30, 2010, the Company milled 1,337,705 tonnes of ore at an average head grade of 1.58 g/t and at a recovery rate of 87.5% to produce 59,443 ounces of gold.
- Mining commenced at the North Point open pit mine in April and the Princess Louise open pit mine in September. Mining is expected to continue at both mines until the beginning of the wet season in late November/early December.
- During the three months ended September 30, 2010, a total of 633,735 tonnes of ore at an average grade of 1.48 g/t was mined from the Howley, North Point and Princess Louise open pit mines and the Brock's Creek underground mine. During the nine month period, 1,546,496 tonnes of ore at an average grade 1.59 g/t was mined.
- Excavation at the new Cosmo underground mine began with the first blast on the portal occurring May 30, 2010 and underground development through September 30, 2010 was 372 metres from the portal. Commercial production is expected to begin late in the second quarter of 2011.
- Development work on the Tom's Gully underground mine was discontinued during the quarter with decision to start operations being deferred to the second quarter of 2011.
- Completed 32,758 metres of exploration and grade control drilling at Brock's Creek, Howley, Cosmo and Princess Louise during the quarter.
- In September, Crocodile Gold was added to the S&P/TSX SmallCap Index.

**Purchase of Mining Assets from GBS Gold Australia Pty Ltd.**

On September 15, 2008, GBS Gold Australia, a company resident in Australia and a wholly-owned subsidiary of GBS Gold International Inc., was placed in voluntary administration. Claims of creditors were stayed for an administration period with the principal aim of allowing GBS Gold Australia and its subsidiaries to be restructured, recapitalized or sold. GBS Gold International Inc. was incorporated in Canada and traded on the TSX.

The assets comprised of the Burnside, Maud Creek, Union Reefs, Pine Creek and Tom's Gully Projects in the Northern Territory of Australia. The assets are located 90 to 285 kilometres ("km") south of Darwin. GBS Gold Australia acquired the mining assets between 2005 and 2007 and was in production between early 2007 and the appointment of Administrators in September 2008.

Prior to the suspension of operations and the appointment of the Administrators, GBS Gold Australia produced 90,745 ounces of gold during 2008, of which 88,889 ounces were produced at the Union Reefs operations and 1,856 ounces were produced as part of pre-production activities at the Tom's Gully operation.

On March 26, 2009, Crocodile Gold entered into an agreement with GBS Gold Australia and its Administrators to purchase substantially all of the assets of GBS Gold Australia for A\$50,000,000 (\$40,145,000). The purchase price of A\$50,000,000 included A\$8,011,500 (\$6,432,433) used to replace an existing guarantee posted by a secured creditor with the Northern Territory government with respect to reclamation bonds. Crocodile Gold provided a deposit of A\$5,000,000 (\$4,014,500) upon entering into the agreement.

On June 19, 2009, the Asset Sale Agreement ("ASA") between Crocodile Gold and GBS Gold Australia for the purchase of substantially all of GBS Gold Australia's assets was finalized and a payment of A\$15,000,000 (\$12,043,500) was made by Crocodile Gold. A subsequent payment of A\$15,000,000 (\$13,308,000) was made in December 2009 and the final payment of A\$15,000,000 (A\$13,225,000) was made in June 2010. The Administrators of GBS Gold Australia, on behalf of its creditors, held security over the assets being purchased by the Company. Upon the payment of the second and final deferred payment in June 2010 the Company had fulfilled its requirement under the ASA and the process to release the security over the assets had commenced.

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The ASA provided GBS Gold Australia the option to receive the deferred payments totalling A\$30,000,000 in Canadian dollars at an exchange rate of C\$0.86165:A\$1.00. The value of this embedded derivative was estimated to be \$717,529 at the date of the agreement and was included as part of the purchase cost. The resulting liability was recorded on the balance sheet as an unrealized non-hedge derivative liability. At December 31, 2009, the embedded derivative had an estimated fair value of \$58,608. With the final payment in June 2010, the option effectively expired unexercised and a realized gain was recorded on the statement of income (loss) and comprehensive income (loss) on the reversal of this liability balance.

The total cost of the assets acquired on June 19, 2009, was as follows:

Cash payments (A\$20 million)	\$16,058,000
Deferred payments (A\$30 million discounted to payment dates)	23,218,971
Estimated fair value of A\$:C\$ currency option provided to GBS Gold Australia	717,529
Acquisition costs, including Northern Territory stamp duty	3,519,408
	<u>\$43,513,908</u>

The net assets acquired were allocated as follows:

Supplies inventory	\$ 900,509
Reclamation deposits	6,432,433
Property, plant and equipment	25,301,740
Mining properties	15,450,955
Asset retirement obligations	(4,571,729)
	<u>\$43,513,908</u>

Subsequent to the signing of the ASA, Crocodile Gold began the process of negotiating the deeds of assumption and assignment of agreements with third parties that held interests on the properties and tenements being acquired from GBS Gold Australia. The completion of the assumption and assignment of agreements with third parties by Crocodile Gold was required before title to the licences and tenements acquired from GBS Gold Australia could be transferred to Crocodile Gold by the Northern Territory government. The assumption and assignment of all material agreements with third parties by Crocodile Gold was completed in November 2009 and on November 6, 2009, the Company received notification from the Northern Territory government that title to the licences and tenements acquired from GBS Gold Australia had been registered in the name of Crocodile Gold.

### **Mining and Milling Activity**

Following the receipt of title to the mining licences and tenements on November 6, 2009, the Company commenced mining activities at the Howley open pit mine (formerly known as Chinese) and at the Brock's Creek underground mine. During the commencement of mining activity and the recommissioning of the Union Reefs mills, all operational activities and the related costs and revenue 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.

The Union Reefs mill is a 2.4 million tonne per year carbon-in-leach processing plant with two parallel circuits. The mill was originally commissioned in 1994 with the second circuit added in 1998. Production activity at the mill, using one of the circuits, commenced in December 2009. Crushing of ore from Howley and Brock's Creek began on December 3, 2009, with the commissioning of the first grinding mill and beginning on December 16, 2009 crushed ore was being fed to the 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 three months ended September 30, 2010, the Company has milled 557,189 tonnes of ore at a head grade of 1.58 g/t and a recovery rate of 92.4% to produce 26,138 ounces of gold. The cash cost for the quarter was \$942 per ounce on 25,002 ounces of gold sold (See Non-GAAP Measures below).

Since the declaration of commercial production on June 1, 2010, the Company has milled 731,524 tonnes of ore at a head grade of 1.58 g/t and a recovery rate of 91.9% to produced 34,060 ounces of gold. The cash cost for the four month period following the declaration of commercial production was \$971 per ounce on 33,904 ounces of gold sold. The cash costs were higher than expected due to the processing of the higher cost pre-commercial production ounces in opening inventory at the commencement

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of commercial production, lower head grade and the short life of some of the deposits being mine. The mining of short life open pits at North Point and Princess Louise resulted in no mining costs being capitalized as development with all costs being treated as an expense. The Cosmo underground mine which has a longer mine life will be a major factor in reducing cash costs. In addition, the Australian dollar has strengthened since the beginning of 2010 and since June 1, 2010, the date upon which commercial production was declared.

During the nine months period ended September 30, 2010, Crocodile Gold has milled 1,337,705 tonnes of ore at an average head grade of 1.58 g/t and a recovery rate of 87.5% to produce 59,443 ounces of gold.

Mill availability and throughput has increased steadily year-to-date. Mill availability during the first quarter and prior to the declaration of commercial production in the second quarter was affected by start up issues and crusher difficulties. As a result of these disruptions, mill availability was approximately 66% during that five month period. Mill availability in the four month period since the declaration of commercial production was 95%. Targeted mill availability is 95%. During the second quarter, due to the crushing difficulties experienced in the prior months, a contract crusher was brought in to the Howley open pit to help provide crushed ore to the mill. However, with the improved crusher performance at the Union Reefs mill, this contract was discontinued.

With mill availability reaching targeted rates, the focus at the Union Reefs mill during the quarter was on increasing recovery rates and throughput, and achieving cost reductions. The recovery rate during the third quarter of 92.4% was up from 85.1% during the second quarter, an improvement of 9%, and up from 82.3% during the first quarter, an improvement of 12%. 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. A number of recovery initiatives are currently underway to increase the recovery on 100% fresh ore.

During the third quarter, the Union Reefs mill processed an average of 186,000 tonnes of ore per month up from an average of 108,000 and 152,000 tonnes per month during the first and second quarters, respectively. During the quarter, milling costs were approximately A\$17 per tonne and continuing to trend lower, compared with approximately A\$23 per tonne during the second quarter.

Ore milled during the quarter was sourced from the Howley, North Point and Princess Louise open pit mines and the Brock's Creek underground mine. During the quarter, 609,000 tonnes of ore was mined at the open pit mines at an average grade of 1.25 g/t, having an estimated 24,462 contained ounces of gold. During the same period, 25,000 tonnes of ore was mined at the Brock's Creek underground mine at an average grade of 7.06 g/t, having an estimated 5,685 contained ounces of gold.

The 609,000 tonnes ore mined during the third quarter exceeded the tonnes milled as the Company is building a stockpile in advance of the wet season which begins in November/December and lasts through April. At September 30, 2010, the Company had 162,000 tonnes of ore in stockpiles at an average grade of 1.02 g/t for approximately 5,300 contained ounces of gold.

During the third quarter, the Company's mining activities included a focus on continuing to develop and improve grade control and mine planning processes.

Princess Louise

Recent exploration drilling at the Princess Louise deposit, which is located approximately 2 km south of the existing North Point open pit operation, delineated a shallow higher grade zone within the overall resource. As the project was fully permitted and due to its close proximity to the current North Point operation and facilities, the Company started development at Princess Louise early in the third quarter and production commenced in September 2010. Production from both Princess Louise and North Point in 2010 is expected to cease sometime between late November and early December as the seasonal rains will make the pits inaccessible.

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*Cosmo Underground Mine*

With the end of the wet season in May 2010, the dewatering of the Cosmo pit was discontinued. 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. By the end of September, the surface installations and portal had been completed and the decline had advanced approximately 372 m from the portal. Development progressed as scheduled during most of the third quarter but temporarily slowed in September as increased flow rates of water, associated with poorer ground conditions in a fault, were encountered. Development has continued; however, at a slower rate, with an increased focus on developing along the more competent rock units, with the decline expected to reach 500 m from the portal at the end of 2010. Commercial levels of production are still expected late in the second quarter of 2011. Between May 2010 and September 30, 2010, approximately \$7 million was spent on the development of Cosmo with just under \$5 million spent during the third quarter. Overall development costs on the Cosmo underground mine during the third quarter were higher than expected as a result of work being done on a cost-plus basis. The Company has decided to put the development of Cosmo out to tender with the expectation of getting lower overall development and mining costs. Until significant amounts of development ore is encountered, which is expected in the second quarter, the remaining mine development cost at Cosmo is estimated to be approximately \$16 million.

Dewatering of the Cosmo pit will need to be completed prior to completing the development of the Cosmo underground mine. Subsequent to the end of the third quarter, the Company began the process to complete the dewatering of the Cosmo pit. Most of the remaining water will be pumped to an abandoned open pit mine named the Alligator pit located 14 km northeast of the Cosmo pit via a pipeline the Company is having constructed for this purpose. The construction of the pipeline is well underway and is expected to be completed by mid-December. Pumping of the water is expected to be finalized before the end of the first quarter of 2011. The total capital cost for the purchase and installation of the pipeline and pumps along with the actually dewatering is expected to be approximately \$6 million.

*Tom's Gully Underground Mine*

Development on the Tom's Gully underground mine commenced in the first quarter of 2010 and through August 2010, a total of 930 m of capital development had been completed and approximately 10,000 tonnes of ore at an average grade of 5.27 g/t had been stoped and stockpiled on surface. Work had commenced on the refurbishment and recommissioning of the Tom's Gully mill with a stockpile of low grade ore already crushed in advance of the commissioning of the plant.

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, following a review of the exploration results to date, the development progress, current available ore stockpiles and the remaining capital requirements to restart Tom's Gully, the Company decided to defer the decision on reopening Tom's Gully to the second quarter of 2011. The Tom's Gully mine was originally forecast to produce approximately 8,000 ounces of gold during the fourth quarter of 2010, which was included in the Company's total production forecast of 100,000 ounces for 2010. By deferring the decision on the commissioning of the Tom's Gully mine, more time will be provided to recalculate the reserves and resources, optimize the mine plan to allow for increased mine scheduling flexibility and improve geological definition (from increased underground development) that is expected to enable a higher gold production profile upfront if the mill is started. In addition, the Company is reviewing geological information in the area to determine if there are other sources of ore which would assist in providing sustainable mill feed.

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 the Howley open pit mine and existing production sources such as North Point, Princess Louise and Brock's Creek, while preparing Cosmo for production in 2011.

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Union Reefs and Pine Creek Areas

In September 2010, the Company announced that it had identified deposits within the Union Reefs and Pine Creek areas as potential near term mining areas with the benefit of being adjacent and within 15 km of the Union Reefs mill. The Company is accelerating permitting and development activities on certain deposits within this area with the goal of starting production in the first quarter of 2011. The close proximity of the deposits to the Union Reefs mill relative to the Burnside deposits (Howley, North Point, Princess Louise and Brock's Creek) where the Company's current production is being sourced has the benefit of lower haulage costs.

Historical production in the Union Reefs area has yielded over 800,000 ounces of gold from twelve shallow open pit operations. In the Pine Creek area, over 750,000 ounces of gold has been produced from six shallow open pits and some limited underground production. Additional details have been provided in the Company's press releases dated September 8, 2010 and October 14, 2010.

Cosmo/Howley Proposed Mill

The Company has been studying the feasibility of building a new mill at the Cosmo/Howley area at an initial 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 Union Reefs and Pine Creek production adjacent to the existing mill at Union Reefs, the decision on building a new mill may be deferred until later in 2011, or possibly even 2012.

**Exploration Review**

On March 22, 2010, the Company announced it had expanded its previously announced exploration program and had budgeted a \$23 million program for the following twelve month period that included 40,000 m of diamond drilling and 90,000 m of reverse circulation drilling. The long-term goal of the exploration program was to increase Crocodile Gold's resources to 10 million ounces of gold. More than 70% of the 2010 exploration budget was dedicated to exploring and updating resources at Cosmo and Howley. The Cosmo/Howley area covers a five km mineralized system which is part of a 25 km mineralized trend with known resources along its entire length. Additional exploration targets for this period included Tom's Gully, Brock's Creek, Maud Creek and Iron Blow.

During the nine months ended September 30, 2010, the Company has spent approximately \$10 million on exploration expenditures, completing 71,391 m of drilling, including 15,291 m of diamond drilling. Exploration and evaluation expenditures have been capitalized. In addition, during the first nine months of 2010, definition grade control drilling totalling approximately 57,000 m was completed at the operations.

At the end of the second quarter of 2010, based on the extensive and wide spread positive drill results from the first half of 2010, the Company decided to reduce the amount of exploration drilling going forward to allow the drill results collected to be properly analysed and evaluated. This will ensure that drilling activities over the balance of the exploration program are targeted to maximize results. In addition, the focus on the Cosmo/Howley corridor was increased along with the transition from predominately extension drilling to infill drilling especially with the use of shorter, less expensive holes from the underground development at Cosmo. As a result, the timeline for the current exploration program is expected to extend beyond the twelve month period as originally announced. 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. The current focus is on ore sources near the Union Reefs mill at the Pine Creek and Union Reefs areas and ore sources near the Tom's Gully Plant.

The decision to reduce exploration drilling at the end of the second quarter had an impact on the current quarter's exploration activities. During the three months ended September 30, 2010, Crocodile Gold spent approximately \$2.5 million on exploration expenditures, completing 16,698 m of drilling, including 2,998 m of diamond drilling. In addition, the Company completed 16,060 m of definition grade control drilling in the third quarter of 2010 at the operations.

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Howley Project

The Cosmo/Howley corridor is the Company's highest priority exploration target area. The Howley open pit is located immediately north of the Cosmo pit with mineralization present for more than 5 km to the north. On January 25, 2010, based on drill results from 2009, the Company announced a 29% increase to the indicated resource at its Howley project, to 566,454 contained ounces. The grade of the indicated resource increased by 7% to 1.54 g/t. In addition, the inferred resource was increased by 32% to 257,361 contained ounces. The grade of the inferred resource increased by 9% to 1.52 g/t. Updated resources for the Howley project from the amended NI 43-101 mineral resource estimate as refiled on November 8, 2010 are listed below.

Deposit	INDICATED MINERAL RESOURCE <sup>*(1)(2)</sup>				INFERRED MINERAL RESOURCE			
	Cut-off (g/t)	Tonnes	Grade (g/t)	Ounces (Au)	Cut-off (g/t)	Tonnes	Grade (g/t)	Ounces (Au)
Howley	0.7	11,448,000	1.54	566,545	0.7	5,274,000	1.52	257,361

*\*Resources include reserves*

*Note: The above resource classifications conform to CIM Standards on Mineral Resources and Reserves referred to in National Instrument 43-101. A cut-off grade of 0.7 g/t Au has been applied for reporting of the resource estimates that are to be extracted by open pit and have been used since the 2005 technical report.*

*(1) Prepared by Farshid Gazanfari, independent consultant, a Qualified Person under NI 43-101, prepared the current Howley mineral resource estimates and has reviewed the technical disclosure herein related to the Howley resource estimates.*

*(2) Mineral resource estimate provide as of January 25, 2010.*

The Company also announced drill results from the Howley project on May 3, 2010 and on July 8, 2010. The majority of previous drilling at Howley had extended less than 100 m below surface and had focused on the west limb of the structure, which is the location of the majority of estimated resources. The current drill program is testing the extent of mineralization in all directions, including at depth. 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.

Cosmo Project

During 2010, the Company commenced an infill and extension drill program at Cosmo to further define the existing mineralization and to expand the mineralization along strike and at depth. The Company has announced diamond drill results from the Cosmo project in February, April and September of this year. The drill results double the strike length of the existing resource and indicated the potential for resource growth at depth and locally to surface. Mineralization was intersected approximately 400 m north of the current resource outline in the direction of the Howley Project. Mineralization was encountered at a vertical depth of 850 m, the deepest intersection to date. Mineralization within the western lode section of the resource was encountered at a vertical depth of 675 m, which is more than 300 m 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 m below surface. The current drill results will be used to further upgrade the estimated mineral resource that is slated for completion in early 2011 and to plan further exploration activities in 2011 on both the western and eastern lodes and newly found targets.

Crocodile Gold is currently developing the Cosmo underground mine with commercial levels of production expected late in the second quarter of 2011. The Company plans to drill from underground as ramp development continues at Cosmo with the advantage of lower cost drilling (shorter drill holes) compared to drilling from surface.

Union Reefs and Pine Creek Area

On October 14, 2010, the Company announced a resource increase at the Pine Creek deposits. The press release outlined an increase in indicated resource ounces from 69,600 ounces to 288,600 ounce. The increase was largely due to an upgrade of existing inferred mineral resources. There was also an increase in the overall estimate of both indicated mineral resources and inferred mineral resources.

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Based on recent work on historical drill results, the Company expects to provide an updated mineral resource estimate on the Union Reefs project area during the fourth quarter of 2010. No target within the Union Reefs project area has been mined or drilled below 100 m with the exception of the Crosscourse open pit. The Company's focus in this project area will be to re-optimize existing open pits, investigate potential extensions to existing open pits and new undeveloped deposits.

*Brock's Creek Underground Mine*

On May 12, 2010, the Company announced results from the diamond drilling completed at Brock's Creek. The aim of the diamond drill program at Brock's Creek was to increase the resource at depth and upgrade the confidence level of existing resources. The drilling intersected high grade mineralization approximately 100 m down-dip from the existing resource.

*TOP Tenements*

During the second quarter of 2010, the Company decided not to exercise its option on properties referred to as the "TOP" tenements, which were acquired in the purchase of the GBS Gold Australia assets. These tenements, covering approximately 750 km<sup>2</sup> 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. On acquisition of the GBS Gold Australia assets, the TOP tenements were allocated a value of approximately \$300,000 of the total purchase price. With the decision not to exercise its option on the TOP tenements, the Company has written off the value assigned to these tenements and has recorded a charge on the consolidated statement of income (loss) and comprehensive income (loss).

**Transaction with Franc-Or Resources Corporation**

On November 3, 2009, following the receipt of regulatory and shareholder approval, Crocodile Gold Inc. and Franc-Or closed the previously-announced Transaction. The Transaction was completed by way of a three-cornered amalgamation pursuant to which a wholly-owned subsidiary of Franc-Or amalgamated with Crocodile Gold Inc., and all of the holders of common shares of Crocodile Gold Inc. received one common share of Franc-Or (on a post-consolidation basis) for each one common share of Crocodile Gold Inc. held. Following completion of the Transaction, the newly amalgamated company holds all of Crocodile Gold Inc.'s assets and is a wholly-owned subsidiary of Crocodile Gold Corp. (formerly Franc-Or).

Prior to the effective time of the Transaction, Franc-Or completed a consolidation (the "Consolidation") of its issued and outstanding common shares on the basis of one new Franc-Or common share for each 6.3 existing Franc-Or common shares. In addition, immediately prior to the Transaction, 20,000,000 preferred shares of Crocodile Gold Inc. converted into Crocodile Gold Inc. common shares on a one-for-one basis and Crocodile Gold Inc. issued 35,000,000 common shares as part of the private placement described below. As a result, immediately prior to the Transaction, Crocodile Gold Inc. had 126,490,433 issued and outstanding common shares on a non-diluted basis. Franc-Or, following the Consolidation, had 10,172,711 issued and outstanding common shares on a non-diluted basis. Based on the issued and outstanding common shares of Crocodile Gold Inc. and Franc-Or immediately prior to the Transaction, the number of common shares of Franc-Or following the completion of the Transaction (on a non-diluted basis) was 136,663,144, with Crocodile Gold Inc. shareholders owning approximately 92.6% of Franc-Or and current Franc-Or shareholders owning approximately 7.4% of Franc-Or.

Following completion of the Transaction, the Crocodile Gold Inc. board and management team became the board and management team of the combined entity, which was renamed Crocodile Gold Corp. and began trading on the TSX under the symbol "CRK" on November 6, 2009. The Transaction was accounted for as a purchase of assets with Crocodile Gold Inc. as the acquirer and Franc-Or as the acquired. The consolidated financial statements following the Transaction present a continuation of Crocodile Gold Inc. and the acquisition of Franc-Or by Crocodile Gold Inc. Total consideration for Franc-Or was \$14,400,448, consisting primarily of the value of the Franc-Or shares converted to Crocodile Gold shares. As the acquisition has been accounted for as a purchase of assets, the value of the shares issued, on a consolidated basis, was C\$1.197 (\$1.118) per share, which was based on the closing price of the Franc-Or shares (C\$0.19 per share; \$0.177 per share) on the Toronto Stock Exchange on the date of completion, November 3, 2009.

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The purchase price was calculated as follows:

Common shares issued (10,172,711)	\$11,375,609
Fair value of stock options issued	514,392
Fair value of warrants assumed	1,554,167
Transaction costs	956,280
	<u>\$14,400,448</u>

Net assets acquired:

Cash and cash equivalents	\$ 286,010
Mineral exploration and development properties	1,857,362
Non-cash working deficiency	(69,686)
Excess of purchase price over fair value of net assets acquired	12,326,762
	<u>\$14,400,448</u>

As outlined above, the purchase price was based on Franc-Or's share price as of the Transaction completion date, November 3, 2009. Crocodile Gold Inc. and Franc-Or signed the initial agreement to complete the Transaction on August 6, 2009. Between August 6, 2009 and November 3, 2009, Franc-Or's share price increased from C\$0.06 per share to C\$0.19 per share, an increase of 217%. As a result, the estimated fair value of the consideration provided as of November 3, 2009 was significantly higher than the estimate fair value based on Franc-Or's August 6, 2009 share price. On the completion of the transaction with Franc-Or, the Company determined that the purchase price exceeded the fair value of net assets acquired by \$12,326,762 and has recorded this amount as a charge on the statement of loss and comprehensive loss during the year ended December 31, 2009.

In January 2010, following the Company's transaction with Franc-Or, the Territory Revenue Office ("TRO") of the Northern Territory notified the Company that it is the position of the TRO that stamp duty is payable on the fair value of the Company's dutiable Australian property on the date of the Franc-Or transaction, November 3, 2009. Additional details are provided below under the section entitled, "Commitments and Contingencies".

### **Equity Financings**

As of September 30, 2010, Crocodile Gold had 205,011,007 common shares outstanding, of which 164,395,430 were issued as part of, or relating to various equity financings since January 1, 2009, including 17,710,000 common shares that were issued as part of a prospectus financing in June 2010. During the nine months ended September 30, 2010, a total of 22,941,268 previously issued common share purchase warrants and compensation options with acceleration provisions met the required condition for the Company to exercise this right. The Company gave notice to the warrant holders that the expiry date of the warrants was being accelerated, raising gross proceeds of approximately \$30,913,000 on the issuance of 23,971,256 common shares. Details on the equity financings completed since January 1, 2009 are outlined below.

#### January 2009 Private Placement

In January 2009, the Company completed a private placement financing, issuing 10,000,000 common shares of the Company for gross proceeds of C\$80 (\$67) to the founders of the Company.

#### March and May 2009 Private Placement Financings

In March 2009, the Company completed a private placement financing, issuing 39,000,000 common shares of the Company at a price of C\$0.20 per share for gross proceeds of C\$7,800,000 (\$6,094,920). Directors and officers of the Company subscribed for 875,000 shares for total gross proceeds of C\$175,000 (\$136,745). In addition, Forbes & Manhattan also participated in the private placement by subscribing for 4,925,000 common shares. In May 2009, 6,000,000 shares were issued at C\$0.20 per share for gross proceeds of C\$1,200,000 (\$1,094,760).

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June 2009 Preferred Share Private Placement Financing

On June 12, 2009, 20,000,000 units were issued at a price of C\$0.70 per unit for gross proceeds of C\$14,000,000 (\$12,525,800). Each unit consisted of one preferred share and one-half of one common share purchase warrant. By their terms, the preferred shares automatically converted into common shares immediately prior to the effective time for the Transaction. Each whole common share purchase warrant is exercisable at C\$1.00 for three years from the listing date of the Company's common shares on the TSX. Total net proceeds after issuing costs of C\$1,077,500 (\$964,039), were C\$12,922,500 (\$11,561,761), of which C\$9,995,302 (\$8,942,797) was allocated to preferred shares and C\$2,927,198 (\$2,618,962) to warrants.

In the event that the preferred shares had not converted into common shares within three years of their issuance, the Company was obligated to repurchase them from the holder at a price of C\$0.70 per preferred share. As a result, the preferred shares were classified on issuance as a liability, with the exception of the portions relating to the right to convert to common shares and the attached warrants, resulting in the carrying value of the preferred shares being less than its face value. The liability component of the preferred shares was allocated C\$8,722,318 (\$7,803,858) and the equity component was allocated C\$1,272,984 (\$1,138,939) of the total allocated to the preferred shares.

On November 3, 2009, with the preferred shares converting to common shares, the obligation to repurchase the preferred shares from the holder disappeared and the liability component totalling C\$9,335,601 (\$8,352,563), net of related share issued costs, was charged to shareholders' equity. In addition, the equity component of the preferred shares totalling C\$1,272,984 (\$1,138,939), net of related share issue costs, was charged to common shares.

Share issue costs associated with the preferred shares were pro-rated between the liability and equity components of the preferred shares in the amounts of C\$727,283 (\$650,700) and C\$106,144 (\$94,967), respectively. Share issue costs associated with the warrants were C\$244,073 (\$218,374). The amount allocated to the liability portion of the preferred share was deferred and was to be expensed over three years. Between the issuance date of June 12, 2009 and November 3, 2009, the amortization expense on the liability component of the preferred share issue costs was C\$94,979 (\$84,978). The financing costs relating to the equity portion were recorded as a cost of issue against the value of the equity portion of the preferred shares.

The fair value of the warrants was estimated using the Black-Scholes option pricing model under the following assumptions: expected dividend yield of 0%; expected volatility of 100%; risk-free interest rate of 2.0%; and, an expected average life of three years.

June 2009 Common Share Private Placement Financing

On June 15, 2009, the Company completed a private placement financing, issuing 14,490,430 units at a price of C\$0.70 per unit for gross proceeds of C\$10,143,301 (\$8,944,364). Each unit consisted of one common share and one-half of one common share purchase warrant. Each whole common share purchase warrant is exercisable at C\$1.00 for three years from the date of issue. Net proceeds, after issuing costs, were \$8,302,855, of which \$6,493,853 was allocated to common shares and \$1,809,002 to warrants. The grant date fair value of the warrants was estimated using the Black-Scholes option pricing model under the following assumptions: expected dividend yield of 0%; expected volatility of 100%; risk-free interest rate of 2.0%; and, an expected average life of approximately three years.

October 2009 Common Share Private Placement Financing and Accelerated Expiry of Common Share Purchase Warrants

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 raising gross proceeds of C\$35,000,000 (\$33,575,500). 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.

The proceeds from the sale of the subscription receipts were held in escrow pending satisfaction of certain conditions, including the satisfaction of the conditions precedent to the completion of the Transaction between Crocodile Gold and Franc-Or. On November 2, 2009, upon satisfaction of the conditions, each subscription receipt automatically converted into one common share and one-half of a warrant.

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The Company also extended to the underwriters an option to purchase up to an additional 20,000,000 subscription receipts (C\$20,000,000), exercisable at the Issue Price at any time up to the earlier of (i) 30 days following closing of the Offering and (ii) three days prior to the closing of the Transaction. The option expired unexercised.

Underwriting fees of C\$2,100,000 (\$2,014,530) were paid on the private placement. In addition, 2,100,000 compensation options were issued to the underwriters that entitle the holders to acquire the same number of subscription receipts at a price of C\$1.00 for a period of two years following the release of the financing proceeds. The grant date 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 1.3%; and an expected average life of two years. An amount of \$1,067,701 was recorded as cost of issue with respect to these warrants. The total share issue cost, including the estimated fair value of the compensation options, was \$3,404,286. The underlying warrants issuable upon exercise of the compensation options were also subject to the same accelerated expiry as the warrants and were exercised subsequent to December 31, 2009.

After share issue costs, including the fair value assigned to the compensation options, a net amount of C\$31,451,281 (\$30,171,214) was recorded to shareholders' equity, of which \$25,600,919 was allocated to common shares and C\$4,764,198 (\$4,570,295) to warrants. The fair value of the warrants 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 1.3%; and, an expected average life of two years.

*Acceleration 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 Toronto Stock Exchange ("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.

December 2009 Prospectus Financing

On December 9, 2009, the Company completed a prospectus financing of 22,195,000 common shares at a price of C\$1.30 per share raising net proceeds of C\$24,696,686 (\$23,384,110). Share issue costs included underwriter fees of C\$1,731,210 (\$1,621,278) and success fees of C\$800,000 (\$749,200) paid to Forbes & Manhattan, Inc. ("Forbes & Manhattan"), as per the agreement the Company signed with Forbes & Manhattan, as outlined below under the "Commitments and Contingencies" section. A director of the Company, is an officer and director of Forbes & Manhattan. In addition, 1,331,700 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 under the following assumptions: expected dividend yield of 0%; expected volatility of 100%; risk-free interest rate of 1.0%; and, an expected average life of two years. An amount of \$848,053 was recorded as a cost of issue with respect to these warrants.

Accelerated Expiry of Common Share Purchase Warrants Issued on the Franc-Or Transaction

In the Transaction with Franc-Or, the Company acquired 3,823,410 common share purchase warrants. 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 Franc-Or warrants provided that the expiry of the warrants may 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 (on a post-Consolidation basis) for 20 or more consecutive trading days. If these conditions are met 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 Franc-Or warrants were exercised at C\$0.756 per warrant resulting in proceeds of C\$2,525,999 (\$2,407,782).

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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 per share raising of C\$20,211,641 (\$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, 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 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 Announced

Subsequent to end of the third quarter, on November 2, 2010, the Company announced that it had entered into an agreement with a syndicate of underwriters to issue, on a bought deal basis, 20,000,000 common shares at a price of C\$1.40 (\$1.39) per share for aggregate gross proceeds of C\$28,000,000 (\$27,737,000). The Company has agreed to grant the underwriters an over-allotment option to purchase up to an additional 3,000,000 common shares at C\$1.40 (\$1.39) 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. If this option is exercised in full, an additional C\$4,200,000 (\$4,160,000) will be raised bringing the aggregate gross proceeds to C\$32,200,000 (\$31,897,000).

\$25 Million Standby Credit Facility

On October 16, 2009, the Company entered into a \$25 million senior secured credit facility from Marret Asset Management Inc. ("Marret"). 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. With the Company's short operational history, management decided drawing down on the credit facility was not an option it currently wanted to pursue.

At the time of the draw down under the credit facility, the Company would have been entitled to elect the applicable interest rate of either: (i) 12.5% per annum; or, (ii) 10% per annum with the issuance of common share purchase warrants having a present value that would create a yield to maturity of 12.5% per annum, with interest payable quarterly. The credit facility would have matured in three years following draw down.

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 warrants was estimated to be C\$2,400,000 (\$2,310,240), 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 Marret 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.

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**Outlook**

Operations

For the nine months ended September 30, 2010, Crocodile Gold produced 59,443 ounces of gold, including 26,138 ounces in the third quarter. The Company has forecast production of 25,000 ounce in the fourth quarter for a total of approximately 85,000 ounces in 2010. Previously, the Company had forecast to produce 100,000 ounces during 2010. The production forecast was reduced during the third quarter to 85,000 ounces due to lower expected grades (largely due to the interruptions caused by the wet season) from the open pits for the balance of the year and with the deferral of the start up of Tom's Gully which was forecast to produce 8,000 ounces in 2010.

Open pit mining has continued at the Howley, North Point and Princess Louise open pit mines. Mining at the Howley mine will continue through the year end; however, mining at the North Point and Princess Louise mines will discontinue at the beginning of the wet season when unsealed dirt roads to those open pits become inaccessible. Mining is expected to continue through late November or early December.

Ore expected from Princess Louise along with increased material movement from Howley and North Point is forming part of the Company's strategy for reducing production delays due to heavy seasonal monsoon rains that occur in the Northern Territory of Australia typically between December and April. Open pit material movements increased during the second quarter and third quarters and will continue in the fourth quarter prior to the arrival of the seasonal rains. Due to this increase to the total tonnes mined, stockpiles of lower grade ore have increased and this increased ore mined is expected to enable a higher than average grade to be delivered to the Union Reefs process facility. Ore haulage to the Union Reefs mill has increased allowing for the ore stockpiles at the mill also to be built up.

The Company has started work on examining the opportunities for open pit development at the Pine Creek and Union Reefs deposits that are closer to the Union Reefs mill. These deposits will be subject to mine engineering studies to evaluate the merits of bringing forward the development of selected deposits with production expected in the first quarter of 2011.

The current operational focus is not only to meet 2010 production forecasts but, more importantly, to develop new sources of production that will allow for an increase in production in 2011, as compared to 2010. Following the declaration of commercial production as of June 1, 2010, site personnel have focussed on optimizing all operational areas including tonnage mined and milled, grade and dilution control, metallurgical recovery and costs.

Capital Projects

With the end of the wet season in May 2010, the dewatering of the Cosmo pit was discontinued. While a large quantity of water remained in the Cosmo pit, the water level had been sufficiently lowered to allow for the start of the construction and development of the Cosmo underground mine. By the end of September 2010, the surface installations and portal had been completed and the decline had advanced 372 m from the portal. Development had progressed as scheduled during most of the third quarter but temporarily slowed during September as increased flow rates of water associated with less competent rock units were being encountered. Development has continued; however, at a slower rate, with an increased focus on development in more competent rocks units, with the decline expected to reach 500 m from the portal by the end of 2010. Commercial levels of production are still expected late in the second quarter of 2011. Between May 2010 and September 30, 2010, approximately \$7 million was spent on the underground development of Cosmo with just under \$5 million spent during the third quarter. Overall development costs on the Cosmo underground mine during the third quarter were higher than expected as a result of work being done on a cost-plus basis. The Company has decided to put the development of Cosmo out to tender with the expectation of getting lower overall development and mining costs. Until significant amounts of development ore is encountered, which is expected in the second quarter, the remaining mine development cost at Cosmo is estimated to be approximately \$16 million.

Dewatering of the Cosmo pit will also need to be completed prior to completing the development of the Cosmo underground mine. Subsequent to the end of the third quarter, the Company began the process to complete the dewatering of the Cosmo pit. Most of the remaining water will be pumped to an abandoned open pit mine, named the Alligator pit, located 14 km northeast of the Cosmo pit via a pipeline the Company is having constructed for this purpose. The construction of the pipeline is well underway and is scheduled to be concluded by mid-December, with the pumping of the water expected to be finalized before the end of the first quarter of 2011. The total capital cost for the purchase and installation of the pipeline and pumps along with the actual dewatering activity is expected to be approximately \$6 million.

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The Cosmo/Howley area, the location of a significant portion of the Company's existing resources and the focus of the current exploration program, is located approximately 100 km north of the Union Reefs mill. Currently, the ore mined from all the deposits currently active is shipped by road to the Union Reefs mill. The haulage cost adds to Crocodile Gold's overall operating costs. Beginning in late 2009, the Company began evaluating the potential of building a new mill closer to the existing resources. The evaluation of a new mill has continued but with the potential of significant production from the Pine Creek/Union Reefs area located adjacent to the existing mill at Union Reefs, the decision on constructing a new mill at Cosmo is expected to be deferred until 2011.

Exploration

Based on exploration results from the second half of 2009 and early 2010, the Company announced plans to increase its exploration activity during 2010 and early 2011, with approximately \$23 million being budgeted on a total drill program of approximately 130,000 m. The drill program included a number of targets, but with a focus on the Cosmo/Howley trend.

The drilling program at the **Cosmo Underground Mine** is focused on increasing the number of ounces in resource through planned step-out drilling along with upgrading existing resource to reserve through infill drilling largely from underground workings.

The focus of drilling at the **Howley Deposit** is on increasing the number of ounces in resource through planned step-out drilling along with upgrading existing resource to reserve through infill drilling. Areas that have been identified for activity during 2010 include the current South Extended Pit, the area north of the South Extended Pit and the gap area between the current Howley pits and the historical Cosmo open pit. A sterilization program will also be designed to ensure that waste rock dumps and other open pit infrastructure are not positioned where economic ore may exist.

During the third quarter, based on the extensive and wide spread positive drill results from earlier in 2010, the Company decided that it would reduce the amount of exploration drilling going forward to allow the drill results collected to be properly analysed and evaluated. This would ensure that drilling activities over the balance of the exploration program are targeted with the aim of maximizing results. In addition, the focus on the Cosmo/Howley corridor has increased along with the transition from predominately extension drilling to infill drilling. As a result, the timeline for the current exploration program is now expected to extend beyond the twelve month period as originally announced. 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.

A drilling program has been designed to test the southern extension of the **Iron Blow project**, which is a stratabound polymetallic massive sulphide deposit located approximately 12 km to the east of the Brock's Creek underground mine. Mineralization includes gold, lead, zinc, silver and copper. Iron Blow historically has had small scale underground and open pit production. This area has potential for a polymetallic ore body with relatively high precious metal content. Based on the refocusing of the exploration activities, as discussed above, it is not expected that the drill program on the Iron Blow project will start in 2010; however, the Company does continue to feel that the Iron Blow project is a highly prospective target.

A drilling program on the **Maud Creek** deposit to convert existing resource to reserve as well as to test further orebody extensions has been budgeted. The Maud Creek deposit is a refractory ore deposit located approximately 100 km southeast of the Union Reefs mill. Based on the refocusing of the exploration activities, as discussed above, it is not expected that the drill program on the Maud Creek deposit will start in 2010; however, the Company does continue to feel that it is a highly prospective target. The Company plans to continue to investigate potential sources of treating a high grade sulphide flotation concentrate which could potentially be produced from Maud Creek and which the Company feels is the lowest risk option from a technical perspective and the most economic way to mine and process ore from Maud Creek. Maud Creek is not currently included in the long-term production profile, but it is felt that it can be added at some point in the future.

Regional exploration activities, consisting of aerial geophysical and ground geochemical surveys, are also planned on some of the Company's tenements. The Company's tenements currently cover an area of over 2,500 km<sup>2</sup>, down from 3,500 km<sup>2</sup> at December 31, 2009, following the decision by the Company not to exercise its option on the TOP tenements. Additional detail is provided above under the section entitled, "Exploration Review".

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**Liquidity and Capital Resources**

As at September 30, 2010, the Company had net working capital of \$10,813,575, which included cash and cash equivalents of \$9,484,503, restricted cash of \$48,591, amounts receivable of \$2,662,026, prepaid expenses of \$1,136,648 and inventories of \$11,582,260, partially offset by current liabilities of \$14,100,453. In addition to operating expenses, expenditures over the next twelve month period will include expenditures on mine development, various capital projects and exploration. Since the assets were acquired from GBS Gold Australia in November of 2009, total monthly expenditures at the Company's operations have exceeded proceeds from the sale of gold. With the declaration of commercial production on June 1, 2010, the Company has begun to generate positive operating cash flow; however, ongoing capital projects, such as the development of the Cosmo underground mine, will continue to draw on available cash. The deferral of the start-up of Tom's Gully and the reduction to the exploration drilling over the next few months, as the Company analyses and evaluates results, will also help the Company manage its remaining working capital. Subsequent to September 30, 2010, the Company announced that it had entered into an agreement with a syndicate of underwriters to issue, on a bought deal basis, 20,000,000 common shares at a price of C\$1.40 (\$1.39) per share for aggregate gross proceeds of C\$28,000,000 (\$27,737,000) with an over-allotment at the underwriters' option to purchase up to an additional 3,000,000 common shares for an additional C\$4,200,000 (\$4,160,000). Future financing requirements will depend on a number of factors that are difficult to predict and are often beyond the control of the Company.

The Administrators of GBS Gold Australia, on behalf of its creditors, hold security over the assets purchased by the Company. Upon the payment of the second and final deferred payment in June 2010, the process to release the security over the assets commenced and is expected to be completed prior to the end of 2010. A guarantee on the remaining deferred payment had been provided to the Administrators of GBS Gold Australia on behalf of the Company by Forbes & Manhattan, a private merchant bank incorporated in Canada. A director of the Company is an officer and director of Forbes & Manhattan.

**Statement of Operations**

During the three months ended September 30, 2010, Crocodile Gold recorded net earnings of \$2,393,803, or \$0.01 per share, compared with a loss of \$956,165, or \$0.02 per share, in the third quarter of 2009. During the three months ended September 30, 2010, the Company recorded gold sales of \$30,572,328 on the sale of 25,002 ounces of gold sold, for an average realized price of \$1,223 per ounce of gold.

For the nine months ended September 30, 2010, the Company recorded a net loss of \$5,074,034, or \$0.03 per share, compared with a loss of \$2,158,241, or \$0.06 per share, in the comparable period during 2009.

During the three months ended September 30, 2010, the Company recorded operating expenses of \$23,736,800. The Company milled 557,189 tonnes of ore at a head grade of 1.58 g/t with a recovery rate of 92.4% to produce 26,138 ounces of gold. The cash costs for the three months ended September 30, 2010 were \$942 per ounce on 25,002 ounces of gold sold (See Non-GAAP Measures below).

The Company 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 four month period since the declaration of commercial production, the Company has recorded gold sale revenue of \$41,492,310 on the sale of 33,904 ounce, for an average realized price of \$1,224 per ounce. During the four month period since the declaration of commercial production, the Company milled 731,524 tonnes of ore at a head grade of 1.58 g/t and a recovery rate of 91.9% to produce 34,060 ounces of gold. The cash cost for the four month period following the declaration of commercial production was \$971 per ounce on the sale of 33,904 ounces of gold. The cash costs were higher than expected due to the processing of the higher cost pre-commercial production ounces in opening inventory at the commencement of commercial production, lower head grade and the short life of some of the deposits being mine. The mining of short life open pits at North Point and Princess Louise resulted in no mining costs being capitalized as development with all costs being treated as an expense. In addition, the Australian dollar has strengthened since both the beginning of 2010 and June 1, 2010, the date upon which commercial production was declared. At September 30, 2010, the Australian dollar was worth US\$0.9649, compared with \$0.8978 at December 31, 2009 and \$0.8385 at June 1, 2010.

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Depreciation, depletion and amortization expense of \$3,856,085 was recorded on the statement of income (loss) and comprehensive income (loss) relating to the 25,002 ounces of gold sold three months ended September 30, 2010. Over the nine month period, depreciation, depletion and amortization expense of \$5,579,601 was recorded. Depreciation on assets prior to the declaration of commercial production and on assets not yet in production, including the Tom's Gully underground mine, have been capitalized to mineral interests. Depreciation, depletion and amortization expense of \$5,212,962 has been capitalized to mineral interest during the nine months ended September 30, 2010.

The acquisition costs and exploration and development expenses relating to mineral properties, when brought into production are depleted on a unit-of-production basis over the life of the mine. Property, plant and equipment are depreciated 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 20 years, but do not exceed the related estimated mine life.

Royalty expense of \$79,465 and \$122,265 related to ounces produced from the Company's Brock's Creek underground mine for the three and nine months ended September 30, 2010, respectively. 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, totalling \$150,185, has been capitalized to mining interests.

Care and maintenance costs for the three and nine months ended September 30, 2010 of \$1,110,123 and \$1,216,297, respectively, related to properties acquired from GBS Gold Australia that have not yet been taken into production, including Maud Creek and Pine Creek, and Tom's Gully since the decision was made to defer the start up. The large increase during the third quarter relates to costs at Tom's Gully following the decision to defer the start-up.

Corporate general and administrative expense of \$850,242 and \$365,563 was recorded during the three months ended September 30, 2010 and 2009, respectively, and is summarized as follows:

	Three Months Ended September 30, 2010	Three Months Ended September 30, 2009
Salaries and consulting fees	\$ 530,655	\$ 182,970
Professional fees	110,003	-
Travel expenses	48,556	85,029
Shareholders communication/filing fees	116,302	69,471
Insurance expense	9,841	6,219
Office supplies & general expenditures	34,885	21,874
	<u>\$ 850,242</u>	<u>\$ 365,563</u>

With the purchase of the GBS Gold Australia assets in late June 2009, activity increased in Australia and in Canada, where the corporate head office is located. 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 since the purchase of the GBS Gold Australia assets along with TSX listing fees and other regulatory filing costs since listing on the TSX in November 2009.

Stock-based compensation expense of \$699,010 was recorded during the three months ended September 30, 2010 and \$2,964,400 for the nine months ended September 30, 2010. During the nine months ended September 30, 2010, 1,395,000 stock options were issued. The options had an estimated grant date fair value of \$1,627,633 which was calculated by applying the Black-Scholes option pricing model using the following assumptions: expected dividend yield of 0%; expected volatility of 100%; risk-free interest rate between 1.8% and 2.7%; and, an expected life of five years. The exercise price of the stock options granted in 2010 ranged between C\$1.09 and C\$2.24. All stock options issued during 2010 are scheduled to vest and be expensed over a two-year period from grant date with 1/8th of the grant vesting every three months. The stock-based compensation expense of \$765,613 recorded during the nine months ended September 30, 2009 related to the grant of 5,680,000 stock options granted during that period with exercise prices ranging between C\$0.20 and C\$1.00.

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As described above, the Company entered into a \$25 million senior secured credit facility with Marret in October 2009. Crocodile Gold had the option to draw on the credit facility, in full, at any time on or prior to June 30, 2010. The credit facility was to be used to finance the further development of the Company's assets in the Northern Territory of Australia. The Company paid a commitment fee of 4,000,000 common share purchase warrants which had an estimated value of C\$2,400,000 (\$2,310,240), as determined by the Black-Scholes option pricing model. The cost of the warrants and other deferred costs of approximately \$100,000 related to the Marret credit facility were classified as an asset on the consolidated balance sheet as "Deferred credit facility costs". When the Company drew upon the credit facility the costs would have been applied against the carrying value of the loan and amortized over the life of the loan. The Company chose not to draw down on the credit facility and it expired on June 30, 2010. With the expiry of the credit facility, the deferred costs of \$2,417,389 were charged to the statement of loss and comprehensive loss as a financing cost.

During the nine months ended September 30, 2010, the Company recorded a charge of \$388,010 related to the write-down of exploration properties and expenditures. The expense related to the expiry of the TOP tenements which had been allocated, as part of the purchase of the GBS Gold Australia assets, a value of approximately \$300,000. In addition, costs incurred at the Mario property in Peru during the quarter were written down.

To protect against a strengthening Australian dollar vis-à-vis the United States dollar, the Company holds a significant portion of its cash in Australian dollars. The Company has also entered into currency forward contracts to help manage this foreign exchange risk; however, at September 30, 2010, the Company had no currency forward contracts outstanding. During the nine months ended September 30, 2010, the Company entered into contracts to sell approximately US\$26.5 million and purchase Australian dollars at an average rate of US\$0.8701 for each Australian dollar. The Company realized a gain of \$1,363,578 on the settlement of these currency forward contracts which is recorded on the statement of income (loss) and comprehensive income (loss) as a realized gain on non-hedge derivatives. The balance of the realized gain relates to the expiry of the embedded derivative with respect to the Canadian and Australian dollars in the ASA as described above under the section entitled "Purchase of Mining Assets from GBS Gold Australia Pty Ltd." During the quarter, the Company also recorded an unrealized gain on non-hedge derivatives of \$400,323, which relates to unrealized losses recorded in prior periods that were reversed on the settlement of these forward contracts. These contracts were entered into to normalize operating expenses incurred by the Company's foreign operations as expressed in US dollar terms. At September 30, 2010, the Company had no currency forward contracts outstanding; however, management expects to continue to use currency derivatives to help manage its foreign exchange risk within current guidelines approved by the board of directors. Under those guidelines the Company may hedge up to 30% and 50% 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 and nine months ended September 30, 2010, the Company recorded foreign exchange gains of \$210,956 and \$138,279, respectively. While the reporting currency of Crocodile Gold is the US dollar, the functional currency of its Australian operations is the Australian dollar and the Canadian dollar for its Canadian and Peruvian operations. 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 and nine months ended September 30, 2010, the Company recorded unrealized gains on foreign currency translation of \$17,513,753 and \$10,677,769, respectively. The gain on translation was the result of the US dollar weakening against both the Canadian and Australian dollars during the respective periods. The Canadian dollar, vis-à-vis the US dollar, was worth \$0.9718 at September 30, 2010, compared with \$0.9393 at June 30, 2010, \$0.9846 at March 31, 2010 and \$0.9555 at December 31, 2009. The Australian dollar, vis-à-vis the US dollar, was worth \$0.9649 at September 30, 2010, compared with \$0.8447 at June 30, 2010, \$0.9169 at March 31, 2010 and \$0.8978 at December 31, 2009. Including the unrealized gain on foreign currency translation in other comprehensive income, the Company's comprehensive income was \$19,907,556 and \$5,603,735 for the three and nine months ended September 30, 2010, respectively.

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**Cash Flow**

During the three and nine months ended September 30, 2010, operating activities provided cash of \$3,555,300 and \$6,004,103, respectively. This compared with cash of \$955,420 used in the third quarter of 2009 and \$960,883 used in the nine months ended September 30, 2009. Cash provided by operating activities during the third quarter and year-to-date was largely due to the cash from gold sales, net of cash operating expenses and general and administrative costs and, for the third quarter, the net change in non-cash working capital.

Investing activities during the three and nine months ended September 30, 2010, used \$17,060,741 and \$76,079,416, respectively. During the three and nine months ended September 30, 2010, investing activities consisted of capitalized exploration costs, development on the Cosmo underground mine, and development costs at Brock's Creek, Howley, Tom's Gully and at the Union Reefs mill. Investing activities during the nine month period also included pre-commercial production activities. Cash operating costs of \$38,169,446, netted against the proceeds on the sale of gold of \$26,385,222, were deferred to mining interests. During the pre-commercial period between January 1, 2010 and May 31, 2010, 23,285 ounces of gold were sold at an average realized price of \$1,133 per ounce. During the nine months ended September 30, 2010, the Company sold 57,189 ounces of gold at an average price of \$1,187 per ounce. During the nine months ended September 30, 2010, the price of gold on the London Bullion Market averaged \$1,178 per ounce. During the second quarter of 2010, the Company also made the final deferred payment on the purchase of the GBS Gold Australia assets of A\$15,000,000 (\$13,224,984).

Investing activities also included the replacement of a reclamation deposit with the Northern Territory government with a bank guarantee fully collateralized with cash. An additional bank guarantee was also issued to a major supplier for approximately \$1,000,000 which was fully collateralized with cash.

Investing activities during the nine months ended September 30, 2009, related to the A\$5,000,000 (\$4,014,500) deposit on the purchase of the GBS Gold Australia mining assets and the A\$15,000,000 (\$12,043,500) payment made on signing the Asset Sale Agreement, which included a payment of A\$8,011,500 (\$6,054,256) to replace an existing guarantee posted by a secured creditor with respect to reclamation bonds. Additional expenditures relating to the purchase and development of the assets were also made.

Financing activities provided cash of \$923,074 and \$53,804,528 during the three and nine months ended September 30, 2010, respectively, versus a use of cash of \$1,077,655 in the third quarter of 2009 and proceeds of \$26,553,574 in nine month period of 2009. During the third quarter of 2010, the Company received \$1,514,895 on the exercise of stock options and paid \$583,532 on share issue costs relating to the June 2010 prospectus financing. Year-to-date, the Company received proceeds of \$19,988,231, net of shares issue costs, on the completion of a June 2010 prospectus financing where 17,710,000 common shares were issued at a price of C\$1.30 per share. During the nine month period, the Company also received proceeds totalling \$31,402,806 on the exercise of warrants for 24,487,970 common shares and \$2,591,769 on the exercise of 3,801,642 stock options.

During the nine months ended September 30, 2009, the Company raised net proceeds of \$26,702,639 through five private placement financings. Proceeds raised were net of issue costs of \$781,034.

**Off-Balance Sheet Items**

As at September 30, 2010, the Company did not have any off-balance sheet items.

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**Select Annual Information**

Activity within Crocodile Gold began during the year ended December 31, 2009. As a result, only information from the year ended December 31, 2009 is presented.

	2009
Revenues	\$ -
Net loss	\$(18,061,083)
Loss per share, basic and diluted	\$(0.27)
Total assets	\$117,156,961
Long-term liabilities	\$5,831,961

**Quarterly Information**

2010 - Quarters Ended	September 30th		June 30th		March 31st	
Revenues	\$ 30,646,673	\$ 10,944,269	\$ -	\$ -	\$ -	\$ -
Net earnings (loss)	\$ 2,393,803	\$ (5,330,538)	\$ (2,137,299)	\$ (2,137,299)	\$ (2,137,299)	\$ (2,137,299)
Earnings (loss) per share (basic and diluted)	\$ 0.01	\$ (0.03)	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)
Total assets	\$ 171,340,717	\$ 151,466,390	\$ 155,461,959	\$ 155,461,959	\$ 155,461,959	\$ 155,461,959
Long-term liabilities	\$ 6,898,896	\$ 5,855,386	\$ 6,157,757	\$ 6,157,757	\$ 6,157,757	\$ 6,157,757

  

2009 - Quarters Ended	December 31st		September 30th		June 30th		March 31st	
Revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net loss	\$ (15,902,842)	\$ (956,164)	\$ (566,242)	\$ (635,835)	\$ (635,835)	\$ (635,835)	\$ (635,835)	\$ (635,835)
Loss per share (basic and diluted)	\$ (0.13)	\$ (0.01)	\$ (0.01)	\$ (0.03)	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)
Total assets	\$ 117,156,961	\$ 61,116,755	\$ 55,086,698	\$ 6,259,644	\$ 6,259,644	\$ 6,259,644	\$ 6,259,644	\$ 6,259,644
Long-term liabilities	\$ 5,831,961	\$ 12,557,920	\$ 10,432,913	\$ -	\$ -	\$ -	\$ -	\$ -

Activity within Crocodile Gold began during 2009. As a result, there is no information from quarters prior to 2009. The increase in total assets between March 31, 2009 and June 30, 2010 reflects the purchase of the GBS Gold Australia assets, the completion of various equity financings and the exercise of common share purchase warrants. The increase in the long-term liabilities is due to the asset retirement obligation established on the purchase of the GBS Gold Australia assets and the liability component of the preferred shares issued in June 2009, which were 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 loss and comprehensive 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.

**Outstanding and Issued Common Shares**

As at November 3, 2010, the following common shares, common share purchase warrants and common share options were issued and outstanding:

- 205,278,507 common shares;
- 22,990,701 common share purchase warrants with exercise prices ranging between C\$1.00 and C\$1.50 and expiry dates ranging between June 15, 2011 and November 6, 2012. Subsequent to September 30, 2010, 458,333 common share purchase warrants with an exercise price of C\$2.52 expired unexercised; and
- 8,288,040 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 June 30, 2011 and September 8, 2015.

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**Financial Instruments**

The Company has designated its cash and cash equivalents, restricted cash, unrealized non-hedge derivative liability and financial deposits as held-for-trading, measured at fair value. Amounts receivable are classified as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities, and capital lease obligations are classified as other financial liabilities, which are measured at amortized cost.

As at September 30, 2010, the carrying and fair value amounts of the Company's financial instruments are approximately the same due to the limited term of these instruments. The following table illustrates the classification of the Company's financial instruments within the fair-value hierarchy as at September 30, 2010:

	Level 1	Level 2
Cash	\$ 9,484,503	\$ -
Restricted cash	\$ 11,855,711	\$ -
Financial deposits	\$ 2,015,070	\$ -

**Subsequent Event**

November 2010 Prospectus Financing Announced

Subsequent to end of the third quarter, on November 2, 2010, the Company announced that it had entered into an agreement with a syndicate of underwriters to issue, on a bought deal basis, 20,000,000 common shares at a price of C\$1.40 (\$1.39) per share for aggregate gross proceeds of C\$28,000,000 (\$27,737,000). The Company has agreed to grant the underwriters an over-allotment option to purchase up to an additional 3,000,000 common shares at C\$1.40 (\$1.39) 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. If this option is exercised in full, an additional C\$4,200,000 (\$4,160,000) will be raised bringing the aggregate gross proceeds to C\$32,200,000 (\$31,897,000).

A payment of C\$800,000 (\$792,472) will be due to Forbes & Manhattan following the completion of the prospectus financing announced on November 2, 2010.

**Non-GAAP Measures**

The Company has included a discussion of cash costs in this MD&A, which is a non-GAAP 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 GAAP, 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 GAAP. 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 for the periods following the Company's declaration of commercial production on June 1, 2010:

	Three months ended <u>September 30, 2010</u>	Nine months ended <u>September 30, 2010</u>
Operating expenses per consolidated statement of income (loss) and comprehensive income (loss)	\$ 23,736,800	\$ 33,152,972
By-product silver sales credit	(74,345)	(98,632)
Non-cash stock option expense charged to operating expenses	<u>(113,589)</u>	<u>(146,435)</u>
Operating cash costs	23,548,866	32,907,905
Divided by ounces of gold sold	<u>25,002</u>	<u>33,904</u>
Cash cost per ounce	<u>\$ 942</u>	<u>\$ 971</u>

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**Critical Accounting Estimates**

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. There is a full discussion and description of the Company's critical accounting policies in the MD&A for the year ended December 31, 2009.

**Future Accounting Pronouncements**

*Business Combinations*

In January 2009, the CICA issued Handbook Sections 1582 – Business Combinations (“Section 1582”), 1601 – Consolidated Financial Statements (“Section 1601”) and 1602 – Non-controlling Interests (“Section 1602”) which replace CICA Handbook Sections 1581 – Business Combinations and 1600 – Consolidated Financial Statements. Section 1582 establishes standards for the accounting for business combinations that are equivalent to the business combination accounting standards under International Financial Reporting Standards (“IFRS”). Sections 1601 and 1602 establish standards for preparation of consolidated financial statements and the accounting for non-controlling interests in financial statements that are equivalent to the standards under IFRS. Section 1582 is required for the Company's business combinations with acquisition dates on or after January 1, 2011. Sections 1601 and 1602 are required for the Company's interim and annual consolidated financial statements for its fiscal year beginning January 1, 2011. Earlier adoption of these sections is permitted, which requires that all three sections be adopted at the same time. As a result of the Section 1582 definition of a business being an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing a return to its investors and owners, acquisitions of exploration properties, may, under certain circumstances, be accounted for as business combinations. The adoption of Section 1582 will also have an impact on the treatment of transaction costs relating to these business combinations. Transaction costs accounted for under Section 1582 are no longer capitalized but rather, expensed as incurred. In accordance with Section 1602, non-controlling interests will be classified as part of equity and net earnings or losses and total comprehensive income or losses will include the portion attributable to non-controlling interests. The Company is currently evaluating the impact of the adoption of these standards.

*International Financial Reporting Standards (IFRS)*

The Canadian Accounting Standards Board has confirmed January 1, 2011 as the date that International Financial Reporting Standards (“IFRS”) will replace Canadian GAAP for publicly accountable enterprises. 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 Company has developed a changeover plan which includes the following three phases and sets out activities to be performed in each phase over the life of the project:

- **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 may impact the Company. This phase was completed in 2009 in conjunction with external consulting resources.
- **Design phase:** this phase involves the completion of analyses of the differences between Crocodile Gold's accounting policies and IFRS to provide a basis for accounting policy recommendations. The working group in this phase will be comprised of the CFO, the corporate and site finance team and external consultants with regular updates to the audit committee. With the acquisition and commencement of operations of the Company's material mining assets in Australia, where there are existing regulatory requirements to prepare IFRS compliant financial statements, the Company has established policies and procedures in conformity with IFRS. Crocodile Gold's Australian subsidiaries have prepared consolidated financial statements for the year ended December 31, 2009 under IFRS.
- **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 implementation of the Company's 2010 dual reporting systems strategy, the amendment and testing of internal controls over financial reporting and disclosure controls and procedures impacted by accounting policy changes are key tasks that will allow for 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 2011.

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Updates regarding the progress of the IFRS changeover plan are provided quarterly to the Company's Audit Committee.

As the Company is still in the evaluation and development phases and has not yet selected all of its accounting policy choices and IFRS 1 exemptions, the Company is unable to quantify the impact of IFRS on its consolidated financial statements. The Company has identified the areas noted below as those expected to have the most significant impact on its financial statements. The items listed below do not represent a complete list of areas impacted. As the Company progresses further into the design and implementation phases and decision are made regarding accounting policies, and as changes to Canadian GAAP and IFRS standards may occur prior to the changeover date, the areas impacted and the effect may be subject to change. The Company will disclose impacts on financial reporting, including expected quantitative impacts, systems and processes and other areas of the Company's business in future MD&As as they are determined.

- IFRS 1 – First time adoption
- IAS 36 – Impairment of assets
- IFRS 2 – Share based payments
- IFRS 6 – Exploration and evaluation
- IAS 16 – Property, plant and equipment
- IFRS 37 – Provisions, contingent liabilities and contingent assets
- IAS 12 – Income taxes

As of September 30, 2010, the Company continues to review and examine the above areas.

### **Commitments and Contingencies**

(a) Agreement with Forbes & Manhattan

In July 2009, the Company signed a three-year service agreement with Forbes & Manhattan for consulting and advisory services. Payments to Forbes & Manhattan include a general fee of C\$25,000 per month, or C\$300,000 annually, 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 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 transaction value 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 payable if the Company has a market capitalization of C\$500 million or more. Any such restriction shall cease to apply in the event of a change of control. Notwithstanding the foregoing, a fee shall only be paid by the Company to Forbes & Manhattan for a transaction if the transaction does not constitute a change of control.

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In addition, 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 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.

The success fee, transaction bonus and change of control payments have only been applicable for events occurring after November 6, 2009, the date the Company's common shares commenced trading on TSX. In December 2009, as stipulated by terms of the service agreement, a payment of C\$800,000 (\$725,280) was made to Forbes & Manhattan following the completion of a prospectus financing. A payment of C\$550,000 (\$516,626) was made to Forbes & Manhattan following the completion of the June 2010 prospectus financing.

A payment of C\$800,000 (\$792,472) will be due to Forbes & Manhattan following the completion of the prospectus financing announced on November 2, 2010.

A director of the Company, Stan Bharti, is an officer and director of Forbes & Manhattan.

(b) 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.

(c) 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 Brock's Creek underground mine. During the nine months ended September 30, 2010, the Company recorded royalty expense of \$272,450, of which \$150,185 was capitalized as pre-commercial production and the balance expensed to the consolidated statement of income (loss) and comprehensive income (loss).
- (ii) a vendor royalty of 1% of gold produced from certain tenements in the Brock's Creek area. The royalty becomes payable only after recovery of all operating and capital costs involved with the post-1995 development of the Brock's Creek tenements, and nil or minimal royalty is currently expected to be paid;
- (iii) a vendor royalty of A\$4 per ounce of gold produced from the Pine Creek tenements, payable to a privately owned company;
- (iv) a 1% ad valorem royalty payable to a subsidiary of Harmony Gold Mining Company Limited for 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; and,
- (vi) royalties payable to various vendors of tenements located outside the currently anticipated mining areas.

The Company 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.

(d) Lease obligations

The Company is committed to minimum amounts under long-term capital and operating lease agreements for plant and equipment. As of September 30, 2010, minimum commitments remaining under these leases were approximately \$208,502 over the following years:

Year	Minimum lease commitments
2010	\$ 152,837
2011	39,293
2012	16,372
<b>Total</b>	<b>\$ 208,502</b>

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(e) Management contracts

The Corporation is party to certain management contracts. These contracts require that additional payments of approximately \$3,414,000 be made upon the occurrence of a change of control. As the likelihood of these events taking place is not determinable, the contingent payments have not been reflected in these consolidated financial statements. Minimum commitments remaining under these contracts were approximately \$430,000 all due within one year.

(f) Tenement obligations

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. These obligations are subject to amendment upon expiry of the exploration leases or when application for a mining licence is made. These obligations are not provided for in the consolidated financial statements. The current obligation for the year ending December 31, 2010, is estimated at \$1,299,000.

(g) 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 rate of tax 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. In May 2010, the Northern Territory Government introduced legislation to increase the mineral royalty rate to the current rate of 20%, effective July 1, 2010. Previously, the mineral royalty rate was 18%.

(h) Stamp duty dispute on transaction with Franc-Or Resources Corporation

The Northern Territory of Australia, along with the other states in 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 GBS assets, the Company paid stamp duty of A\$2,264,000 (\$1,818,000). In the first quarter of 2010, the Territory Revenue Office of the Northern Territory ("TRO") 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 Franc-Or transaction, November 3, 2009. The Company believes that the transaction with Franc-Or did not trigger a stamp duty liability and is contesting the TRO decision. In February 2010, the Company paid A\$2,058,000 (\$1,864,000) to the TRO, being a reasonable estimate of the stamp duty arising from the Franc-Or transaction if the TRO's position eventually prevails. Despite the payment, the Company's position remains that the Franc-Or transaction 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.

(i) Environmental bonds

As at September 30, 2010, the Company had funds placed on deposit as collateral for bank guarantees issued to the Northern Territory Government. The bank guarantees, totalling \$10,726,219, are security under environmental bond requirements. It is expected that an additional amount of approximately \$930,000 will be required over the next 12 month period.

(j) Registered charge

In accordance with the terms of the purchase agreement for the mining assets, the vendor (GBS Gold Australia) held fixed and floating charges over the assets of Crocodile Gold Australia Pty Ltd. Upon the payment of the second and final deferred payment in June 2010, the process to release the security over the assets commenced and is expected to be completed shortly.

(k) Changes to the proposed Resource Super Profit Tax

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

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**Related Party Transactions**

In July 2009, the Company signed a three-year service agreement with Forbes & Manhattan for consulting and advisory services. Details are provided above under the section entitled, "Commitments and Contingencies". In December 2009, as stipulated under the terms of the agreement, a payment of C\$800,000 (\$725,280) was made to Forbes & Manhattan following the completion of a prospectus financing. A payment of C\$550,000 (\$516,626) was made to Forbes & Manhattan following the completion of the June 2010 prospectus financing. A payment of C\$800,000 (\$792,472) will be due to Forbes & Manhattan following the completion of the prospectus financing announced on November 2, 2010.

Forbes & Manhattan acted as Crocodile Gold's guarantor in the Heads of Agreement signed on March 26, 2009 with GBS Gold Australia and the subsequent ASA signed on June 19, 2009. Forbes & Manhattan received an aggregate of \$893,000 as compensation for providing these services.

During the year ended December 31, 2009, bonuses totalling \$1,754,000 were paid to directors, officers and consultants of Crocodile Gold, including a \$952,000 payment to Forbes & Manhattan.

Forbes & Manhattan also participated in the private placement in March 2009 by subscribing for 4,925,000 common shares.

A director of the Company, Stan Bharti, is an officer and director of Forbes & Manhattan.

On July 21, 2009, the Company paid C\$100,000 and issued 2,000,000 Crocodile Gold common shares to acquire an 80% interest in the Mt. Bundy Gold Project (formerly known as Rustler's Roost Gold Project). The property was owned by Valere Mining Ltd. ("Valere"). Certain directors and an officer of Crocodile Gold were also shareholders of Valere.

The Company shares its premises with other corporations that have common directors and/or officers. The Company reimburses and recovers from the related corporations for their proportional share of expenses. Included in accounts payable at September 30, 2010 was \$789 (December 31, 2009 - \$10,844) owing to and \$28,891 (December 31, 2009 - \$47,329) owing from related corporations. Such amounts are unsecured, non-interest bearing, with no fixed terms of repayment.

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. The shares received on the exercise of the options have been held. 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.

All of the related party transactions are in the normal course of operations and are measured at the exchange amount which is the amount of consideration established and agreed to by the related parties.

**Risk Factors**

The exploration for, 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 of the Company are described under "Risk Factors" in the Company's Annual Information Form filed on SEDAR under the profile of Crocodile Gold Corp. on March 31, 2010.

**MULTILATERAL INSTRUMENT 52-109 DISCLOSURE**

Crocodile Gold's management, including the President and Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO"), have reviewed and evaluated the design effectiveness of the Company's disclosure controls and procedures (as defined in National Instrument 52-109 of the Canadian Securities Administrators) as of September 30, 2010. Management has concluded that as of September 30, 2010, the disclosure controls and procedures were designed effectively to provide reasonable assurance that material information relating to the Company and its consolidated subsidiaries and joint ventures would be made known to them by others within those entities, particularly during the period in which this report was being prepared. In addition, there were no changes to the Company's internal control over financial reporting during the nine months ended September 30, 2010 that have materially affected, or are reasonably likely to materially affect, its internal controls over financial reporting.

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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. Forward-looking information includes, but is not limited to, statements with respect to the development potential of the Company's properties; the future price of gold and other minerals; the estimation of mineral reserves and mineral resources; conclusions of economic evaluation; 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", "is expected", "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, and they are subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of Crocodile Gold to be materially different from those expressed or implied by such forward-looking information, including but not limited to risks related to: unexpected events and delays during construction, expansion and start-up; variations in mineral grade and recovery rates; delay or failure to receive government approvals; timing and availability of external financing on acceptable terms; actual results of current exploration activities; changes in project parameters as plans continue to be refined; future prices of gold and other minerals; failure of plant, equipment or processes to operate as anticipated; 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 statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking information.

November 5, 2010