

**DAWSON GOLD CORP.**  
**(FORMERLY ULDAMAN CAPITAL CORP.)**

MANAGEMENT DISCUSSION AND ANALYSIS  
For the three months ended July 31, 2010

# **DAWSON GOLD CORP. (FORMERLY ULDAMAN CAPITAL CORP.)**

Management Discussion & Analysis

For the three months ended July 31, 2010

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**September 21, 2010**

## **1.1 Overview**

This Management Discussion and Analysis (“MD&A”) of Dawson Gold Corp. (“Dawson” or the “Company”) has been prepared by management as of September 21, 2010 and should be read in conjunction with the financial statements and related notes thereto of the Company for the period ended July 31, 2010, which were prepared in accordance with Canadian generally accepted accounting principles (“Canadian GAAP”). The interim financial statements together with the following MD&A are intended to provide investors with a reasonable basis for assessing the financial performance of the Company as well as forwarding-looking statements relating to potential future performance. All dollar figures included herein and in the following discussion and analysis are quoted in Canadian dollars unless otherwise noted.

The financial information in this MD&A is derived from the Company’s financial statements. This MD&A may contain “forward-looking statements” which reflect the Company’s current expectations regarding the future results of operations, performance and achievements of the Company. These forward looking statements are based on assumptions and judgments of management regarding events or results that may prove to be inaccurate as a result of exploration or other risk factors beyond its control. The Company has tried, wherever possible, to identify these forward-looking statements by, among other things, using words such as “anticipate,” “believe,” “estimate,” “expect” and similar expressions. The statements reflect the current beliefs of the management of the Company, and are based on currently available information. Accordingly, these statements are subject to known and unknown risks, uncertainties and other factors, which could cause the actual results, performance, or achievements of the Company to differ materially from those expressed in, or implied by, these statements.

The Company undertakes no obligation to publicly update or review the forward-looking statements whether as a result of new information, future events or otherwise. Historical results of operations and trends that may be inferred from the following discussions and analysis may not necessarily indicate future results from operations.

## **1.2 Overall Performance**

On July 6, 2010, the Company announced that Messrs. Sokhie Puar and Robert Weicker resigned as directors of the Company. Mr. Puar also resigned as President of the Company.

Messrs. Michael Collins and Paul Gray have been appointed as directors. Messrs. Collins and Gray are also serving as President and Chief Executive Officer, respectively.

On August 9, 2010, the Company announced that it changed its name from Uldaman Capital Corp. to Dawson Gold Corp. In connection with the name change, the Company also consolidated its share capital such that each two previously issued common shares have been consolidated into one new common share.

The shares of the Company resumed trading on the Exchange under its new name on August 10, 2010, under the trading symbol DYU.H.

On August 11, 2010, the Company announced that it entered into a loan agreement with 0851045 B.C. Ltd. (“0851045”) pursuant to which the Company has agreed to advance \$50,000 to 0851045, with a maturity date of one year. The loan is secured by the assets of 0851045. Upon closing of the proposed acquisition of 0851045 by the Company, the loan agreement will terminate.

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## 1.2 Overall Performance (continued)

On August 19, 2010, the Company announced an update on the summer work program commenced in July 2010 by 0851045 on the Tad/Toro and Nit Property.

On August 20, 2010, the Company announced a private placement financing of up to 8,000,000 units at a price of \$0.15 per units for gross proceeds of up to \$1,200,000. Each unit consists of one share and one share purchase warrant, with each warrant exercisable to acquire an additional share at a price of \$0.25 for a period of 12 months from the closing date and at a price of \$0.35 for the subsequent six-month period.

The private placement will be close concurrently with the closing of the qualifying transaction with 0851045. The private placement and the qualifying transaction remain subject to the acceptance of the Exchange.

At the date of this report, the Company has 6,076,063 common shares issued and outstanding and 200,000 share options granted and exercisable.

## 1.3 Selected Annual Information

The following financial data, which has been prepared in accordance with Canadian GAAP, is derived from the Company's audited financial statements for the years ended April 30, 2010, 2009 and 2008:

Years Ended	Interest	Net loss	Loss per share
April 30, 2010	\$ -	\$ (207,121)	\$ (0.05)
April 30, 2009	\$ 1,483	\$ (232,518)	\$ (0.12)
April 30, 2008	\$ 9,263	\$ (84,037)	\$ (0.04)

The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions affecting the reported amounts of assets and liabilities at the date of the financial statements and the reported amount of revenue and expenses during the reporting period. Significant areas requiring the use of management estimates include the carrying value of stock based compensation and future income taxes. Actual results may differ from these estimates.

## 1.4 Results of Operations

During the three months ended July 31, 2010, the Company incurred a loss of \$36,974 or (\$0.01) per share as compared to net loss of \$38,185 or (\$0.01) per share for the same period in 2009, a decrease in loss by \$1,211. The net loss for the three months ended July 31, 2010 comprised of general and administrative expenses of \$36,900 compared to \$38,185 for the same period in 2009. Total exchange loss during the period was \$74 compared to \$nil for the same period in the previous period.

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## Results of Operations (continued)

### Operating Expenses

For the three months ended July 31, 2010, the general and administrative expenses consisted primarily of bank charges and interest of \$819 (2009 - \$99), office and administration of \$3,500 (2009 - \$6,000), professional fees of \$20,269 (2009 - \$15,243), property evaluation and investigation expenses of \$nil (2009 - \$1,816), regulatory and transfer agent fees of \$4,812 (2009 - \$6,527), rent of \$7,500 (2009 - \$7,500) and travel and promotions of \$nil (2009 - \$1,000).

The Company continues to incur expenses as it proceeds towards the closing of the Qualifying Transaction described under the heading "Proposed Transaction". As a result, the Company anticipates incurring significant expenses related to due diligence, negotiation and the payment of professional fees necessary to complete the proposed transaction.

### Cash flows

During the three months ended July 31, 2010, the Company experienced a net decrease in its cash position of \$41,837 from its cash position as at May 1, 2010. Funds were used to support general administrative and overhead costs. Significant cash outflows used to fund operating activities totaled \$41,837. At July 31, 2010, the Company has a working capital of \$14,731.

The Company does not receive nor does it expect to receive any revenue in the foreseeable future. The Company's interest income does not support operations and, in order to continue operations and fund its expenditure commitments, it is dependent on equity financing and cost sharing arrangements to fund its work programs and operations.

## 1.5 Summary of Quarterly Results

The Company was incorporated on January 16, 2006. The following is a summary of financial information concerning the Company for each of the last eight reported quarters.

Quarter ended	Interest income	Net income (loss)	Earnings (loss) per share
July 31, 2010	\$ -	\$ (36,974)	\$ (0.00)
April 30, 2010	-	(49,844)	(0.01)
January 31, 2010	-	(92,540)	(0.02)
October 31, 2009	-	(26,554)	(0.00)
July 31, 2009	-	(38,183)	(0.01)
April 30, 2009	-	(124,964)	(0.06)
January 31, 2009	68	(22,249)	(0.02)
October 31, 2008	581	(73,100)	(0.04)

The Company incurred \$97,431 of expenditures in property evaluation and investigation during the quarter ended April 30, 2009. As a result, the net loss and loss per share during the quarter ended April 30, 2009 are significantly higher than other quarters.

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## **1.6/1.7 Liquidity and Capital Resources**

As at July 31, 2010, the Company had cash on hand of \$77,700, which is largely required to discharge liabilities at that date. Even if the planned private placements are fully subscribed, the Company may continue to have capital requirements in excess of its currently available resources. In the event the Company's plans change, its assumptions change or prove inaccurate, or its capital resources in addition to projected cash flow, if any, prove to be insufficient to fund operations, the Company may be required to seek additional financing. There can be no assurance that the Company will have sufficient financing to meet its future capital requirements or that additional financing will be available on terms acceptable to the Company in the future. The Company did not have any revenues during the period and the capital resources are mainly from issuance of common shares.

The Company considers its capital structure to include net residual equity of all assets, less liabilities. The Company's objective when managing capital are to (i) maintain sufficient working capital to meet current financial obligations and continue going concern; (ii) maintain a capital structure that allows the Company to raise equity funding to finance its capital expenditures and acquisition activity.

The Company's financial strategy is formulated and adopted according to market conditions in order to maintain a flexible capital structure that is consistent with its objectives and the risk characteristics of its underlying assets. The Company manages its capital structure and makes adjustments to it in light of changes in economic circumstances.

The Company reported a working capital of \$14,731 at July 31, 2010 compared to working capital of \$51,705 at April 30, 2010, representing an increase in working capital by \$230. In the three months ended July 31, 2010, cash used in operating activities amounted to \$41,837.

## **1.8 Off-Balance Sheet Arrangements**

The Company has no off-balance sheet arrangements other than reported in the accompanying notes to the financial statements.

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## 1.9 Related Party Transactions

During the three months ended July 31, 2010, the Company incurred the following transactions with SNJ Holding Corp., a company with common directors.

	July 31, 2010 (Unaudited)	July 31, 2009 (Unaudited)
Expenses paid or accrued to a company with common directors:		
Office and administration	\$ 6,000	\$ 6,000
Rent	7,500	7,500
	<u>\$ 13,500</u>	<u>\$ 13,500</u>

The transactions were in the normal course of operations and were measured at the exchange amount, which represented the amount of consideration established and agreed to by the related parties.

To July 31, 2010, the Company has made non-refundable advances totaling \$31,362 (2009 - \$Nil) to 0851045, a company related by a director in common with which the Company is in the process of completing a transaction. This amount is unsecured and non-interest bearing.

As at July 31, 2010, \$75 (April 30, 2010 - \$4,725) is due to a company with common directors. This balance is unsecured, non-interest bearing and has no fixed terms of repayment.

## 1.10 Financial instruments

The Company's financial instruments include cash, receivables, advances, accounts payable and accrued liabilities and due to related parties. These amounts are short-term in nature and management has determined that the record varying value approximates fair value. The Company does not use any derivative or hedge instruments.

## 1.11 Critical Accounting Estimates

During the three months ended July 31, 2010, the Company did not have any critical accounting estimates.

For the detailed summary of the Company's significant accounting policies, the reader is directed to Note 2 of the notes to the July 31, 2010 unaudited financial statements available on SEDAR at [www.sedar.com](http://www.sedar.com).

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## 1.12 Changes in Accounting Policies

### New Accounting Policies Not Yet Adopted

#### *International financial reporting standards (“IFRS”)*

In February 2008, the Canadian Accounting Standards Board confirmed that publicly accountable enterprises will be required to adopt IFRS for fiscal years beginning on or after January 1, 2011, with earlier adoption permitted. Accordingly, the conversion to IFRS will be applicable to the Company’s reporting no later than in the first quarter of 2011, with restatement of comparative information presented. The conversion to IFRS will impact the Company’s accounting policies, information technology and data systems, internal control over financing reporting, and disclosure controls and procedures. The transition may also impact business activities, such as foreign currency activities, certain contractual arrangements, capital requirements and compensation arrangements. The Company is currently evaluating the future impact of IFRS on its financial statements and will continue to invest in training and additional resources to ensure a timely conversion. The specific aspects of IFRS affecting the Company are discussed in further detail in “1.19 IFRS Changeover Plan” below.

*“Business combinations” – Section 1582, “Consolidated Financial Statements” – Section 1601 and “Non-Controlling Interests” – Section 1602*

In January 2009, the CICA issued Handbook Sections 1582, “Business Combinations”, 1601 “Consolidated Financial Statements” and 1602 “Non-Controlling Interests” which replace CICA Handbook Sections 1581 “Business Combinations” and 1600 “Consolidated Financial Statements”. Section 1582 establishes standards for the accounting for business combinations that is equivalent to the business combination accounting standard under IFRS. Section 1601 together with Section 1602 establishes standards for the preparation of consolidated financial statements. These sections are applicable for the Company’s interim and annual financial statements for its fiscal year beginning on or after January 1, 2011. Early adoption of these Sections is permitted and all three Sections must be adopted concurrently.

## 1.13 Financial Instruments and Other Instruments

The Company applied on a prospective basis the new recommendations of the Canadian Institute of Chartered Accountants regarding the disclosure and presentation of financial instruments following the release of sections 3862 - Financial instruments - disclosure and 3863 Financial Instruments - presentation.

### i) Financial assets and financial liabilities held for trading

Financial assets and financial liabilities held for trading are acquired or incurred principally for the purpose of selling or repurchasing them in the near term. They are recognized at fair value based on market prices, with any resulting gains and losses reflected in net income for the period in which they arise.

### ii) Held-to-maturity financial assets

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturity that an entity has the intention and ability to hold to maturity. They are measured at amortized cost using the effective interest rate method less any impairment loss. A gain or loss is recognized in net income when the financial asset is derecognized or impaired, and through the amortization process.

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## 1.13 Financial Instruments and Other Instruments (continued)

### iii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available for sale, or that are not classified as loans and receivables, held-to-maturity investments, or held for trading. They are measured at fair value. Fair value is determined based on market prices. Equity instruments that do not have a quoted market price in an active market are measured at cost. Gains and losses are recognized directly in other comprehensive income until the financial asset is derecognized, at which time the cumulative gain or loss previously recognized in accumulated other comprehensive income is recognized in net income for the year.

### iv) Loans and receivables and other financial liabilities

Loans and receivables and other financial liabilities are measured at amortized cost, using the effective interest rate method less any impairment loss.

The Company classified its financial instruments as follows:

- Cash and restricted cash are classified as held for trading.
- Receivables and advances are classified as loans and receivables.
- Accounts payable and accrued liabilities and amounts due to related parties have been classified as other financial liabilities.

Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximates their carrying values, unless otherwise noted. The Company has determined that it does not have derivatives or embedded derivatives.

## 1.14 Proposed Transactions

On January 25, 2010, as amended on May 26, 2010 and June 30, 2010, the Company entered into an Amalgamation Agreement (the "Agreement") with Dawson Exploration Corp. ("Dawson") and 0851045, both of which are private British Columbia companies. The transaction, which will be completed by way of share exchange, will result in a reverse takeover of the Company. 0851045 and Dawson will amalgamate to form Dawson Exploration Corp. ("Dawson Exploration"). Each of Dawson's issued and outstanding common shares and each of 0851045's issued and outstanding common shares will be converted into one common share of the Company. The shares of Dawson Exploration will then be transferred to the Company.

Dawson Exploration will become the Company's wholly-owned subsidiary and the Company will become the parent of Dawson Exploration. However, following the guidance provided in Emerging Issue Committee Abstract No.10. "Reverse Take Over Accounting", Dawson Exploration will be deemed to be the acquirer for accounting purposes.

The Company and 0851045 are each required to complete a private placement. The Company's private placement will be comprised of financing of up to 8,000,000 units at \$0.15 per unit for total proceeds of \$1,200,000. Each unit will consist of one common share and one share purchase warrant, with each warrant exercisable to acquire an additional share at \$0.25, exercisable for a period of 12 months from the closing dates and at a price of \$0.35 for the six months thereafter.

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## **1.14 Proposed Transactions (continued)**

0851045 will complete a private placement of up to 700,000 units at a price of \$0.15 per unit. Each unit will consist of one common share and one share purchase warrant exercisable into an additional common share of 0851045 at a price of \$0.25 per share, exercisable for a period of 12 months from the closing date and a price of \$0.35 for the 6 months thereafter. Finder's fees of up to 8% cash, shares or warrants will be payable in connection with the private placement.

Pursuant to a finder's fee agreement, 0851045 will be obligated, upon closing of the Amalgamation to issue 400,000 common shares which will be satisfied by the payment of 400,000 common shares of the Company. The Company will also be obligated to issue 1,000,000 common shares, upon closing on the Amalgamation, to Northern Freegold Resources Ltd., pursuant to a mineral property option agreement entered into by 0851045.

The Amalgamation is subject to approval by the Exchange.

To July 31, 2010, the Company has made \$31,362 in non-refundable advances 0851045. On August 10, 2010, the Company entered into a loan agreement whereby the Company advanced to lend 0851045 a sum of \$50,000 (the "Loan"). The Loan is secured by a first position general security interest on 0851045's assets, bears interest at a rate of 2% per annum and is payable by August 13, 2011. The proceeds of the Loan will be used by 0851045 to fund payments required under a property option agreement.

## **1.15 Outstanding Shares**

As of the date of this report, the Company had the following outstanding:

- 6,076,063 common shares
- 200,000 stock options

Accordingly, the Company has 6,276,063 fully diluted shares outstanding.

## **1.16 Change in Financial Condition Since April 30, 2010**

The principal change in financial condition since the Company's last year end has been the expenditure of cash on operations, including the payment of accounts payable and amounts due to related parties.

## **1.17 Additional Disclosure for Venture Issues without Significant Revenue**

For the three months ended July 31, 2010, the \$36,900 of general and administrative expenses are itemized in the financial statements of the Company.

### Directors and Officers

Paul Gray, Director, CEO and CFO  
Michael Collins, Director and President  
John David Anderson, Director  
Bijay Singh, Director  
Jim Coyne, Director

The Chief Executive Officer and Chief Financial Officer believe that the Company's disclosure controls and procedures provide a reasonable level of assurance that they are effective, they do not expect that the disclosure controls and procedures will prevent all errors and fraud. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

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## 1.17 Additional Disclosure for Venture Issues without Significant Revenue (continued)

### Disclosure Controls and Procedures

Management has assessed the effectiveness of the Company's disclosure controls and procedures used for the financial statements and MD&A as at July 31, 2010. Management has concluded that the disclosure controls are effective, given the size and nature of the Company, in ensuring that all material information required to be filed has been made known to them in a timely manner. The required information was effectively recorded, processed, summarized and reported within the time period necessary to prepare the annual filings. The disclosure controls and procedures are effective in ensuring that information required to be disclosed pursuant to applicable securities laws are accumulated and communicated to management as appropriate to allow timely decisions regarding required disclosure.

The Chief Executive Officer and Chief Financial Officer believe that the Company's disclosure controls and procedures provide a reasonable level of assurance that they are effective, they do not expect that the disclosure controls and procedures will prevent all errors. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of control system are met.

### Internal Controls over Financial Reporting

Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP. Management has reviewed these controls and concluded that the design of internal controls over financial reporting is appropriate for the size and nature of the enterprise in managing the risk of material misstatement to a level of reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes. The Company operates with a small executive board and internal staff. Accordingly, lack of segregation of duties is an identified internal control weakness. There have been no significant changes in the Company's system of internal financial controls over the past year.

## 1.18 Risks

The Company has no significant source of operating cash flow and no revenues from operations. The Company has limited financial resources. Substantial expenditures are required to be made by the Company.

The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and liabilities at the date of the financial statements and the reported amounts revenues and expenses during the reporting period. Actual results could differ from those estimates.

Any forward-looking information in this MD&A is based on conclusions of management. The Company cautions that due to risks and uncertainties, actual events may differ materially from current expectations. With respect to the Company's operations, actual events may differ from current expectations due to economic conditions, new opportunities, changing budget priorities of the Company and other factors.

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## 1.19 IFRS changeover plan

In February 2008, the Accounting Standards Board (“AcSB”) confirmed that International Financial Reporting Standards (“IFRS”) will replace Canadian GAAP for public accountable enterprises for fiscal years beginning on or after January 1, 2011, including comparative figures for the prior year.

The Company will transition to IFRS effective May 1, 2012 and plans to issue its first complete set of financial statements under IFRS during the year ending April 30, 2012 with comparative figures. The Company is going to consult external advisors to assist in the development and execution of a changeover plan to complete the transition to IFRS. The key elements of the Company’s changeover plan will include the impact of IFRS on the following items:

a) Accounting policies

i) Property, Plant and Equipment (“PP&E”)

IFRS and Canadian GAAP contain the same basic principles of accounting for property, plant and equipment; however, there are some differences between them. For example, capitalization of directly attributable costs in accordance with IAS 16, Property, Plant and Equipment (“IAS 16”) may require measurement of an item of property, plant and equipment upon initial recognition to include or exclude certain previously recognized amounts under Canadian GAAP. Specifically, there may be changes in accounting for:

- 1) The amount of capitalized overheads;
- 2) The capitalization of major inspections that were previously expensed under Canadian GAAP;
- 3) The capitalization of depreciation for which the future economic benefits of that asset are absorbed in the production of another assets; and
- 4) The capitalization of borrowing costs in accordance with IAS 23, borrowing costs.

Management does not expect the adoption of IAS 16 to have an impact on the Company’s financial position.

ii) Impairment of Assets

IAS 36, Impairment of Assets (“IAS 36”) uses a one-step approach for testing and measuring asset impairments, with asset carrying values being compared to the higher of value in use and fair value less costs to sell. Value in use is defined as being equal to the present value of future cash flows expected to be derived from the asset in its current state. In the absence of an active market, fair value less costs to sell may also be determined using discount cash flows. The use of discount cash flows under IFRS to test and measure asset impairment differs from Canadian GAAP where undiscounted future cash flows are used to compare against the asset’s carrying value to determine if impairment exists. This may result in more frequent write-downs in the carrying value of assets under IFRS since asset carrying values that were previously supported under Canadian GAAP based on undiscounted cash flows may not be supported on discounted cash flow basis under IFRS. However, under IAS 36, previous impairment losses may be reversed where circumstances change such that the impairment has reduced. This also differs from Canadian GAAP, which prohibits the reversal of previously recognized impairment losses. Management does not expect the adoption of IAS 36 to have an impact on the Company’s financial position.

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## 1.19 IFRS changeover plan (continued)

### a) Accounting policies (continued)

#### iii) Income Taxes

IAS 12, Income Taxes (“IAS 12”) prescribes that an entity account for the tax consequences of transactions and other events in the same way that it accounts for the transactions and other events themselves. Therefore, where transactions and other events are recognized in earnings, the recognition of deferred tax assets or liabilities which arise from those transactions should also be recorded in earnings. For transactions that are recognized outside of the statement of earnings, either in other comprehensive income or directly in equity, any related tax effects should also be recognized outside of the statement of earnings.

The most significant impact of IAS 12 on the Company will be derived directly from the accounting policy decisions made under IAS 16. Management does not expect the adoption of IAS 12 to have an impact on the Company’s financial position.

#### iv) Business Combinations

Under IFRS 3, Business Combinations (“IFRS 3”), business combinations must be accounted for by applying the acquisition method. One of the parties to business combination can always be identified as the acquirer, being the entity that obtains control of the other business. Control is defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

In accordance with IFRS 3, acquisition-related cost incurred to effect a business combination shall be expensed in the period the costs are incurred. Under IFRS, these costs are not permitted to form a component of goodwill as is permitted under Canadian GAAP. Management does not expect the adoption of IFRS 3 to have an impact on the Company’s financial position.

#### v) First-Time Adoption of International Financial Reporting Standards

Under IFRS 1, First-Time Adoption of International Financial Reporting Standards (“IFRS 1”) provides the framework for the first time adoption of IFRS and specifies that an entity shall apply the principles under IFRS retrospectively. All adjustments that raise on retrospective conversion to IFRS from other GAAP should be recognized directly in retained earnings. Certain optional exemptions and mandatory exceptions to retrospective application are provided for under IFRS 1.

Under IFRS 1, an entity has the option to retroactively apply IFRS 3 to all business combinations or may elect to apply the standard prospectively only to those business combination that occur after the date of transition. The CICA Handbook Section 1582, Business Combinations and Section 1602, Non-Controlling Interests are substantially aligned with the accounting for business combination and non-controlling interests under IFRS 3. Management does not expect to have an impact on the Company’s financial position.

The Company is undergoing an analysis of IFRS 1.

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## 1.19 IFRS changeover plan (continued)

### a) Accounting policies (continued)

#### vi) Provisions and Contingent Liabilities

Under IFRS 37, Provisions, Contingent Liabilities and Contingent Assets (“IFRS 37”) requires a provision to be recognized when: (i) there is a present obligation as a result of a past transaction or event; (ii) it is probable that an outflow of resources will be required to settle the obligation; and (iii) a reliable estimate can be made of the obligation. The threshold for recognition of a provision under Canadian GAAP is higher than under IFRS. It is possible, therefore, that some contingent liabilities which would have been recognized under Canadian GAAP may meet the criteria for recognition as a provision under IFRS. Management does not expect the adoption of IFRS 37 to have an impact when the Company has no contingent liabilities and contingent assets.

#### vii) Employee Benefits

IAS 19, Employee Benefits (“IAS 19”) requires past service cost associated with defined benefit plans to be expensed on an accelerated basis with vested past service costs to be expensed immediately and unvested past service costs to be expensed on a straight-line basis until the benefits become vested. In addition, actuarial gains and losses are permitted to be recognized directly in equity rather than through earnings, and IFRS 1 also provides an option to recognize immediately in retained earnings all cumulative actuarial gains and losses existing as at the date of transition to IFRS. The Company has no employee benefit plans, so transitional evaluation of liabilities is not required.

### b) Financial reporting expertise

The Company’s IFRS conversion plan is comprehensive and addressed matters including changes in accounting policies, restatement of comparative periods, organizational and internal controls and any required changes to business processes. To facilitate this process and ensure the full impact of the conversion was understood and managed reasonably, the Company may retain an external third party accounting firm. The accounting staff has attended several training courses on the adoption and implementation of IFRS. Through in-depth training and the preparation of reconciliations of historical Canadian GAAP financial statements to IFRS, the Company believes that its accounting personnel have obtained a thorough understanding of IFRS.

The Company also plans to hold an IFRS information session with members of the Board of Directors (including Audit Committee members). During this session, management and external consultants provided the Board with a review of the timeline for implementation, the implications of IFRS standards to the business and an overview of the impact to the financial statements.

As a result of the information session, the Audit Committee members will review the Audit Committee Charter and make the necessary changes to reflect the requirements for IFRS financial expertise. The Audit Committee will continue to receive quarterly presentations and project status updates from management.

### c) Business activities

The IFRS impact of business activities is a wide ranging element including foreign currency, hedging activities, debt covenants, compensation arrangements and risk management practices. The Company does not have any foreign currency, hedging activities and debt covenants. Therefore, no contracts are required to amend before the changeover date. Management also does not expect an impact on compensation arrangements and risk management practices.

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## 1.19 IFRS changeover plan (continued)

### d) IT systems

It is anticipated that the adoption of IFRS will have some impact on information systems requirements regarding to accounting policies for the recognition, measurement and disclosure requirements of IFRS. System changes will generally need to be made prior to the changeover date to ensure the systems can generate the competitive 2010 IFRS data required for its first interim IFRS filing in 2011. These changes for IFRS will likely impact the general ledger, treasury, payroll and risk management. The Company is going to assess the need for systems upgrades or modifications to ensure an efficient conversion to IFRS.

The International Accounting Standards Board (“IASB”) has a number of on-going projects on its agenda, in addition to the project on accounting for rate-regulated activities, that may result in changes to existing IFRS prior to the Company’s conversion to IFRS in 2011. The Company continues to monitor these projects and the impact that any resulting IFRS changes may have on its anticipated accountings policies, financial position or results of operations under IFRS for 2011 and beyond.

## 1.20 Legal proceedings

The Company is not aware of any legal proceedings.

## 1.21 Contingent liabilities

At the date of MD&A, management was unaware of any outstanding contingent liability relating to the Company’s activities.

## 1.22 Outlook

The Company’s primary focus for the foreseeable future will be on reviewing its financial position and financing business ventures in the mineral resource industry.

Additional disclosures pertaining to the Company’s technical report, management information circulars, material change reports, press releases and other information are available on the SEDAR website at [www.sedar.com](http://www.sedar.com).

On behalf of the Board of Directors, thank you for your continued support.

*“Michael Collins”*

**Michael Collins**

President and Director

September 21, 2010