

**DAWSON GOLD CORP.**

(formerly Uldaman Capital Corp.)

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**DECEMBER 31, 2010**

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## **DAWSON GOLD CORP.**

(Formerly Uldaman Capital Corp.)

Management's Discussion and Analysis

For the Six Months Ended December 31, 2010

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*The following is a management's discussion and analysis ("MD&A") of Dawson Gold Corp. ("Dawson Gold"), formerly Uldaman Capital Corp., prepared as of February 28, 2011. This MD&A should be read together with the unaudited consolidated financial statements for the six-month period ended December 31, 2010 and related notes and the audited consolidated financial statements of Dawson Exploration Corporation ("Dawson Exploration") for the year ended June 30, 2010 and related notes which were prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). The June 30, 2010 financial statements of Dawson Exploration were included in Dawson Gold's filing statement, which is available on SEDAR. Financial amounts are expressed in Canadian dollars unless otherwise specified.*

*Certain information included in this MD&A may constitute forward-looking statements. Statements in this report that are not historical facts are forward-looking statements involving known and unknown risks and uncertainties, which could cause actual results to vary considerably from these statements. Readers are cautioned not to put undue reliance on forward-looking statements.*

*Additional information about Dawson Gold is available under its profile on SEDAR at [www.sedar.com](http://www.sedar.com).*

### **DESCRIPTION OF THE COMPANY**

Dawson Gold was incorporated under the *Business Corporations Act* (British Columbia) on January 16, 2006 as Uldaman Capital Corp and on August 9, 2010 changed its name to Dawson Gold Corp. as part of a reverse takeover transaction ("RTO"), described below. Dawson Gold's shares trade on the TSX Venture Exchange (the "Exchange") under the symbol "DYU".

In November 2010, Dawson Gold's subsidiary, Dawson Exploration was formed as part of the RTO by the amalgamation of 0851045 B.C. Ltd. ("0851045"), a private company, and a subsidiary of Dawson Gold.

This MD&A is issued under the name of Dawson Gold but provides information on the financial position and results of operations of Dawson Exploration as at and for the six-month period ended December 31, 2010. It also describes the business of Dawson Gold subsequent to the RTO on November 5, 2010. The "Company" refers to the consolidated entity after that date. Following the RTO, Dawson Gold changed its year end to June 30, being the year end of Dawson Exploration.

The head office of the Company is Suite 350 – 580 Hornby Street, Vancouver, British Columbia, V6C 3B6. The registered and records office of the Company is Suite 1200 - 750 West Pender Street, Vancouver, British Columbia, V6C 2T8.

The Company is a mineral exploration company and has not yet determined whether its mineral properties contain economically recoverable reserves. The recoverability of the amounts shown for mineral properties is dependent upon the confirmation of economically recoverable reserves, the ability of the Company to obtain necessary financing to successfully complete their development and upon future profitable production.

The Company holds an interest in the Tad/Toro and Nit claims, collectively the "Toro Project", located in Yukon, and intends to conduct exploration on this property with a view to discovering economic quantities of ore. The Company may acquire additional exploration properties and conduct exploration work on those properties as well.

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### **CORPORATE DEVELOPMENTS**

#### *THREE MONTHS ENDED DECEMBER 31, 2010*

- In October 2010, Dawson Exploration completed a private placement in which it issued 1,348,333 units at a price of \$0.15 per unit and 842,500 flow through common shares at \$0.20 per common share receiving gross proceeds of \$370,750. See *Share Capital* below.
- In November 2010, Dawson Gold completed an RTO in which it acquired 100% of the issued shares of 0851045. In conjunction with the RTO, the Company completed a unit financing of 16,578,829 units at \$0.15 per unit for gross proceeds of \$2,486,824. See *Reverse Takeover Transaction* and *Share Capital* below.
- In November 2010, Dawson Gold signed a letter of intent for the option to earn a 70% interest in the Orofino property located in Sonora State, Mexico. Following due diligence, the Company terminated the letter of intent in December 2010. See *Orofino Letter of Intent* below.

#### *SUBSEQUENT TO DECEMBER 31, 2010*

- In January 2011, the Company provided additional information on its exploration program on the Toro Project. See *Mineral Properties* below.

### **REVERSE TAKEOVER TRANSACTION**

On November 5, 2010, Dawson Gold completed an RTO in which it issued 8,864,357 common shares to acquire all of the issued and outstanding common shares of Dawson Exploration. Dawson Exploration was formed as part of the RTO by the amalgamation of 0851045 and a subsidiary of Dawson Gold. Each of Dawson Exploration's issued and outstanding common shares and each of the subsidiary's issued and outstanding common shares converted into one common share of Dawson Gold. The shares of the subsidiary were then transferred to Dawson Gold. This transaction constituted Dawson Gold's Qualifying Transaction, pursuant to Exchange policies, and it subsequently began trading on the Exchange as a Tier 2 Mining Issuer.

In anticipation of and in conjunction with the RTO, Dawson Gold and Dawson Exploration raised aggregate gross proceeds of \$3,051,000 through the issuance of 20,061,000 common shares. See *Share Capital* below.

The Company holds an option to acquire a 100% interest in the Toro Project. The Toro Project comprises 310 mineral claims covering 6,474 hectares. The claims are located within the Dawson Range copper-gold belt in the southern portion of the White Gold District, in central Yukon.

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Following the RTO, the directors and officers of the Company are:

	Board	Management
Paul Gray	Director, audit committee member	Chief Executive Officer
Michael Collins	Director	President
John Anderson	Director, Chairman, audit committee member	
John Coyne	Director	
Bijay Singh	Director, audit committee member	
Simon Anderson		Chief Financial Officer

**OROFINO LETTER OF INTENT**

In November 2010 the Company signed a letter of intent with Yale Resources Ltd. ("Yale") for the option to earn a 70% interest in the Orofino project located in Sonora State, Mexico. The Company paid Yale \$10,000 upon signing the letter of intent and then undertook due diligence on the property. Following due diligence, the Company decided not to proceed with this project.

**MINERAL PROPERTIES***TORO PROJECT*

In August 2010, the Company amended an option agreement, originally entered into in September 2009, between the Company and Northern Freegold Resources Ltd. ("Northern Freegold"), in which the Company acquired an option to acquire a 100% interest in the Toro Project, which comprises the Tad/Toro claims and the Nit claims. Purchase consideration was \$125,212 in cash; 3,000,000 shares; and incurring exploration expenditures on the property of \$3,000,000 as follows:

Date	Cash Payment		Common Shares		Expenditures	
On signing	\$ 25,212	Paid	-		\$ -	
On January 1, 2010	25,000	Paid	-		-	
On completion of the RTO	-		1,000,000	Issued	-	
On or before:						
January 1, 2011	25,000	Paid	750,000	Issued	350,000	Completed
January 1, 2012	25,000		1,250,000		650,000	
January 1, 2013	25,000		-		1,000,000	
January 1, 2014	-		-		1,000,000	
	\$ 125,212		3,000,000		\$ 3,000,000	

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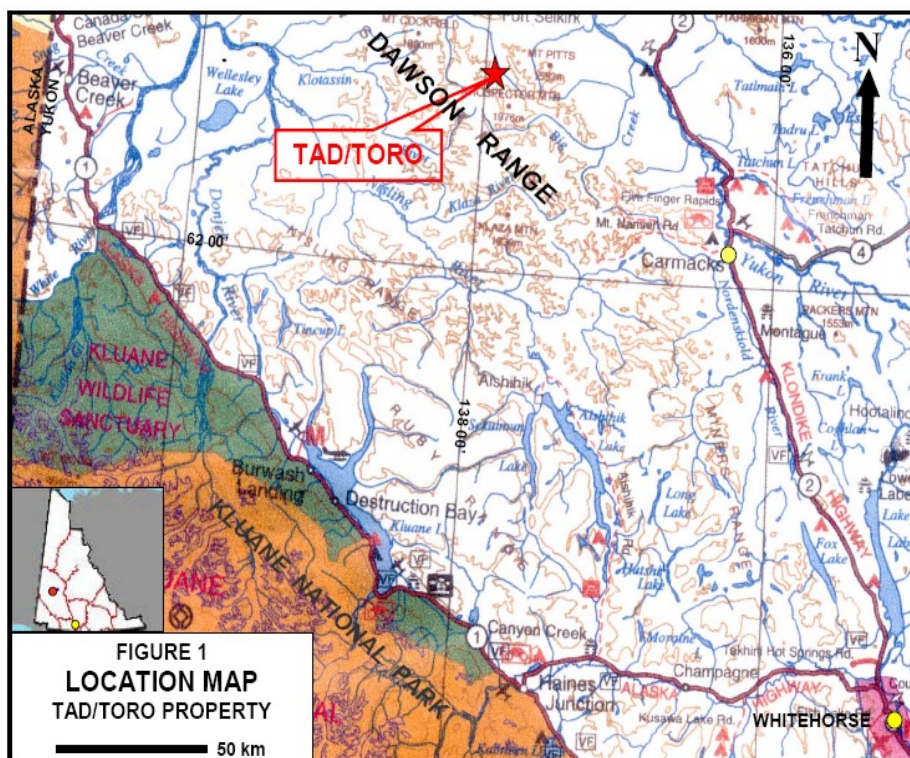
The Tad/Toro claims are subject to a 3% NSR which the Company has the right to purchase one-third of the NSR for \$1,000,000. The Nit claims are subject to a 1% NSR.

### *Property Description*

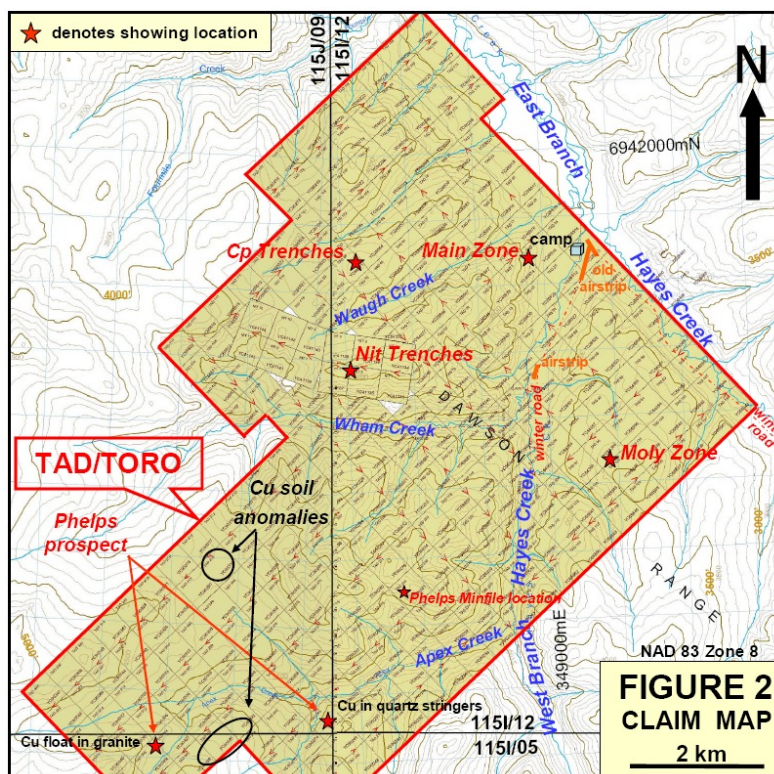
The Toro Project is located within the Dawson Range of central Yukon, approximately 100 kilometres northwest of Carmacks, which is 177 kilometres by road from Whitehorse, Yukon. The mineral claims are located within the traditional territory of the Selkirk First Nation, situated on Crown Land and fall under the jurisdiction of the Yukon Government.

The Toro Project consists of 310 contiguous claims including 298 Tad/Toro and 12 Nit quartz mining claims covering an area of approximately 6,474 hectares in the Whitehorse Mining District. The claim area is approximate since claim boundaries have not been legally surveyed. The mineral claims were located by a combination of GPS and compass and staked in accordance with the Yukon Quartz Mining Act.

The Company holds a Class III exploration licence that allows for significant drilling, camp and road building within the Toro Project claims. The Company is not aware if the Toro Project claims area is subject to any environmental liabilities.



The property is accessible by helicopter or fixed-wing aircraft from Whitehorse or Carmacks. A small gravel airstrip, adequate for small fixed wing aircraft, is located in the central property area on the Tad 52 claim. The Casino Trail (connecting the Freegold Road, 50 kilometres southwest of the property, to the Casino deposit) provides four-wheel drive access onto the property and is used by placer miners and other exploration companies. The Company is currently applying for a winter road permit for 2011. The Freegold Road is a government maintained gravel road, accessible from Carmacks. The road distance from Whitehorse is 330 kilometres.



### Geology

The Toro Project is situated within the unglaciated Dawson Range portion of the Yukon-Tanana Terrane (“YTT”), between the northwest striking Tintina Fault to the northeast and the Denali Fault to the southwest. The Dawson Range is characterized by metamorphosed basement rocks of the YTT intruded by numerous and voluminous Jurassic to Cretaceous intrusions, primarily of the Mid Cretaceous Dawson Range Batholith.

The Toro Project is primarily underlain by quartz-hornblende-biotite granitic rocks of the Mid-Cretaceous Dawson Range Batholith that intrude primarily Devonian- Mississippian meta-igneous and meta-sedimentary rocks of the YTT consisting of quartz biotite schist, hornblende schist, gneissic equivalents, quartzite and minor limestone, with a northwest trending foliation. On the property the Dawson Range Batholith includes a biotite-hornblende granodiorite phase, the Casino granodiorite phase, and a biotite rich leucocratic quartz monzonite to granite phase, referred to as the Coffee Creek granite phase.

One such body in the Main Zone area, referred to as the Tad Porphyry, consists of quartz-feldspar-biotite porphyry with clear quartz and feldspar phenocrysts and lesser biotite. Two phases of the Tad Porphyry have been recognized, a quartz monzonite porphyry and a biotite granite porphyry. Fresh specimens of quartz monzonite are typically pale gray with abundant muscovite. Argillic and propylitic hydrothermal alteration, brecciation and iron oxide staining of these rocks is extensive in the 1969-70 drill core.

A second body of the prospector mountain suite, or the possible extension of the Tad Porphyry, and related northeasterly trending dykes, extend from the Cp trenches across the Nit claims. Aplite dykes were noted cutting medium to coarse grained quartz monzonite in the Nit trenches.

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### *Mineralization*

Mineralization generally occurs as disseminated pyrite (up to 10%) within the Tad Porphyry and narrow sphalerite, galena, and arsenopyrite bearing quartz veins along shear zones. The pyrite mineralization may represent a pyritic halo to a porphyry copper-molybdenum-gold system with associated low grade goldpyrite- arsenopyrite in sericite-phyllic alteration zones within the quartz monzonite porphyry and in breccia zones and northwest trending fault zones. Minor potassic alteration of the porphyry has been reported. The lead-zinc veins may represent polymetallic veins outboard of the porphyry system.

A petrographic study of specimens from the Tad Porphyry suggests that the sulphide mineralogy and alteration is consistent with the low pyrite shell of a porphyry system, which occurs on the outer margins of the system. Pyrite was the most common mineral identified, occasionally associated with marcasite and rarely with included pyrrotite.

The study also showed that molybdenite occurs in the Moly Zone and in DDH T70-9 as small specks and flakes of molybdenite primarily in quartz veinlets and as lesser disseminations commonly associated with hematite rimmed magnetite, with a minor pyrite and rare chalcopyrite association. Alteration was classed as argillic but could be outer margin phyllic.

The old drill core from the Main Zone exhibits extreme oxidation with many unsplit oxidized and brecciated sections. A supergene enrichment zone occurs near the top of many of the drill holes in the centre of the mineralized zone. The sulphide minerals are oxidized to a depth of 80 metres and the gold-bearing oxide zone lies in brecciated and intensely altered quartz monzonite porphyry, below which is a hypogene zone containing up to 10% disseminated pyrite in porphyritic granite with lesser alteration.

On the Nit portion of the property, silver-gold mineralization is associated with quartz vein –fault zones with a 062°/70°NW trending vein/fault intersected within soil anomaly “B” and a number of narrow fault gouge/clay altered zones within soil anomaly “A”, hosted by the Coffee Creek granite phase of the Dawson Range Batholith.

Minor bornite and chalcopyrite reportedly occur within quartz stringers near the intrusive contact and minor disseminated chalcopyrite within a small area of the intrusion on the Phelps prospect. Soil geochemistry outlined three small areas of copper and/or molybdenum response. Placer gold has been mined from Hayes Creek and its tributaries. Gold has been reported on quartz clasts recovered from Apex Creek to the south and placer concentrate from lower Hayes Creek contains galena, sphalerite and other sulphide minerals. Fine gold can be panned from Hayes Creek where it flows past the Tad/Toro camp.

### *Previous Exploration*

Previous exploration on the Toro Project, undertaken from 1969 to 2007, prior to the Company acquiring its interest in the project, has involved approximately 3,080 metres of drilling in 22 holes, excavator trenching, six grid soil geochemistry programs (three on the Tad/Toro portion, two on the Nit option and one on the Phelps portion), rock and soil geochemistry, and ground induced polarization, magnetic and VLF-EM electromagnetic geophysical surveys on the Tad/Toro portion and a magnetic survey on the Phelps portion.

In October 2009, Precision GeoSurveys Inc. completed a helicopter-borne magnetic and radiometric geophysical survey over the Toro Project, covering approximately 93 square kilometres. The survey was flown along northwest trending lines with 100-metre line spacing, covering an area slightly larger than the property boundary. Five porphyry-type and five vein-type target zones were identified through a combination of radiometric and magnetic anomalies.

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There is excellent exploration potential on the Toro Project to host gold-copper mineralization similar to that of the Casino deposit and the Nucleus Zone, all located within the Dawson Range Copper-Gold Belt and to the White Gold District, 100 kilometres to the northwest.

Some information in this MD&A is drawn from a technical report dated December 20, 2009 entitled "Technical Report on the Tad/Toro Project" prepared pursuant to the provisions of NI 43-101 by Jean Pautler, P.Geo. Ms. Pautler is an independent (for the purposes of NI 43-101) qualified geological consultant.

### *Current Exploration*

From July 2010 through to early October 2010, the Company conducted additional exploration work on the property. The work program included geochemical and geophysical work focused on a series of high priority targets located during the 2009 airborne program, as well as drilling. An exploration camp was constructed on the property and is accessible by air using a recently rehabilitated airstrip also located on the property. A secondary fly camp and exploration team was also deployed to facilitate prospecting and mapping work on the western and southern sides of the property.

A drill rig has been mobilized on the property to test five targets identified using an integrated model based on historic soil surveys, the airborne radiometric survey from 2009, induced polarization surveys from this season and compilation of both current and from historical records.

The 2010 Toro Project diamond drilling focused on three distinct zones: the historic Ridge Zone, Main Zone and the newly defined (2010) geophysical (IP anomaly) target. The Ridge Zone drilling targeted two large historic gold-in-soil anomalies (a 900 x 400 metre area with >50ppb Au and a 300 x 200 metre area with >50ppb Au), these holes intersected a polymictic breccia hosting well-developed sulphide mineralization including pyrite, arsenopyrite, galena and sphalerite. Additionally, prospecting of the property has identified numerous zones of sericite-limonite alteration, which has been identified as a prospective indicator at nearby properties.

Work in the summer and fall of 2010 included 1,516 metres of diamond drill in eight drill holes which tested four target zones. One historic drill hole (DDH70-T12) was re-logged and partially re-sampled for detailed gold analyses. Seven soil zones covered by six geochemical soil grids and two contour geochemical soil grid lines were established and sampled for a total of 549 samples. Induced Polarity geophysical surveys were conducted over three target zones covering 4.5 square kilometres. A total of 1,140 core and rock samples were sent for analyses at Acme Analytical Laboratories of Vancouver, BC.

Exploration drilling returned anomalous gold results in seven of eight drill holes with discrete intervals of up to 1m of 2.28g/t Au and wide intervals of mineralization of up to 91.5m of 0.33 g/t Au. Gold mineralization was confirmed on the historic Main Zone and also in association with previously undrilled soil anomalies on the Ridge Zone.

Highlights of work completed in 2010 are:

- Seven of eight diamond drill holes return anomalous gold values.
- 1,516 metres of drilling and 1,033 core samples.
- Over 22 line kilometres of deep penetration induced polarity ("IP") geophysical surveys (covering ~4.5 km<sup>2</sup>) over three distinct grids.
- Seven soil zones covered by six grids and two contour soil lines of geochemical soil grid surveys (total 549 samples) expanding on and infilling between historic geochemical data.

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- Property wide prospecting, mapping and stream silt sampling – 40 rock and seven stream sediment samples.

Diamond drilling commenced in late August and terminated in early October when weather conditions made further work impractical. Five holes targeted two of the three historic gold-in-soil anomalies outlined by geochemical surveys at the Ridge Zone in 1985. A third historical anomaly (anomaly "A" with gold-in-soil values up to 1,080ppb Au) remains untested. Three holes intersected Coffee Creek phase granites and returned narrow zones of mineralization associated with mm-scale quartz-sulphide veinlets and associated silicification. The highest-grade gold occurrence from these holes was 1.15m of 1.95 g/t Au found in close spatial relationship to a breccia zone in hole TT-101.

The two additional holes collared in the Ridge Zone encountered granite intruded by long intervals of a newly identified polymictic hydrothermal breccia hosting well developed sulphide mineralization including pyrite, arsenopyrite, sphaelerite and galena. Au-grades intercepts within these holes include TT-104 91.5 m of 0.33 g/t Au in TT-104 and 16.9m of 0.35g/t Au in TT-103.

A single diamond drill hole was collared to test the strong chargeability anomaly identified by the first completed 2010 IP survey grid. This hole encountered a relatively unaltered, K-felspar rich granitoid of the Dawson Range Batholith. The source of the IP anomaly was not identified and remains an area of area of interest.

The final two drill holes of the program were designed to extend known gold mineralization within the historic Main Zone. Both holes encountered narrow zones of gold mineralization with values up to 1.49 g/t Au over 1 meter. Hole TT-108 ended prematurely above the expected high-grade zone target due to weather issues.

**2010 Diamond Drilling Summary Table**

<b>TT-101</b>				
<b>From</b>	<b>To</b>	<b>Width</b>	<b>g/t Au (ICP)</b>	<b>g/t (Fire)</b>
23.6	25.9	2.3	1.39	1.39
<b>TT-102</b>				
<b>From</b>	<b>To</b>	<b>Width</b>	<b>g/t Au (ICP)</b>	<b>g/t (Fire)</b>
146.5	148.4	1.9	0.408	0.582
<b>TT-103</b>				
<b>From</b>	<b>To</b>	<b>Width</b>	<b>g/t Au (ICP)</b>	<b>g/t (Fire)</b>
147.5	149	1.5	1.41	1.42
<b>TT-104</b>				
<b>From</b>	<b>To</b>	<b>Width</b>	<b>g/t Au (ICP)</b>	<b>g/t (Fire)</b>
73	164.5	91.5	0.316	0.330
<i>Including</i>				
73	92.5	19.5	0.432	0.433
137	149.5	12.5	0.553	0.677
137	138.5	1.5	1.13	2.54
147.6	149.7	2.1	1.64	1.41

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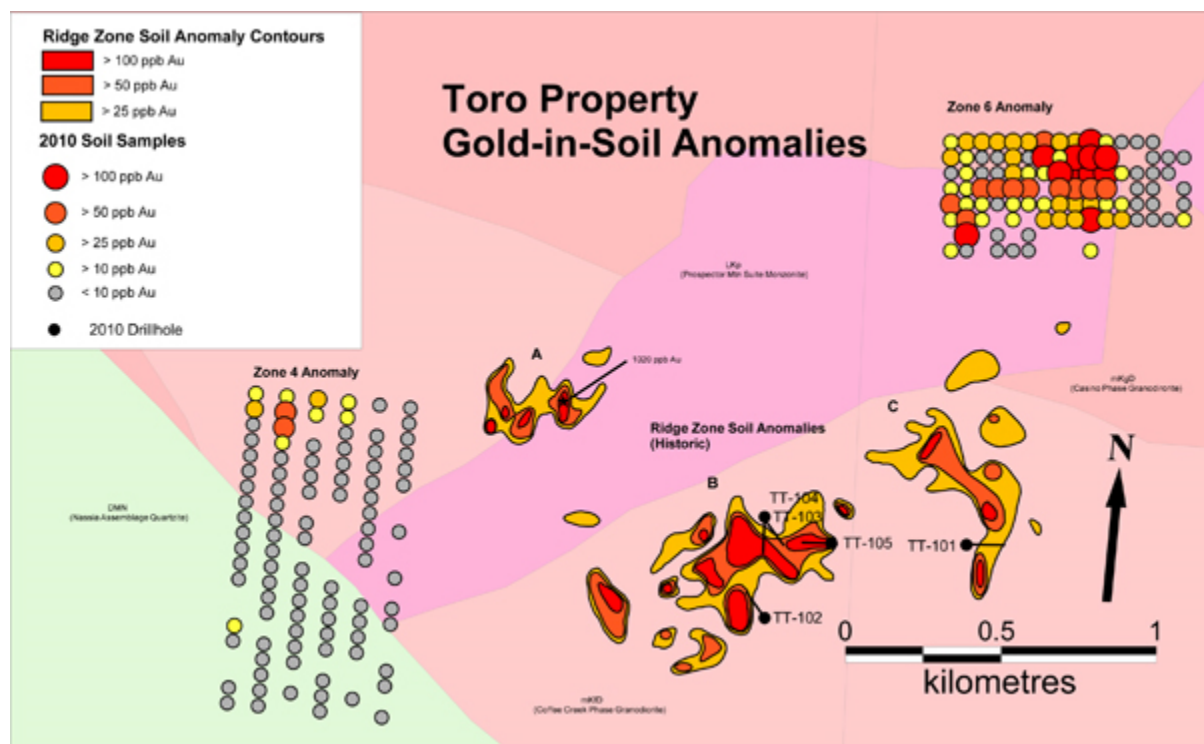
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148.7	149.7	1	2.73	2.28
137	164.5	27.5	0.427	0.476
160.5	162	1.5	1.26	1.17
<b>TT-105</b>				
<b>From</b>	<b>To</b>	<b>Width</b>	<b>g/t Au (ICP)</b>	<b>g/t (Fire)</b>
111.2	112.1	0.9	0.927	0.813
<b>TT-106 – No significant results</b>				
<b>TT-107</b>				
<b>From</b>	<b>To</b>	<b>Width</b>	<b>g/t Au (ICP)</b>	<b>g/t (Fire)</b>
164.6	166.1	1.5	0.960	0.896
<b>TT-108</b>				
<b>From</b>	<b>To</b>	<b>Width</b>	<b>g/t Au (ICP)</b>	<b>g/t (Fire)</b>
79.2	93	13.8	0.453	0.442
<i>including</i>				
79.2	82.3	3.1	1.02	1.02
Including				
79.2				

The geochemical sampling program delineated two new gold targets in Zones 4 and 6 (see map below). Samples at Zone 6 were collected at 50 metre centres and include 11 results over 100 ppb Au (to a maximum value of 540 ppb Au) defining a gold-in-soil anomaly (>100 ppb Au of ~600 m by 300 m). Zone 4 samples were collected at 50 metre intervals on lines spaced at 100 metres and defined a ~150 metre by 200 mere gold-in-soil anomaly (<25 ppb Au) clustered at the extreme northwest corner of the Zone 4. Anomalies in both zones remain open both to the west and to the north and are interpreted to correlate with mapped contacts of the Coffee Creek Granite and gold intersections from drilling.



The Company plans to continue its exploration program on the Toro Project in spring 2011.

The 2010 Toro Project work program was conducted under the supervision of Michael Collins, P.Geo., President and a director of Dawson Gold and a qualified person under NI 43-101, who has read and approved this content.

## FINANCIAL

### SELECTED QUARTERLY INFORMATION

The following is a summary of the Company's financial results for the two most recently completed quarters for which financial information is available:

Quarter ended	Loss for the period	Loss per share	Total assets
September 30, 2010	\$ (44,266)	\$ (0.01)	\$ 1,562,912
December 31, 2010	(614,405)	(0.03)	3,001,444

During this period, Dawson Gold did not generate any revenues or have discontinued operations or extraordinary items. Results for the period prior to the RTO are those of Dawson Exploration rather than Dawson Gold.

### RESULTS OF OPERATIONS FOR THE SIX MONTHS ENDED DECEMBER 31, 2010

In the following discussion, amounts other than per-share amounts, have been rounded to the nearest thousand dollars.

## **DAWSON GOLD CORP.**

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The Company incurred a loss of \$659,000 (\$0.04 per share), for the six months ended December 31, 2010, compared to a loss of \$26,000 (\$0.01 per share) in the comparable six-month period. For the three months ended December 31, 2010, the Company incurred a loss of \$614,000 (\$0.03 per share), compared to a loss of \$15,000 (\$0.00 per share) in the comparative three-month period. Prior to the RTO, Dawson Exploration was a private company and so its expenses were limited to administration of exploration activities and professional fees associated with the RTO.

This following section discusses significant operating expenses for the six months ended December 31, 2010 as compared to the six months ended December 31, 2009, unless discussed elsewhere:

- Consulting services represents payments to individuals for services that are not management or property related such as external business development consulting.
- Investor relations expense relates to expenses incurred communication with current and prospective investors. There were no investor relations activities prior to the RTO.
- Management services relate to business development, administration and bookkeeping.
- Professional fees include audit, accounting and legal fees, which increased over the comparative period due to preparatory work for the RTO.
- Property investigation represents expenditures identifying and investigating potential property acquisitions. The current period expense relates to the Orofino project which the Company decided not to pursue after completing due diligence.
- Office expenses increased due to the higher level of corporate activity in the current period preparing for the RTO.
- Regulatory and shareholder services represent transfer agent and Exchange fees, which increased in the current period in advance of the RTO.
- Stock-based compensation represents the fair value of option awards determined using the Black-Scholes option-pricing method.

Expenses will increase in future periods as the Company incurs costs associated with managing its mineral property programs and related public company costs following the RTO.

### *CHANGE IN FINANCIAL CONDITION*

Between its June 30, 2010 year-end and December 31, 2010, the Company received share subscriptions of \$1,153,000 and advanced \$89,000 to 0851045, however most of the cash remained on the balance sheet at December 31, 2010. The change is attributable to the RTO transaction described above, offset by cash expenditures on exploration activities after the RTO date.

### *LIQUIDITY AND CAPITAL RESOURCES*

The Company has not paid any dividends since incorporation and it has no plans to pay dividends in the immediate future. The Company expects to retain its earnings, if any, to finance further growth. The directors of the Company will determine if and when dividends should be declared and paid in the future based on the Company's financial position at the relevant time. All of the common shares of the Company are entitled to an equal share in any dividends declared and paid.

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The Company had working capital of \$1,122,000 at December 31, 2010. The Company's ability to continue as a going concern is dependent upon the discovery of economically recoverable mineral reserves, confirmation of the Company's interest in the underlying mineral claims, the ability of the Company to obtain necessary financing to complete their development, and future profitable production or proceeds from the sale of the property.

At the date of this MD&A, the Company has cash that is sufficient to fund operations and the planned 2011 work program until August 2011.

### *RELATED PARTY TRANSACTIONS*

Particulars of the Company's transactions with related parties are disclosed in note 9 to its December 31, 2010 financial statements. The Company currently does not have any contractual commitments to related parties.

### *CHANGE OF YEAR-END*

Following the RTO, the Company changed its year end to June 30, being the year end of Dawson Exploration.

### *CHANGES IN ACCOUNTING POLICIES*

There have been no changes to the Company's accounting policies as described in note 2 of Dawson Exploration's June 30, 2010 audited financial statements.

### *INTERNATIONAL FINANCIAL REPORTING STANDARDS*

As required, the Company will convert its reporting from Canadian GAAP to International Financial Reporting Standards ("IFRS") in its 2012 fiscal year. Following the RTO, this is a more involved process as the Company now has mineral properties and flow-through shares which introduce additional IFRS conversion issues.

The Company has not yet prepared a complete IFRS changeover plan (the "IFRS Plan"), but has completed a high-level scoping study to consider the potential impact of the implementation of IFRS on the Company's financial reporting. IFRS will not only impact the presentation and disclosure of items in the financial statements but also the determination of future net income or loss and the measurement of balance sheet items. The next stage will be to develop a detailed IFRS Plan.

The Company's IFRS Plan will include modelling the impact of individual IFRS standards and related interpretations on its financial statements. As part of the IFRS Plan, it will be required to prepare a transition balance sheet as at July 1, 2010 (to be representative of the opening fiscal 2011 balance sheet) in accordance with IFRS. This opening balance sheet will form the opening position of the Company's comparative financial statements when reporting under IFRS. Based on the high-level scoping study, the following IFRS standards are expected to have the most significant impact on the Company.

- IFRS 1 – First-time adoption of IFRS
- IFRS 2 – Share Based Payments
- IFRS 6 – Exploration and evaluation of mineral resources
- IAS 16 – Property, plant and equipment
- IAS 36 – Impairment of Assets

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In addition, while IFRS does not prescribe how to account for flow-through shares, common practice may differ from Canadian GAAP and some adjustment to shareholders' equity may be required on the first-time adoption of IFRS.

Once the detailed IFRS Plan is complete, the Company will begin to design and build an IFRS framework, which includes decisions on available accounting policy choices, formulate policy positions and execution and roll-out of communications strategy. Once the design and build phase is complete the Company will move to the implement and review phase which includes, preparation of an IFRS opening balance sheet, compilation of comparative data, preparation of quarterly financial statements and disclosures, preparation of annual financial statements and disclosures, monitoring how IFRS evolves, conducting post implementation review and communicating ongoing requirements.

### *FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS*

Information about financial instruments is disclosed in note 12 of the December 31, 2010 financial statements.

## **SHARE CAPITAL**

### *PRIVATE PLACEMENTS*

In October 2010, Dawson Exploration issued 1,348,333 units at a price of \$0.15 per unit and 842,500 flow-through common shares at \$0.20 per common share receiving gross proceeds of \$370,750. Each unit consists of one common share of the Company and one warrant. Each warrant is exercisable into one common share of the Company at a price of \$0.25 per share until October 6, 2011 and at a price of \$0.35 per share until April 6, 2012. The proceeds of the private placement are to carry out future exploration programs on the Toro Project, for additional property acquisitions, for general working capital and other corporate purposes.

There was an inconsistency between the flow-through offering term sheet, which included warrants, and the subscription agreement, which did not. The Company wished to honour the issuance of warrants in accordance with the term sheet, and obtained Exchange approval to do so in January 2011, although the final Exchange bulletin was still outstanding and the date of this MD&A. In aggregate, the private placements resulted in the issuance of 2,640,000 common shares and 842,500 flow-through shares for gross proceeds of \$564,500.

In November 2010, the Company closed a private placement, concurrently with the RTO, of 16,578,829 units at a price of \$0.15 per unit for gross proceeds of \$2,486,824. Each unit is comprised of one common share and one share purchase warrant. Each warrant is exercisable into an additional common share of the Company a price of \$0.25 per share until October 6, 2011 and at a price of \$0.35 per share until April 6, 2012.

In connection with the private placement, the Company paid finder's fees of \$151,886 in cash, 250,533 common shares, and 504,480 share purchase warrants exercisable until May 11, 2012 at a price of \$0.15 per share. The securities issued pursuant to the private placement and related finders' fees are subject to a hold period expiring on March 6, 2011. The proceeds of the private placement were to be used to carry out future exploration programs on the Toro and Orofino projects, for additional property acquisitions, for general working capital and other corporate purposes.

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### *SHARES ISSUED*

In November 2010, the Company issued 1,000,000 common shares and in February 2011 the Company issued 750,000 common shares as part of its option to acquire the Toro Project.

Pursuant to a finder's fee agreement, Dawson Exploration committed to issue 400,000 common shares, which the Company issued upon completion of the RTO.

### *STOCK OPTIONS GRANTED*

In November 2010, the Company granted 3,160,000 stock options at an exercise price of \$0.20 to directors, officers and consultants. The options are exercisable up to and including November 8, 2015 and have been granted under the Company's amended and restated 2006 stock option plan. At the same time, the Company cancelled 50,000 stock options with an exercise price of \$0.30 per share with the consent of the option holder.

### *ESCROWED SHARES*

On completion of the RTO, 3,658,331 shares were subject to escrow agreements that provide for the release from escrow of 10% of such escrowed shares on November 5, 2010 and 15% every six months following with the final 15% released on November 5, 2013. At the date of this MD&A, 3,334,165 shares remain in escrow.

## **RISKS**

- The Company is engaged in mineral property exploration. Ownership in mineral interests involves certain inherent risks due to the difficulties of determining and obtaining clear title to the claims as well as the potential for problems arising from the frequently ambiguous conveyance history characteristic of many mineral interests.
- If the Company discovers economic quantities of ore on the Toro project or any other property it may acquire, its intention is to develop a mine on such property, either on its own or with the participation of one or more joint venture partners, which may be difficult.
- Although there is mineralization at the Toro Project, the Company does not have quantified mineral resources at its Toro Project.
- If the Company identifies economic resources at the Toro project, it will need to identify or develop processing facilities.
- The Company's success is dependent on future resource prices.
- In order to develop its mineral properties, the Company will need to add experienced senior management, personnel and consultants. Furthermore, it will be substantially dependent upon the services of a few key individuals for the successful operation of its business.
- The development of mines is subject to extensive laws and regulations by various government agencies that may make mine development uneconomic or impossible.

## **OUTSTANDING SHARE DATA**

As at the date of this MD&A, the Company had:

- 33,919,782 common shares issued and outstanding of which 3,334,165 common shares are in escrow (see *Escrowed Shares* above).

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- 20,061,329 warrants to purchase common shares.
- 504,480 finders' warrants to purchase common shares
- Stock options to purchase 3,310,000 common shares to directors, officers, employees, investor relations providers and consultants.

The maximum number of shares potentially issuable is therefore 57,795,591.