FRANCONIA MINERALS CORPORATION
(An Exploration Stage Company)
Management Discussion and Analysis
for the three and six month periods ended March 31, 2010

This management discussion and analysis (MD&A) of results of operations and financial condition of Franconia Minerals Corporation (an exploration stage company) ("Franconia" or "the Company") describes the operating and financial results of the Company for the three month and six month periods ended March 31, 2010 (compared with results for the three month and six month periods ended March 31, 2009). The MD&A supplements, but does not form part of the financial statements of the Company and should be read in conjunction with Franconia's unaudited consolidated financial statements and related notes for the three month and six month periods ended March 31, 2010 as well as with Franconia's audited consolidated financial statements and related notes for the fiscal year ended September 30, 2009. The Company prepares and files its financial statements in accordance with Canadian generally accepted accounting principles.

All amounts herein are in U.S. dollars unless otherwise indicated.

Forward-looking Statements

Certain statements and information in this MD&A, including all statements that are not historical facts, contain forward-looking statements and forward-looking information within the meaning of applicable Canadian securities laws. Such forward-looking statements or information include, but are not limited to, statements or information with respect to the Company's plans for the Duluth Complex Project located in Minnesota, the future price of platinum group metals, copper, and nickel, estimation of mineral resources, exploration and development capital requirements, and our goals and strategies. Often, these statements include words 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.

In making the forward-looking statements and providing the forward-looking information included in this MD&A, we have made numerous assumptions. These assumptions include among other things, assumptions about the price of platinum group metals, copper, and nickel, anticipated costs and expenditures, that the supply and demand for platinum group metals, copper, and nickel develop as expected, that there is no unanticipated fluctuation in interest rates and foreign exchange rates, that there is no further material deterioration in general economic conditions and that we are able to obtain the financing, as and when, required to, among other things, to increase our interest in the Duluth Complex Project. Although our management believes that the assumptions made and the expectations represented by such statements or information are reasonable, there can be no assurance that the forward-looking statements will prove to be accurate. By their nature, forward-looking statements and information are based on assumptions and involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements, or industry results, to be materially different from future results, performance or achievements expressed or implied by such forward-looking information. Such risks, uncertainties and other factors include among other things the following: our lack of operating cash flow and dependence on external financing; availability of financing, as and when required to increase our interest in the mineral properties held in the Duluth Complex Project, previously described as the Birch Lake Project, and to finance our day-to-day operations and planned growth and development; any decline in the prices of platinum group metals, copper, and nickel; discrepancies between actual and estimated mineral resources; operational and development risk; the speculative nature of mineral exploration; and regulatory risks.

Date of MD&A

This MD&A was prepared as of May 10, 2010.

Overview

Franconia was incorporated on August 7, 1998 pursuant to the *Business Corporations Act* (Alberta). Commencing on November 19, 2007 the Company was listed on the Toronto Stock Exchange ("TSX"). Prior to November 19, 2007 Franconia was listed on the TSX Venture Exchange having initially been listed thereon on January 12, 2005.

The Company's head office is 12720 East Nora Avenue, Suite I, Spokane Valley, Washington, 99216 and our principal business address is 71 South Drive, Babbitt, Minnesota, 55706. The registered and records office and address for service is 7415B 35th Ave. N.W., Calgary, Alberta, T3B 1T4 Canada.

The Company is an exploration stage company, which devotes substantially all of its efforts to exploring mineral properties. Commercial operations have not commenced. Most of the Company's efforts are related to activities such as raising capital for the purpose of acquiring and exploring mineral properties.

Duluth Complex Project - Minnesota

The Company's principal project is the Duluth Complex Project in Minnesota, formerly referred to as the Birch Lake Project, which makes up an advanced-stage exploration project with indicated and inferred mineral resources. The Duluth Complex Project is currently comprised of interests in approximately 6,340 hectares ("ha") (15,667 acres) of surface and mineral rights and an additional 785 ha (1,940 acres) of surface-only rights in Minnesota. The land interests comprise lands owned by the Company and various options and leases from private owners, the State of Minnesota and the federal government.

The Company's interest in and the affairs of the Duluth Complex Project joint venture are governed by the Birch Lake joint venture agreement (the 'Birch Lake JV Agreement') dated June 18, 2008 between the Beaver Bay Joint Venture ("BBJV") (a joint venture comprised of North Central Mineral Ventures, Inc., Powell Canyon Production Company and Connor Management Corporation), Lehmann Exploration Management, Inc. ("LEM") and Franconia Minerals Corporation (US) Inc., the Company's wholly owned subsidiary ("FMCUS") FMCUS is the operator of the Duluth Complex Project.

The Birch Lake JV Agreement was formed in accordance with the terms of the Birch Lake Option Agreement (Birch Lake Option) dated November 12, 2002, and subsequently amended. Franconia met the requirements of the Birch Lake Option by spending $10 million in exploration on the property, and paying $4 million in cash to BBJV ($3.25 million of which was paid on June 18, 2008) and $2.0 million in the Company's common shares to BBJV (of which 731,006 common shares were issued to BBJV on June 18, 2008 based on the previous month's average closing share price of Cdn$1.71). Subsequently, the Birch Lake JV Agreement replaced the Birch Lake Option. The initial participating interests in the Birch Lake JV Agreement were 60% to Franconia and 40% to BBJV.

Pursuant to the Birch Lake JV Agreement, FMCUS had an option to acquire an additional 10% participating interest in the Birch Lake Joint Venture, thereby increasing its participating interest in the joint venture to 70% by (i) incurring an additional $10 million of expenditures at the Duluth Complex Project on or before June 18, 2013; and (ii) making a cash payment of $1 million to BBJV within 90 days after making or incurring such expenditures (the "First Option"). FMCUS reached the required expenditure level on January 31, 2010, made the $1 million payment on April 29, 2010 and gave notice of exercise of the First Option effective May 1, 2010 (see Subsequent event below).

Consequently, FMCUS and BBJV now hold a 70% participating interest and a 30% participating interest (consisting of a 15% carried interest and a 15% a funded interest) in the joint venture, respectively. If however, FMCUS also notifies BBJV of its intention to exercise the Second Option (as defined below), BBJV's 30% participating interest shall be a carried interest from the time of such notice until the Second Option lapses, terminates or is exercised

While FMCUS was earning the First Option, BBJV was not required to contribute to the funding of allowable expenditures under any work plan.

Pursuant to the Birch Lake JV Agreement, now that the Company has exercised the First Option, FMCUS has a further option to acquire an additional 12% participating interest in the joint venture, thereby increasing its participating interest in the joint venture to 82% by, within 180 days of exercising the First Option, notifying BBJV of its intention to fund (and thereafter actually funding), in addition to its own funding obligations, all of BBJV's funding obligations in respect of its 30% carried interest to the commencement of commercial production (the "Second Option"). FMCUS will recover amounts paid (plus interest) in respect of BBJV's 30% carried interest, from 60% of the cash flow from commercial production attributable to BBJV's 30% carried interest. If the Company has notified the BBJV of its intent within the 180 days following the exercise of the First Option, the Second Option is exercisable by delivery of written notice to BBJV within 90 days after commencement of commercial production.

Upon the exercise of the Second Option, the participating interest of FMCUS and BBJV in the joint venture would be 82% and 18%, respectively.

In the event that FMCUS notifies BBJV of its intention to exercise the Second Option, it may seek and obtain (on its own behalf and on behalf of BBJV) project financing on commercially reasonable terms acceptable to FMCUS.

If FMCUS does notify BBJV of its intention to exercise the Second Option or if FMCUS terminates or allows the Second Option to lapse, then FMCUS will thereafter be responsible for funding its 70% participating interest in the joint venture and in addition, those amounts required to maintain BBJV's 15% carried interest to the date of commencement of commercial production. BBJV will be responsible for funding its 15% funded interest to the date of commencement of commercial production. FMCUS will recover amounts paid in respect of BBJV's 15% carried interest from 70% of the cash flow from commercial production attributable to BBJV's 15% carried interest.

After commencement of commercial production, BBJV's carried interest will cease to be funded by FMCUS and BBJV will be required to contribute its share of the costs of the joint venture in proportion to its participating interest.

The properties and property interests constituting the Duluth Complex Project are held by FMCUS, and in some cases by LEM (a wholly owned subsidiary of Ernest K. Lehmann & Associates Inc. which in turn is wholly owned by Mr. Ernest K. Lehmann) and by BBJV. In the case of LEM and BBJV, the lands are held in trust for and on behalf of FMCUS as operator, pursuant to a separate trust agreement (the "Trust Agreements") and are to be transferred to FMCUS, as operator of the Duluth Complex Project, upon demand and thereafter held by the FMCUS in trust for FMCUS and BBJV in proportion to their participating interests.

Ernest K. Lehmann was a director of the Company until March 30, 2010 and a founding shareholder of the Company and a controlling shareholder of North Central Mineral Ventures Inc., which holds a 70% interest in the BBJV. The other participants in BBJV are Powell Canyon Production Company, as to 25%, and Connor Management Corporation, as to 5%.

During the three month period ended March 31, 2010, The Company resumed some drilling operations on the Duluth Complex Project, with the aim of converting previously identified resources at the Birch Lake Deposit from the inferred category to the indicated category. Also, during and subsequent to the period, the Company has continued to maintain and consolidate its land position; advanced its environmental baseline and monitoring studies; and prepared to initiate waste characterization studies.

In November, 2009, the Company initiated a waste characterization study program on the Birch Lake Deposit. Waste characterization is a scientific process used to predict how natural waste materials – primarily rock – will weather when they are exposed or stockpiled during the mining process. The long term results of these studies will be used in the design and development of any future mine plan in order to minimize or eliminate potential environmental impacts created by such weathering.

On January 18, 2010, the Company announced that it had reached an agreement with the South Kawishiwi Association LLC, a group of nearby cabin owners who are exchanging surface lands with the US Forest Service for surface rights over a portion of Franconia's Maturi mineral deposit. Under the terms of the agreement, Franconia reinforces its right to access the Maturi Cu-Ni-PGM deposit -- via a defined easement -- in order to conduct further exploration and possible future development and mining. The agreement also gives Franconia the future right to purchase up to 15 acres of land from the cabin owners for surface facilities in connection with underground mining operations.

On March 3, 2010 the Company announced that it had initiated a new core-drilling program at its Birch Lake property. The planned 6-month, 13-hole, 33,000-foot program was designed to provide additional data to upgrade to Indicated Resources some of the existing Inferred Resources at the Birch Lake deposit. In addition, this latest round of drilling is intended to expand the resource area and add additional Inferred Resources. Further, the results from this work will also be used for pre-feasibility work to examine the potential of building a 20,000-tonne-per-day underground mine and production facility at the Birch Lake deposit.

On March 9, 2010, the Company announced that, subject to receipt of the necessary disinterested shareholder approval, it planned to adjust the terms of 3,667,626 warrants issued following the brokered private placement financing that closed on April 13, 2007. Under the original terms, for each warrant held, the warrant holder was entitled to purchase one common share of Franconia's stock at an exercise price of Cdn$1.92 prior to their expiration of April 13, 2010. According to the revised terms, the holder would be entitled to purchase one additional common share at an exercise price of Cdn$0.70 until the earlier of: a) the date which is the 15th trading day after receiving notice from the Company that the weighted average price of the Common Shares on the Toronto Stock Exchange has been equal to or greater than Cdn$0.875 for a period of 15 consecutive trading days; and, b) April 13, 2011.

In addition, Franconia, subject to the receipt of the necessary disinterested shareholder approval, would adjust the terms of an additional 1,875,000 warrants issued following the brokered private placement financing that closed on April 30, 2007. Under the original terms, for each warrant held, the warrant holder was entitled to purchase one common share of Franconia's stock at an exercise price of Cdn$1.92 prior to their expiration of April 30, 2010. According to the revised terms, the holder will be entitled to purchase one additional common share at an exercise price of Cdn$0.70 until the earlier of: a) the date which is the 15th trading day after receiving notice from the Company that the weighted average price of the Common Shares on the Toronto Stock Exchange has been equal to or greater than Cdn$0.875 for a period of 15 consecutive trading days; and, b) April 30, 2011.

The required approval of disinterested shareholders for the subject adjusted warrant terms noted above was received at the Company's annual meeting on March 30, 2010.

On March 25, 2010 the Company announced that it had signed option agreements with two parties holding a total of 1,495 acres within the Superior National Forest of northern Minnesota. These arrangements are being made to provide Franconia with the flexibility of having a "land bank" that can be used in a potential "land swap" to optimize surface rights within and near the Birch Lake copper-nickel-platinum-palladium resource property.

Project Performance

In response to the value erosion that impacted global financial markets throughout most of 2009, the Company has exercised significant financial prudence in its decisions. In particular, steps were taken throughout the previous year to conserve working capital. However, as equity markets strengthened late in the year and have generally continued to do so, the Company has increased its development activities around the Birch Lake property.

During the three month period ended March 31, 2009, the Company re-commenced its staged development activities at Birch Lake, including the initiation of additional drilling designed to provide additional data to upgrade to Indicated Resources some of the existing Inferred Resources at the Birch Lake deposit, and, where possible to both expand the resource area and to add additional Inferred Resources.

General improvements in metals markets continue to provide support for the Company's belief in the long term potential opportunity inherent in the base metal and platinum group metals sector. Driven by continued economic development and increased environmental awareness, demand for these metals should continue to increase, particularly in India, China and Eastern Europe over the medium to long term. Consequently, the Company expects to see a firming trend in the prices of these metals as demand continues to outstrip supply. The Company should benefit also from the low political risk associated with the location of its Duluth Complex project in Minnesota, a state with a long history of mining and a well developed mining infrastructure.

Results of Operations

Three Months ended March 31, 2010 compared to March 31, 2009

Franconia's operations in the three months to March 31, 2010 were focused on the future development on the Birch Lake property in the Duluth Complex Project and on its financing activities. The Company did not generate any operating revenue. The Company's net loss increased to $1,224,977 for the quarter ended March 31, 2010 from a net loss of $287,818 for the quarter ended December 31, 2009 and from a net loss of $329,339 for the quarter ended March 31, 2009. Acquisition and exploration costs for the quarter ended March 31, 2010 were $579,590 compared with costs for the quarter ended December 31, 2009 of $721,385 and with costs of $304,552 for the quarter ended March 31, 2009. General administrative expenses for the quarter were $361,548 compared with $285,195 for the previous quarter and with $336,728 for the quarter ended March 31, 2009.

Contractual costs associated with the drilling at the Birch Lake property part of the Duluth Complex Project for the latest three month period were $25,714 compared with nil costs for the quarter ended December 31, 2009 and with costs of $248,554 for the quarter ended March 31, 2009. Further, other income increased to $2,088 for the quarter ended March 31, 2010 compared with $1,378 for the quarter ended December 31, 2009 and with other expense of

($8,549) for the quarter ended March 31, 2009. Other income is made up primarily of interest income on investments held by the Company. Other expense reflects bank and other transaction fees.

The Duluth Complex Project is the company's only active project at March 31, 2010. A new drilling program was initiated during the latest quarter at Birch Lake designed to provide additional data to upgrade to Indicated Resources some of the existing Inferred Resources at the Birch Lake deposit, and, where possible to both expand the resource area and to add additional Inferred Resources. Since a large enough sample for bulk testing has already been collected at Birch Lake, this latest drilling is utilizing smaller diameter, more economical core drills.

Six Months ended March 31, 2010 compared to March 31, 2009

Franconia's operations in the six months to March 31, 2010 were focused on exploration (primarily on the Birch Lake property, part of the Duluth Complex Project) and on its financing activities. The Company did not generate any operating revenue in the period in either 2010 or 2009. The Company's net loss for the six month period this year was $(1,512,794) and for the same period in 2009 the net loss was $(640,518).

Summary of Quarterly Results

The following tables, prepared in accordance with Canadian GAAP, set out financial performance highlights for the last eight quarters:

	March 31, 2010	**December 31, 2009**	**September 30. 2009**	**June 30, 2009**
Operating loss for Period	$ 1,227,065	$ 289,195	$ 240,530	227,306
Total loss for for Period	$ 1,224,977	$ 287,818	$ 216,342	238,793
Loss per share	$ 0.02	$ 0.01	$ -	$ -
	March 31, 2009	**December 31, 2008**	**September 30. 2008**	**June 30, 2008**
Operating loss for Period	$320,790	$ 315,707	$ 3,543,894	$ 341,408
Total loss for for Period	$329,339	$ 311,179	$ 3,527,842	$ 254,778
Loss per share	$ 0.01	$ 0.01	$ 0.06	$ -

Liquidity and Capital Resources

The Company has no operations that generate cash flow and its long-term financial success is dependent on management's ability to discover commercially viable quantities of ore. The exploration process can take many years and are subject to factors that are beyond the Company's control. Many factors influence the Company's ability to raise funds, including but not limited to, the strength of the mineral resource market, the exploration investment climate, and the experience and calibre of the Company's management.

The Company's capital management objective is to maximise potential investment returns to its equity stakeholders within the context of the relevant opportunities and risks associated with the Company's operating segment. The inherent nature of mineral exploration involves a high degree of "discovery" risk. Consequently there is substantial uncertainty as to whether any particular project will generate positive cash flows in the future. Therefore, management funds its exploration activity primarily by issuing share capital, rather than using other capital sources that require fixed repayments of principal and interest. It considers both share capital and working capital as components of its capital base. The Company is not subject to any externally imposed capital requirements. The timing and extent of both program implementation and financing are determined by management's evaluation of economic factors at the time, such as commodity prices, interest rates and foreign exchange, and non-economic factors such as expected impact that completion of a given program may have on the cost of capital.

At March 31, 2010 the Company had working capital of $3,388,079 ($445,370 at December 31, 2009; $2,935,677 at March 31, 2009). Cash and equivalents were $3,718,099 compared with $636,871 at December 31, 2009 and with $3,007,679 at March 31, 2009. The Company places its cash and cash equivalents with major financial institutions.

The following table represents contractual obligations for the Company at March 31, 2010:

Contractual Obligations	Total	Less than 1 year	1 – 3 years	4 – 5 years	After 5 years
Operating Leases	$ 55,688	$ 20,250	$ 35,438	$ -	$ -

Financing Activities

On January 29, 2010 the Company announced that it had completed the private placement of 9,400,000 special warrants (the "Special Warrants") at a price of Cdn$0.45 per Special Warrant for gross proceeds of Cdn$4.23 million (the "Offering"), including exercise of the underwriter's option. The Offering was underwritten by Wellington West Capital Markets Inc.

Upon the receipt on March 12, 2010 of a final prospectus qualifying for sale the Units underlying the Special Warrants, each Special Warrant was automatically exercised for one Unit (the "Units") of Franconia for no additional consideration. Each Unit consisted of one common share and one half of one common share purchase warrant. Each full warrant is exercisable into one common share at a price of Cdn$0.70 for a period of 12 months from the closing date. All Special Warrants not previously exercised will be automatically exercised for Units four months and one day following the closing date. As part of the financing arrangement, the Company also issued 658,000 Agents' Compensation Warrants. These warrants carry an exercise price of Cdn$0.46 and will expire on January 28, 2011.

The net proceeds of the Offering are being used to advance the Company's Birch Lake deposit and for general corporate purposes.

On January 13, 2009, the Company received $2,000,000 in the form of a loan and $500,000 in the form of a non-refundable grant from the State of Minnesota, through its economic development entity, the Office of the Commissioner of Iron Range Resources and Rehabilitation (IRR). The Loan and Grant Agreement, as amended, provides for the issuance of 1 warrant for each dollar advanced through the loan and grant. Accordingly, during the period, the Company issued 2,500,000 common share purchase warrants. Each warrant entitles the State of Minnesota to acquire one common share of the Company at an exercise price of Cdn$0.75 until January 13, 2012.

Under the terms of the Loan Agreement, as amended, interest on the $2,000,000 loan shall accrue from the Disbursement Date (January 13, 2009) at the Prime Rate, as published in the Wall Street Journal. The Prime Rate at January 13, 2009 as published was 3.25%, and this rate was used to calculate interest accrued of $78,712 through March 31, 2010. Interest will continue to accrue at the Prime Rate until the Amortization Date, defined by the Loan Agreement as the date of the Close of financing for commercial mining operation at the Birch Lake site, or December 31, 2011, whichever comes first. Monthly payments of interest only, at Prime plus 3%, will be required for a two-year period commencing on the Amortization Date. Regular monthly payments of principal and interest will commence after the two-year period of interest payments and will be in an amount to fully amortize the outstanding balance of the loan by December 31, 2016 (the Due Date). Monthly payments will be adjusted semi-annually to reflect any change in the effective interest rate.

The borrowings have been secured by one mineral lease held, and a promissory note given, by the Company; a security agreement on intellectual property and data associated with the Duluth Complex Project, and guarantees by FMCUS, LEM and North Central Mineral Ventures Corp.

The 2,500,000 warrants issued to the State of Minnesota were valued at $75,000 for financial statement purposes using an estimate provided by the Black-Scholes Model. The input variables used in the model were as follows:

Warrants #	2,500,000
Issue Date:	January 13, 2009
Expiry Date:	January 13, 2012
Stock Price:	Cdn $0.16
Exercise Price:	Cdn $0.75

Term:	3.00 years
Volatility (3 yrs)	87.15%
Discount Rate – Bond Equivalent Yield:	1.28%
Exchange Rate Cdn $ to US $	1:0.84

The loan principal has been recognized at its discounted value of $1,698,325, which was computed at a discount rate of 10%, plus accrued interest of $78,712 (Note 12).

The difference between the discount value and the principal amount of the loan of $301,674 was recorded against mineral property interests since it was considered as an additional form of government assistance. The discounted loan amount is being accreted to the principal amount through monthly accretions until December 31, 2011 with a total offsetting charge to mineral property interests of $212,490 as at March 31, 2010.

Loan interest accrued to March 31, 2010 of $78,712 and the $75,000 fair value of the warrants issued to the State of Minnesota have been capitalized to mineral property interests. The non-refundable grant of $500,000 has also been recorded against mineral property interests.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Transactions with Related Parties

Consulting contracts

The Company has entered into one-year consulting contracts, automatically renewable annually, with four (2009 - four) consultants who are also shareholders or directors of the Company. Each of these agreements provide for a consulting fee of $450 per day and reimbursement of expenses. If these agreements are terminated by the Company without cause the consultants will receive severance pay from the Company in amounts ranging from $50,000 to $100,000 to a maximum of $350,000 (2009 - $350,000) in total. In addition, the Company will cancel any previously issued share options held by the consultants that are not exercised within 30 days of termination by payment to the consultants of the amount equal to the difference between the exercise price of the options and the average closing price of the common shares on the relevant stock exchange or trading platform during the previous 30 days.

The Company had the following related party transactions:

(a) Transactions with a director and companies controlled by that director

The Company has entered into various agreements with a director and companies controlled by that director, regarding the Duluth Complex Project properties, and consulting and administration services. This director holds certain mineral interests and leases in respect of the Duluth Complex properties in trust for the Company.

Transactions between the Company and the director and companies controlled by that director were as follows:

(i) Consulting fees charged during the quarter totaled $ 33,439 ($Nil during the quarter ended March 31, 2009). For the six month periods ending March 31, 2010 and March 31, 2009 fees charged were $66,939 and $Nil respectively. These fees have been included in deferred acquisition and exploration costs.

(ii) Land costs reimbursed in respect of the Duluth Complex Project totaled $1,847 ($Nil during the quarter ended March 31, 2009). For the six month periods ending March 31, 2010 and March 31, 2009 fees charged were $17,237 and $15,549 respectively. These fees have been included in deferred acquisition and exploration costs.

(iii) Administrative costs reimbursed totaled $28,728 ($Nil during the quarter ended March 31, 2009). For the six month periods ending March 31, 2010 and March 31, 2009 fees charged were $59,903 and $Nil respectively. These fees have been included in deferred acquisition and exploration costs. Of the above amounts, a total of $17,363 ($43,468 during the quarter ended March 31, 2009). is included in accounts payable at March 31, 2010.

(b) Other transactions

(i) Legal fees paid to a director's law firm totaled $18,000 during the quarter ($17,607 during the quarter ended March 31, 2009). For the six month periods, fees paid were $28,822 and $35,112. These fees have been included in General Administration.

(ii) Consulting fees paid to an officer totaled $16,950 during the quarter ($16,950 during the quarter ended March 31, 2009). For the six month periods, these fees were $33,900 in both years.

(iii) Monetary contribution of $15,000 to a non-profit mining industry association, which shares a common director ($15,000 during the quarter ended December 31, 2009). For the six month periods, contributions were $30,000 during both years.

(iv) Consulting fees paid to the Company's president totaled $37,500 during the quarter ($37,500 during the quarter ended March 31, 2009). The six month compensation totals were $75,000 for both years. These costs have been included in general administration

These transactions are in the normal course of operations and have been recorded at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Costs Related to Issuance of Stock Options

The Company has a stock option plan available to employees, directors, officers and consultants with grants under the Plan approved from time to time by the Board of Directors. Under the Plan, the Company is authorized to issue options to purchase in aggregate up to 10% of the Company’s issued and outstanding common shares, up to a maximum of 6,848,257 common shares. Each option can be exercised to acquire one common share of the Company. The term of the options and vesting provisions are determined by the Board of Directors, subject to applicable stock exchange rules. The exercise price for an option granted under the plan may not be less than the price permitted by the applicable stock exchange. The options generally vest at the time of granting and have a term of 5 years.

The fair value of stock options is determined at the date of the grant and the amount is charged to operations over the vesting period of the options. During the quarter ended March 31, 2010, the Company issued 1,700,000 stock options, and recorded $865,514 of compensation expense for the stock options granted to officers, directors and consultants using the fair value method. In addition to this amount, $96,168 has been recorded as part of deferred acquisition and exploration costs.

Subsequent Event

On April 29, 2010, the Company paid the $1 million to the BBJV to exercise its First Option under the BLJV and to increase its ownership in the joint venture to 70%, as discussed under Duluth Complex Project Properties above.

Proposed Transactions

There were no proposed transactions at March 31, 2010.

Risks and Uncertainties

The Company’s operations and results are subject to a number of different risks. The Company’s risk factors are discussed in detail in the Company’s annual information form dated December 21, 2009 which is available on SEDAR (www.sedar.com) and should be reviewed in conjunction with this document

Critical Accounting Estimates

Franconia’s business of exploring for mineral resources involves a variety of operational, financial and regulatory risks that are typical in the natural resource industry. The Company continues to develop and explore its mineral properties and has not yet determined whether these properties contain mineral resources that are economically recoverable. The recoverability of amounts shown for mineral properties is dependent upon the existence of economically recoverable reserves, securing and maintaining title and beneficial interest in the properties, the ability of the Company to obtain necessary financing to complete the development, and upon future profitable production of proceeds from disposition of the mineral properties. There are no guarantees that such conditions will be met. The amounts shown as mineral properties represent net costs to date, less amounts written off and do not necessarily represent present or future values.

Financial and Other Instruments

The Company's financial instruments consist of and have been has classified as follows:

Cash and cash equivalents	Held-for-trading
Auction Rate Securities settlement	Loans and receivables
Accounts payable and accrued liabilities	Other financial liabilities
State of Minnesota loan	Other financial liabilities

The carrying value of financial assets by category at March 31, 2010 and 2009 are as follows:

	2010	
Financial Assets	Held-for-trading	Loans and receivables
Cash and cash equivalents	$ 3,718,099	$ -
	$ 3,718,099	$ -

	2009	
Financial Assets	Held-for-trading	Loans and receivables
Cash and cash equivalents	$ 3,007,679	$ -
	$ 3,007,679	$ -

Going-Concern Assumption

The Company's ability to continue as a going-concern is dependent on the Company being able to satisfy its liabilities as they become due and to obtain the necessary financing to complete the exploration and development of its mineral interests, the attainment of profitable mining operations, and, or the receipt of proceeds from the disposition of its mineral property interests. These consolidated financial statements have been prepared on a going-concern basis, which assumes the realization of assets and liquidation of liabilities in the normal course of business. These consolidated financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary, should the Company be unable to continue as a going-concern.

Disclosure Controls and Procedures

The Company's Chief Executive Officer (CEO) and Chief Financial Officer (CFO), are responsible for establishing and maintaining disclosure controls and procedures and internal control over financial reporting.

The Company's management, together with the CEO and CFO, has evaluated the effectiveness of the Company's disclosure controls and procedures. Based upon the results of that evaluation, the Company's CEO and CFO have concluded that, as of the end of the period covered by this report, the Company's disclosure controls and procedures were effective to provide reasonable assurance that (i) material information relating to the Company is made known to them by others particularly during the period covered by this MD&A; and (ii) the information required to be disclosed by the Company its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported, within the time periods specified in securities legislation

Internal Controls Over Financial Reporting

The Company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance GAAP. The Company's controls and procedures include policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately reflect the transactions and dispositions of the assets of the Company;

- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP; and

- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the annual financial statements or interim financial statements

There were no changes in the Company's internal control over financial reporting during the second quarter ended March 31, 2010 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

As at March 31, 2010, management assessed the effectiveness of our internal control over financial reporting using the criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and concluded that such internal control over financial reporting is effective and that there are no material weaknesses in our internal control over financial reporting.

Limitations of Controls and Procedures

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

Disclosure of Outstanding Share Data

The Company is a public company listed on the Toronto Stock Exchange (TSX).

As at May XX, 2010, the Company had 69,297,572 common shares issued, warrants to purchase 12,742,626 common shares at Cdn$0.70 - Cdn$0.75, options to purchase 4,544,000 common shares at Cdn$0.56 – Cdn$1. and 658,000 compensation options exercisable into common shares at Cdn$0.46.

Additional Information

Additional information relating to the Company, including its annual information form, is available at www.sedar.com and at www.franconiaminerals.com.