

# **TTM RESOURCES INC.**

**Management Discussion and Analysis of  
Results of Operations and Financial Condition  
For the Nine-Month Period Ended March 31, 2011 and 2010**

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## **MANAGEMENT DISCUSSION & ANALYSIS**

For the Nine-Month Period Ended March 31, 2011

(Dated May 27, 2011)

### **DESCRIPTION OF BUSINESS**

TTM Resources Inc. (the “Company”) is a development stage company engaged in the business of acquiring and exploring, and if warranted, developing mineral resource properties and placing such properties into production. The Company’s principal project is the Chu Molybdenite Project located in the Omenica Region of British Columbia. Operations are primarily funded by equity subscriptions. Currently the Company has three additional properties located in the Lilloet and Skeena Mining Districts of British Columbia. The Company is a reporting issuer in British Columbia, Alberta, and Ontario and is listed on the TSX Venture Exchange under the symbol TTQ.

### **FORWARD LOOKING STATEMENTS**

Some of the statements contained in this MD&A are forward-looking statements, such as estimates and statements that describe the Company’s future plans, objectives or goals, including words to the effect that the Company or management expects a stated condition or result to occur. Since forward-looking statements are based on assumptions and address future events and conditions, by their very nature they involve inherent risks and uncertainties.

### **SELECTED FINANCIAL INFORMATION**

#### **Selected Annual Financial Information**

	<b>For the year ended June 30, 2010</b>	<b>For the year ended June 30, 2009</b>	<b>For the year ended June 30, 2008</b>
Total revenue	Nil	Nil	Nil
Loss before discontinued operations and extraordinary items:			
(i) total for the year	\$1,482,097	\$662,841	\$2,860,603
(ii) per share	0.03	0.01	0.06
(iii) per share fully diluted	0.03	0.01	0.06
Net loss or (income):			
(i) total for the year	1,482,097	662,841	2,860,603
(ii) per share	0.03	0.01	0.06
(iii) per share fully diluted	0.03	0.01	0.06
Total assets	22,390,875	20,429,283	23,067,749
Total long-term financial liabilities	Nil	Nil	Nil
Cash dividends declared per-share	Nil	Nil	Nil

## **MANAGEMENT DISCUSSION & ANALYSIS**

For the Nine-Month Period Ended March 31, 2011

### **OPERATING RESULTS**

#### **Results of Operations for the three-month periods ended March 31, 2011 and 2010**

For the three-month period ended March 31, 2011, the Company capitalized an additional \$275,839 (2010 - \$846,904) in property resources resulting in a balance of \$21,546,744 (2010 - \$20,103,666) at the end of the period. These costs were incurred on the Company's Chu property for site personnel, camp supplies, drilling, and environmental work.

The Company incurred administrative costs in the amount of \$267,762 (2010 - \$376,034) for the current three-month period for a net loss of \$267,762 (2010 - \$376,016).

#### **Results of Operations for the nine-month periods ended March 31, 2011 and 2010**

For the nine-month period ended March 31, 2011, the Company capitalized an additional \$1,105,641 (2010 - \$2,331,483) in property resources resulting in a balance of \$21,546,744 (2010 - \$20,103,666) at the end of the period. These costs were incurred on the Company's Chu property for site personnel, camp supplies, drilling, and environmental work.

The Company incurred administrative fees in the amount of \$848,494 (2010 - \$1,446,579) for the current nine-month period for a net loss of \$848,367 (2009 - \$1,437,331).

On August 31, 2010, the Company entered into an agreement to acquire a 100% interest in four mineral claims (the "Property") for consideration of 200,000 common shares of the Company and \$32,880 in cash. The Company will be required to spend up to \$500,000 on exploration. If, in the reasonable opinion of the Company, sufficient mineralization has been identified on the Property and commercial production is likely to occur within a period of five years, the vendor can exercise a back-in right, whereby the Company will return a 49% undivided participating interest in the Property to the vendor in exchange for reimbursement by the vendor of 49% of the Company's total costs incurred in connection with the Property. In the event that the vendor exercises the back-in right, the Company and the vendor will be deemed to have formed a joint venture and will enter into a joint venture agreement.

On August 31, 2010, the Company entered into an agreement to acquire a 100% interest in four mineral claims (the "Property") for consideration of 25,000 common shares of the Company and \$2,000 in cash. If, in the reasonable opinion of the Company, sufficient mineralization has been identified on the Property and commercial production is likely to occur within a period of five years, the vendor can exercise a back-in right, whereby the Company will return a 49% undivided participating interest in the Property to the vendor in exchange for reimbursement by the vendor of 49% of the Company's total costs incurred in connection with the Property. In the event that the vendor exercises the back-in right, the Company and the vendor will be deemed to have formed a joint venture and will enter into a joint venture agreement.

On September 1, 2010, the Company cancelled 130,000 stock options with an exercise price of \$0.48 per unit and 900,000 stock options with an exercise price of \$0.40 per unit on resignation of a director. The resigning director received 500,000 new stock options, as a consultant, with an exercise price of \$0.40 per unit and an expiry date of September 1, 2011.

The Company also granted to a new director 500,000 stock options with an exercise price of \$0.40 per unit and an expiry date of October 7, 2014.

On October 28, 2010, the Company announced that it had closed a non-brokered private placement with MineralFields Group pursuant to which TTM issued 7,000,000 flow-through units at a price of \$0.28 per unit for gross proceeds of \$1,960,000. Each unit consists of one flow-through common share and one transferable common share purchase warrant. Each common share purchase warrant entitles the holder to purchase one additional non flow-through common share of the Company at an exercise price of \$0.35 for the first 12 months following the closing of the Private Placement and at an exercise price of \$0.40 between 12 and 24 months following the Closing.

Limited Market Dealer Inc. (“LMDI”) received a cash finder’s fee of \$93,000, representing 5% of the gross proceeds raised from non-related parties in the Private Placement, as well as a non-transferable option to acquire 664,285 units of the Company. The LMDI Option is exercisable into LMDI Units for a period of 12 months following the Closing at an exercise price of \$0.28 per LMDI Unit. Each LMDI Unit will consist of one common share of the Company and one non-transferable share purchase warrant of the Company, and each such warrant will entitle the holder to purchase one common share of the Company at an exercise price of \$0.35 for the first 12 months following the Closing and at an exercise price of \$0.40 between 12 and 24 months following the Closing. In addition, LMDI received a cash due diligence fee of \$58,800, plus HST, representing 3% of the gross proceeds from the Private Placement.

During the period, the Company arranged a non-brokered private placement of 682,849 flow-through units at a price of \$0.34 per unit (the “FT Units”), and 859,175 non-flow-through units at a price of \$0.28 per unit (the “Non FT Units”), for aggregate gross proceeds of up to \$472,740.

Each FT Unit consists of one flow-through common share and one common share purchase warrant. Each common share purchase warrant entitles the holder to acquire one additional non-flow-through common share of the Company at an exercise price of \$0.40 within 24 months of closing. Each Non-FT Unit consists of one non-FT common share and one common share purchase warrant. Each common share purchase warrant entitles the holder to acquire one additional non-flow-through common share of the Company at an exercise price of \$0.40 within 24 months of closing.

On November 10, 2010 the Company announced that, subject to regulatory approval, it has granted 250,000 incentive stock options to its Chinese Fiscal Agent, Dr. Weiguo Lang. Dr. Lang’s stock options are exercisable at a price of \$0.50 per share until October 7, 2014. Shares issued under the option grant will be subject to a four-month hold period from the date of grant, pursuant to the policies of the TSX Venture Exchange.

On November 25, 2010, the Company announced that shareholders approved all matters presented at the Annual and Special Meeting of Shareholders held on November 24, 2010.

TTM’s shareholders elected Crichy Clarke, Terry Lyons, Richard Jordens, Robert Sibthorpe, Warren Robb and Kevin Ogle to the Board of Directors. Each shall serve as a Director of the Company until the 2011 Annual General Meeting.

Shareholders of the Company also re-appointed Smythe Ratcliffe, Chartered Accountants, as auditors for the ensuing year; approved the adoption of the Company’s 20% Stock Option Plan, the particulars of which are set out in more detail in the Company’s Management Information Circular dated October 20, 2010 (the “Circular”); and re-approved the Company’s Shareholder Rights Plan, the particulars of which are set out in more detail in the Circular.

During the nine-month period ended March 31, 2011, the Company repurchased 432,500 of its common shares in a Normal Course Issuer Bid at a cost of \$195,183. The repurchased common shares were cancelled and returned to treasury. This resulted in a reduction of capital stock of \$155,091 and an increase in contributed surplus of \$40,092. The reduction of capital stock is calculated at the average cost per share at the date of repurchase.

## MANAGEMENT DISCUSSION & ANALYSIS

For the Nine-Month Period Ended March 31, 2011

### Selected Quarterly Financial Information

	<b>4<sup>th</sup> Quarter Ended June 30, 2011</b>	<b>3<sup>rd</sup> Quarter Ended March 31, 2011</b>	<b>2<sup>nd</sup> Quarter Ended December 31, 2010</b>	<b>1<sup>st</sup> Quarter Ended September 30, 2010</b>
(a) Revenue	-	Nil	Nil	Nil
(b) Loss (gain) for period	-	\$267,762	\$360,955	\$224,062
(c) Loss (gain) per share	-	\$0.004	\$0.006	0.004
	<b>4<sup>th</sup> Quarter Ended June 30, 2010</b>	<b>3<sup>rd</sup> Quarter Ended March 31, 2010</b>	<b>2<sup>nd</sup> Quarter Ended December 31, 2009</b>	<b>1<sup>st</sup> Quarter Ended September 30, 2009</b>
(a) Revenue	Nil	Nil	Nil	Nil
(b) Loss (gain) for period	44,767	\$376,016	\$843,237	\$218,077
(c) Loss (gain) per share	0.001	0.018	0.018	0.005
	<b>4<sup>th</sup> Quarter Ended June 30, 2009</b>	<b>3<sup>rd</sup> Quarter Ended March 31, 2009</b>	<b>2<sup>nd</sup> Quarter Ended December 31, 2008</b>	<b>1<sup>st</sup> Quarter Ended September 30, 2008</b>
(a) Revenue	Nil	Nil	Nil	Nil
(b) Loss (gain) for period	\$(1,123,024)	\$941,686	\$676,960	\$167,219
(c) Loss per share	(0.02)	0.02	0.01	0.003

Note 2 of the notes to the audited and interim financial statements indicate the accounting principles under which the financial data has been prepared. In summary, the Company's results are measured in Canadian dollars using Canadian Generally Accepted Accounting Principles (GAAP).

## **MANAGEMENT DISCUSSION & ANALYSIS**

For the Nine-Month Period Ended March 31, 2011

### **LIQUIDITY AND CAPITAL RESOURCES**

As at March 31, 2011, the Company had net working capital of \$1,104,220 compared to working capital of \$904,199 at June 30, 2010. The Company's continued development is contingent upon its ability to raise sufficient financing in the long-term, and management is pursuing all possible sources of financing. At March 31, 2011 the Company had a cash balance of \$575,784 (2010 - \$99,987) to settle its current liabilities of \$408,125 (2010 - \$946,452). Most of the Company's financial liabilities have contractual maturities of 30 days or are due on demand and are subject to normal trade terms.

### **OFF-BALANCE SHEET ARRANGEMENT**

As of the date of this filing, the Company does not have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition of the Company including, without limitation, such considerations as liquidity and capital resources that have not previously been discussed.

### **Financial Risk Factors**

#### *Credit Risk*

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company's cash and receivables are exposed to credit risk. Given the minimal amounts of these instruments, the Company is not exposed to any significant credit risk as at May 27, 2011.

#### *Liquidity Risk*

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. At March 31, 2011 the Company had a cash balance of \$575,784 (2010 - \$99,987) to settle current liabilities of \$408,125 (2010 - \$946,452). Most of the Company's financial liabilities have contractual maturities of 30 days or are on demand and are subject to normal trade terms.

#### *Market Risk*

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

#### *Interest Rate Risk*

Interest rate risk is the risk of the Company's earnings that would arise from fluctuations in interest rates and would depend on the volatility of these rates. The Company's interest rate risk is not considered to be significant.

#### *Foreign Currency Risk*

The Company is exposed to foreign currency risk on fluctuations related to cash and accounts payable and accrued liabilities that are denominated in Canadian Dollars (CDN), and US Dollars (USD).

## **MANAGEMENT DISCUSSION & ANALYSIS**

For the Nine-Month Period Ended March 31, 2011

### **Price Risk**

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices of raw materials, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

### **CORPORATE INTERNAL CONTROL**

The Company practices strict internal controls through proper segregation of responsibilities and internal reporting of its personnel. Agreements and commitments that involve cash and/or share capital distribution such as private placements, stock option grant, property, service, and consulting agreements require Board of Directors approval through Directors' Resolution. The Company's drilling and exploration programs and budgets are planned and approved by the Company's President & CEO and the Company's Vice President of Exploration. All cash distribution requires the Company's President & CEO and CFO to approve to ensure that all expenses are accurate and aligned with the Company's budget. Approved share capital distribution is executed through Treasury Orders that require final approval from the Company's President & CEO and CFO. These internal control procedures are established and strictly practiced to ensure the Company's goals and best interest of the shareholders are effectively carried out.

## **MANAGEMENT DISCUSSION & ANALYSIS**

For the Nine-Month Period Ended March 31, 2011

### **RESOURCE PROPERTIES**

#### **Molygold Project**

The Company entered into an option agreement on February 25, 2004 (the “Agreement”) with Gambier Mining Corp. (“Gambier”) whereby Gambier granted the Company an option to acquire 100% interest in the Ryan 1-10 and Ford 1 to 31 claims, 41 mineral claims covering 632 Units located in southwestern British Columbia. The agreement was later amended on November 19, 2004 where Gambier assigned all title rights and interest to United Exploration Management Inc. (“United”). On April 12, 2006, the Company entered into an amended option agreement (“Amended Agreement”) with United, to acquire an undivided 100% legal and beneficial interest in the Moly-Gold and Deeker Property (see Deeker Property), subject to a Net Smelter Return Royalty granted to United when the Company:

- i. Has paid \$122,500 upon signing the Amended Agreement (paid);
- ii. Has issued 1,800,000 common shares of the Company to United on the date that the Company receives regulatory approval (issued).

On August 22, 2006 the Company announced that it had completed Phase I, a 15-hole (2,000-meter) drill program on the Road Zone of its 2006 drill program, and had commenced Phase 2 of the program. While both copper and Molybdenite were encountered in 12 of the 15 holes drilled, the grade and length of the mineralization was not sufficient to continue drilling without further geochemistry and geophysical analysis.

Further ground surveys have been completed on the Breccia Zone and north of the Breccia Zone in the Ryan River area which was staked in May 2006, with results mirroring those of the Breccia Zone. The Company is reviewing those results with a view towards a future exploration program in that area.

During the year ended June 30, 2009, the Moly-Gold Project was written off.

#### **Nechako Property**

On December 19, 2008, the Company entered into an option agreement whereby the Company can acquire an interest in five contiguous mineral claims located in the Omineca Mining District of British Columbia. In order to earn the option, the company must spend \$500,000 in aggregate work expenditures by December 31, 2010. If further exploration and development is warranted on the property following completion of the expenditures, the Company will earn a 51% interest. If no further exploration and development is warranted, the Company will earn a 100% interest.

## **MANAGEMENT DISCUSSION & ANALYSIS**

For the Nine-Month Period Ended March 31, 2011

### **RESOURCE PROPERTIES (Continued)**

#### **Deeker Property**

April 5, 2005 the Company entered into a Right of First Refusal agreement (the "Option") with United Exploration Management Inc. ("United") whereby the Company has exclusive rights to first refusal of the Deeker Property located in north western British Columbia. The property contains 41 claims totalling 17,754 hectares located in the Liard Mining Division in British Columbia. The Company paid \$10,000 upon execution of this agreement which expired 45 days from the date that common shares of the Company were called for trading on the TSX Venture Exchange.

April 12, 2006 the Company entered into an amended option agreement ("Amended Agreement") with United Exploration Management Inc. to acquire an undivided 100% legal and beneficial interest in the Moly-Gold (see Moly-Gold Project) and Deeker Property, subject to a 2.5% Net Smelter Return Royalty granted to United when the Company:

- iii. Has paid \$122,500 upon signing the Amended Agreement (paid);
- iv. Has issued 1,800,000 common shares of the Company to United on the date that the Company receives regulatory approval (issued).

A crew was mobilized to further explore the Deeker Creek property beginning September 7, 2006. The Company intended to follow up on 2005's discoveries and determine what type of program could further develop this area. No exploration work was done during the year as the Company focussed its capital resources on the Chu Property.

During the summer of 2008, Aeroquest Limited of Mississauga, Ontario was contracted to fly an airborne survey on the Deeker property. The results have been received and the Company is currently reviewing them. Based on these results, a further program for the summer of 2009 may be recommended.

#### **TTM Claims**

On November 27, 2006 the Company announced the purchase and staking of a property which consists of 8,410 acres contiguous to BCM Resources Corp.'s (B-TSX-V) ("BCM") Shan Property 20 km northeast of Terrace B.C. The new claims are located directly to the west of BCM and the Company will be watching with interest the results of BCM's current drill program. Currently there are two drills working on the BCM property and a total of 13 holes have been drilled. BCM is eagerly looking forward to their assays and, based on their results, a spring 2007 exploration program will be outlined for the Company's new ground.

During the year ended June 30, 2008, a program of silt sampling prospecting and geologic mapping was undertaken on the property. A more detailed program is planned for the summer of 2009 based on the interpretation of those results.

## **MANAGEMENT DISCUSSION & ANALYSIS**

For the Nine-Month Period Ended March 31, 2011

### **Chu Molybdenite Property**

On September 7, 2006, the Company entered into a purchase agreement whereby the Company acquired 100% interest in seven contiguous mineral claims (the “Chu Property”) comprising 6,785 acres located in the Omenica Region of British Columbia. In consideration for the property, the Company paid US\$50,000 and issued 250,000 common shares of the Company to the Optionors on completion date. An additional 950,000 common shares of the Company were issued to the Optionors on September 6, 2007. The Company also has a right of first refusal to four (4) additional claims, the RFR Claims and the Porphyry#1 Claim, whereby the Optionors will provide the Company a thirty (30) days notice to acquire these additional claims once they are available for transfer.

On November 27<sup>th</sup>, 2006, the Company reported that it had closed the Chu Molybdenite Property (the “Chu Property”) purchase agreement and received TSX Venture Exchange approval on October 25, 2006. All claims were transferred to the Company.

Drilling of some 5,600 meter at the CHU property west of Prince George, BC during early 2007 indicated that the mineral zone “is an inclined irregular tabular mass with apparent dimensions of 840 meters in length, 180 meters in thickness, and up to 250 meters in depth and is open in terms of expansion” and has “well in excess of 50 million tonnes with a grade of 0.12 to 0.16% molybdenite” (1). Another report (2) estimates 135 million tonnes grading 0.08% molybdenite (3). Both of these reports are non-compliant with NI 43-101 standards and these resources viewed as ‘historical’.

On April 30, 2008, the Company engaged Moose Mountain Technical Services to conduct a Preliminary Economic Assessment to include a Preliminary Pit design. This report, in the form of a NI 43-101, revising the previous report was released as of July 30, 2008. The Company continues to proceed with an exploration program as put forth in the recommendations of that Report.

Further, the Company engaged Avison Management Services Ltd. of Vanderhoof, BC, to conduct a Water Quality Baseline Study. This survey has commenced and is expected to take up to 18 months to complete.

The Company has also opened dialogues with the First Nations bands in the area and are looking for involvement by all groups in future manpower and development plans. Discussions are regular and ongoing in this regard.

On May 23, 2008, the Company announced that the TSX Venture Exchange had approved its application for Tier 1 status, which became effective at the open of trading on Monday, May 26, 2008.

The Company’s Chief Operating Officer, comments, “The Preliminary Economic Assessment (“PEA”) has suggested a further program of 35,000 meters of drilling to move resources from the inferred to indicated category. The drill results posted on the Company’s web-site are confirmation of our progress in achieving this goal. The Company has completed an additional 18,000 meters of drilling to the reported resource in the PEA, and with our planned drill-program escalation in 2009, we are confident we can accomplish the Company’s goals in preparation for a Pre-Feasibility Study by late 2009. We are on target and are very pleased with our progress. Investors should be advised that the results posted are part of our scheduled “Infill Program” and the results encountered have met, or exceeded, our expectations and understandings of the molybdenum mineralization at Chu.”

## **MANAGEMENT DISCUSSION & ANALYSIS**

For the Nine-Month Period Ended March 31, 2011

### **Chu Molybdenite Property** (Continued)

The Company received a Section 10 Order from the British Columbia Environmental Assessment Office (BCEAO) for TTM Resources Inc.'s Chu Molybdenum Project located 85 kilometers south of Vanderhoof B.C. in the Omineca Mining Division. The Section 10 Order is recognition by the BC Government that the Chu Molybdenum Project is reviewable project under the Environmental Reviewable Projects Legislation and will require an environmental assessment certificate prior to obtaining mining permits. The Chu Molybdenum Project description was submitted by the company on April 2, 2009 and received a Section 10 order from the BCEAO on May 1, 2009.

On August 31, 2010, the Company entered into an agreement to acquire a 100% interest in four mineral claims (the "Property") for consideration of 200,000 common shares of the Company and \$32,880 in cash. The Company will be required to spend up to \$500,000 on exploration. If, in the reasonable opinion of the Company, sufficient mineralization has been identified on the Property and commercial production is likely to occur within a period of five years, the vendor can exercise a back-in right, whereby the Company will return a 49% undivided participating interest in the Property to the vendor in exchange for reimbursement by the vendor of 49% of the Company's total costs incurred in connection with the Property. In the event that the vendor exercises the back-in right, the Company and the vendor will be deemed to have formed a joint venture and will enter into a joint venture agreement.

On August 31, 2010, the Company entered into an agreement to acquire a 100% interest in four mineral claims (the "Property") for consideration of 25,000 common shares of the Company and \$2,000 in cash. If, in the reasonable opinion of the Company, sufficient mineralization has been identified on the Property and commercial production is likely to occur within a period of five years, the vendor can exercise a back-in right, whereby the Company will return a 49% undivided participating interest in the Property to the vendor in exchange for reimbursement by the vendor of 49% of the Company's total costs incurred in connection with the Property. In the event that the vendor exercises the back-in right, the Company and the vendor will be deemed to have formed a joint venture and will enter into a joint venture agreement.

## **MANAGEMENT DISCUSSION & ANALYSIS**

For the Nine-Month Period Ended March 31, 2011

### **SHARE CAPITAL**

#### **Issued and outstanding:**

As at May 27, 2011, there are 60,437,513 shares outstanding.

#### **Escrow shares:**

As at May 27, 2011 there are zero shares held in escrow.

#### **Warrants:**

As at May 27, 2011 there are 16,056,309 warrants outstanding.

#### **Stock options:**

As at May 27, 2011, there are 8,450,000 options outstanding.

### **RELATED PARTY TRANSACTIONS**

During the nine-month period ended March 31, 2011, the Company paid:

- (a) \$16,200 (2010 - \$16,300) in consulting fees to a company owned by a director of the Company;
- (b) \$50,000 (2010 - \$45,000) in investor relations to a company owned by an officer of the Company;
- (c) \$150,000 (2010 - \$135,000) in management fees to a director and officer of the Company; and
- (d) \$240,000 (2010 - \$144,000) in geological fees included in resource property interests to a director and an officer of the Company.
- (e) \$28,000 (2010 - \$41,000) in directors fees to the directors of the Company.

During the period ended June 30, 2010, the Company entered into an unsecured promissory note of \$600,000, without interest or stated terms of repayment, with a company that has common directors with the Company. The full amount owing plus interest was repaid in the first quarter of 2011.

All of the above transactions and balances are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

## **MANAGEMENT DISCUSSION & ANALYSIS**

For the Nine-Month Period Ended March 31, 2011

### **RISK FACTORS**

The following is a brief description of some of the risks that investors should be aware of. This discussion should not be considered complete and therefore, the Company, its Directors and officers would like to recommend shareholders, lenders, investors and readers of the Management Discussion and Analysis and other documents that the Company may disseminate to review their investments directly with their financial advisors.

- a) the Company has not yet commenced commercial operations and has no history of earnings;
- b) there can be no assurance that an active and liquid market for the Company's common shares will develop and an investor may find it difficult to resell its common shares.

### **CRITICAL ACCOUNTING ESTIMATES**

This section is not required as the Company is a Venture Issuer as the term is defined in National instrument 51-102.

### **CHANGES IN ACCOUNTING POLICIES AND RECENT ACCOUNTING PRONOUNCEMENTS**

- a) Accounting policies implemented effective July 1, 2009

- i. Financial Instruments - Disclosures

During the year, the CICA amended Section 3862, Financial Instruments – Disclosures, to include additional disclosure requirements about fair market value measurements for financial instruments and liquidity risk disclosures. These amendments require a three-level hierarchy that reflects the significance of the inputs used in making the fair value measurements. Fair values of assets and liabilities included in Level 1 are determined by reference to quoted prices in active markets for identical assets and liabilities. Assets and liabilities in Level 2 include valuations using inputs other than quoted prices for which all significant outputs are observable, either directly or indirectly. Level 3 valuations are based on inputs that are unobservable and significant to the overall fair value measurement. The required disclosures outlined in this standard are included in Note 12.

- ii. Financial Instruments – Recognition and Measurement

During the year, the CICA amended Section 3855 to bring greater consistency between Canadian GAAP, IFRS and US GAAP regarding the timing of impairment recognition for debt instruments. The amendments allow more debt instruments to be classified as loans and receivables. In addition, the amendments require reversal of previously recognized impairment losses on available-for-sale financial assets in specified circumstances and require that loans and receivables that an entity intends to sell immediately or in the near term be classified as held for trading. The transitional provisions are complex and are accompanied by disclosure requirements to explain any reclassifications made on adopting the amendments.

## **MANAGEMENT DISCUSSION & ANALYSIS**

For the Nine-Month Period Ended March 31, 2011

### b) Recent Accounting Pronouncements

#### i. Equity

In August 2009, the CICA issued certain amendments to Section 3251 — Equity. The amendments apply to entities that have adopted Section 1602 — Non-controlling interests. The amendments require separate presentation on the statements of operations and comprehensive income of income attributable to owners of the Company and those attributable to non-controlling interests. The amendments also require that non-controlling interests be presented separately as a component of equity. The future adoption of this standard is not expected to have an impact on the financial statements.

#### ii. Business Combinations

In January 2009, the CICA issued Section 1582 “Business Combinations” to replace Section 1581. Prospective application of the standard is effective January 1, 2011, with early adoption permitted. This new standard effectively harmonizes the business combinations standard under Canadian GAAP with International Financial Reporting Standards (“IFRS”). The new standard revises guidance on the determination of the carrying amount of the assets acquired and liabilities assumed, goodwill and accounting for non-controlling interests at the time of a business combination. The CICA concurrently issued Section 1601 “Consolidated Financial Statements” and Section 1602 “Non-Controlling Interests,” which replace Section 1600 “Consolidated Financial Statements.” Section 1601 provides revised guidance on the preparation of consolidated financial statements and Section 1602 addresses accounting for non-controlling interests in consolidated financial statements subsequent to a business combination. These standards are effective January 1, 2011, unless they are early adopted at the same time as Section 1582 “Business Combinations.” The adoption of these standards is not expected to have a material effect on the Company’s financial statements.

#### iii. Comprehensive Revaluation of Assets and Liabilities

In August 2009, Section 1625 Comprehensive Revaluation of Assets and Liabilities was issued for consistency with new Section 1582 Business Combinations. The amendments apply prospectively to comprehensive revaluations of assets and liabilities occurring in fiscal years beginning on or after January 1, 2011. The adoption of this section is not expected to have a material impact on the financial statements.

#### iv. International Financial Reporting Standards

In February 2008, the CICA confirmed that public companies will be required to prepare interim and annual financial statements under International Financial Reporting Standards (“IFRS”) for fiscal years beginning on or after January 1, 2011. This will result in the Company reporting under IFRS starting with the interim period ending September 30, 2011, with restatement for comparative purposes of amounts reported under Canadian GAAP. The Company expects the transition to IFRS to impact accounting policies and financing reporting but has not yet quantified the extent of this impact.

The Company expects its first financial statements presented in accordance with IFRS to be for the three- month period ended September 30, 2011, which includes presentation of its comparative results for the same period in 2010 under IFRS. In order to prepare for the changeover to IFRS, the Company is in the process of developing an IFRS conversion plan comprised of various phases as follows:

## **MANAGEMENT DISCUSSION & ANALYSIS**

For the Nine-Month Period Ended March 31, 2011

Preliminary Planning and Scoping – This phase involves development of an internal diagnostic review designed to understand, identify and assess the overall effort required to produce financial information under IFRS. The review will include high level consideration of the impacts of IFRS on the Company's financial statements, internal control over financial reporting and information systems. Based on management's preliminary review and current Company processes, minimal impact is expected on information systems. The IFRS diagnostic review includes a high level impact assessment of IFRS, as relevant to the Company. This initial assessment will identify standards of high or medium priority to the Company. The Company will assess any such changes required as a component of its detailed Impact Assessment phase and update its IFRS conversion plan as appropriate.

Detailed Impact Assessment - This phase involves detailed review of IFRS relevant to the Company and identification of all differences between existing Canadian GAAP and IFRS that may or will result in accounting and/or disclosure differences in the Company's financial statements, along with quantification of impact on key line items and disclosures. The phase includes identification, evaluation and selection of accounting policies necessary for the Company's conversion to IFRS. The Company will complete a detailed review of IFRS relevant to the Company and identification of key differences. The Company expects to complete this phase in through the remainder of fiscal 2011.

Implementation - This phase will embed the required changes for conversion to IFRS into the underlying financial close and reporting process and business process. This will include finalization and approval of accounting policy changes, collection of financial information necessary to prepare IFRS compliant financial statements, implementation of additional internal controls, and preparation and approval of completed IFRS financial statements. The IFRS changeover is expected to impact the presentation and/or valuations of balances and transactions in the Company's quarterly and annual financial statements and related notes effective July 1, 2011, however continued progress on the IFRS conversion plan is necessary before the Company is able to describe or quantify those effects.

### **SUBSEQUENT EVENTS**

The Company is continuing to work on its Preliminary Economic Assessment report and on environmental components of the project, as well as maintaining an open dialogue with First Nations groups.