

**JASPER MINING CORPORATION**  
**Management's Discussion and Analysis (Form 51-102F1)**  
**March 31, 2011**

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The following discussion and analysis of financial results for the three months ended March 31, 2011 should be read in conjunction with the audited financial statements of Jasper Mining Corporation ("Jasper" or the "Corporation") as at and for the year ended December 31, 2010 and unaudited financial statements for the three months ended March 2011 and 2010 related notes thereto. Certain statements included in this discussion constitute forward-looking statements that involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements expressed or implied by such forward-looking statements to differ significantly from the Corporation's expectations. Such factors include general economic and business conditions, which among other things, affect demand for the Corporation's services; industry capacity; the ability of the Corporation to implement its business strategy; and changes in, or the failure to comply with government regulations, especially health, safety and environmental law, regulations and guidelines. The financial data presented has been prepared in accordance with International Financial Reporting Standards ("IFRS"). The reporting currency in the financial statements and in this MD&A is in Canadian dollars, unless otherwise stated.

The date of this Management's Discussion and Analysis ("MD&A") is June 29, 2011.

**Special Note Regarding Non-IFRS Measures** – This MD&A includes references to financial measures commonly used in the oil and gas industry. The Corporation uses these measures to evaluate its performance and feels that their inclusion enables the Corporation and current and potential investors to compare the financial measures against other companies in the mining industry. The term "funds from (used in) operations", defined as the net loss for the period adjusted for non-cash items in the statement of operations, before the change in non-cash working capital, should not be considered an alternative to, or more meaningful than, cash flow from operating activities or net loss as determined in accordance with IFRS as an indicator of performance. The Corporation's determination of funds from (used in) operations may not be comparable to that reported by other companies. The reconciliation between net loss and funds from (used in) operations can be found in the Statements of Cash Flows included in the financial statements noted above.

## **OVERVIEW**

Jasper Mining Corporation was incorporated on November 28, 1994 in the Province of Alberta. The Corporation is in the exploration stage and is engaged in the exploration for and development of base and precious metals in Canada.

The carrying value of mineral properties reported in the Corporation's financial statements represents costs incurred to date, net of abandonments and impairments, and does not necessarily reflect present or future values. The ability of the Corporation to continue as a going concern and the recoverability of amounts shown for mineral properties is dependent upon the existence of economically recoverable mineral reserves, the ability of the Corporation to obtain necessary financing to complete their development and upon future profitable operations. These financial statements have been prepared on a going concern basis, which assumes the Corporation will be able to realize its assets and discharge its liabilities in the normal course of business in the foreseeable future. These financial statements do not include any adjustments that would be necessary should the Corporation be unable to raise sufficient capital and consequently be unable to continue as a going concern.

Jasper's sole business is the exploration and development of mining properties located in the Province of British Columbia. Jasper's business plan has been to acquire 100% working interest properties that have indications of known mineralization. The Corporation has undertaken an extensive review of the B.C. mines department's public records and private corporate records in order to locate properties that management of Jasper believe are mineral properties of merit. Jasper has acquired its properties by share purchase agreements, options to purchase, staking, and a combination of these methods.

Once acquired, Jasper's strategy has been to develop a systematic exploration approach, which generally includes gathering and assimilating all known reports and data on a particular property, conducting geological mapping to determine rock type and structure followed by geophysical work which usually includes airborne magnetic, electromagnetic and radiometric followed ground Induced Polarization "IP" and then diamond drilling.

During 2009, 2010 and 2011, the Corporation raised additional funds to meet both its general and administrative expenses for the year, and to enable it to undertake further exploration and development on its mineral properties.

## **PORTFOLIO OF EXPLORATION PROPERTIES AND YEARLY ACTIVITY REPORT**

The Corporation has continued to carry out work on some of its exploration properties during 2010. An assessment was done on all of the properties to determine economic potential and it was determined that the costs incurred on two of them should be written off. The two properties had not had significant work done on them in the last three years. Therefore, in accordance with accounting guidelines, even though the properties were all in good standing at year end, an impairment was recorded. The total amount written off in 2010 was \$275,698 (2009 \$2,258,808). All of the other properties owned by the Corporation are considered to have potential for economic mineral development. During the three months ended March 31, 2011 the Corporation expended \$10,208 (2009 - \$nil) and is preparing to drill on Irony, Sawyer and Faith.

### **Lead Zinc Gold Silver - (Pb Zn Ag Au)**

**Vowell Creek** - The Vowell Creek property is comprised of 15,766 hectares ("ha") (38,960 acres) located approximately 35 km south of Golden, British Columbia. Previous programs on the property were undertaken to evaluate potential for a Lead-Zinc Silver sedimentary exhalative type deposit. Vowell Creek also has gold and graphite potential.

The Vowell Creek property has been the focus of precious metal-enriched vein and/or replacement (manto) type mineralization since 1900. In an attempt to test the projected trend of the Ruth Vermont Vein System, an airborne survey was completed on the property in 2006, resulting in the identification of two prominent geophysical anomalies on the northeast side of Vowell Creek. Expenditures of \$623,709 which had been incurred on this property to December 31, 2008 were written off for the year ended December 31, 2008. Additional expenditures of \$3,279 during the year ended December 31, 2009 were also written off. Gold and lead zinc potential for Vowell Creek is still promising. The Company does not have current work planned for Vowell Creek.

### **Gold Silver - (Ag Au)**

**Sanca**- The Sanca property consists of 11 separate claims comprising 5,335 ha (13,184 acres)

located immediately east of Kootenay Lake in British Columbia. Significant work has been completed by the BC Geological Survey Branch over the past several years to assess the underlying Mount Skelly Batholith for intrusion-related gold potential. Aeroquest Surveys flew geophysics on the property and the geophysical signatures look promising. This property was written off for accounting purposes in 2009. No work is planned for 2011.

### **Molybdenum Properties - (Mo)**

**Lydy** - The property consists of 552 ha (1,364 acres) located east of the community of Grey Creek, east of Kootenay Lake in British Columbia.

**McFarlane** – The property is located immediately west of Kootenay Lake in British Columbia and is beside the Lydy property. Extensive soil sampling was completed during 2005 along the existing road network. As a result of preliminary soil results, the available ground between the initial McFarlane property and the Lydy property was acquired.

In addition, a geophysical airborne survey was flown over the property in the early fall of 2008, comprised of magnetic, radiometric and electromagnetic. The final interpreted data has been received and the results are encouraging.

An extensive diamond drill program has been carried out on the McFarlane property in the vicinity of two high grade molybdenum bearing veins. It would appear the veins have high grade (up to 5%) molybdenum (News Release October 20, 2008). Jasper has drilled 93 holes on the McFarlane property. The remainder of the cores are now being logged and assayed by TerraLogic of Cranbrook. The veins continue over a 900 meter length from southwest bearing northeast and appear to be about 400 metres wide. The deposit is open at depth with documented high grade molybdenum at 345 meters from the drill hole, being 260 meters subsurface. Several thousand assays have been carried out on the drill cores. An IP survey has been conducted over the high grade veins on the McFarlane property. Management believes that Jasper has developed enough data in order to obtain a resource report.

### **Gold Properties (Au)**

**Cascade** - The property is located approximately 55 kilometers north of the community of Kaslo, British Columbia and is comprised of approximately 1545 ha (3,819 acres), on the west side of the Lardeau River. Soils geochemical work is still being evaluated by the Corporation. Expenditures of \$96,558 on this property were written off for accounting purposes in 2010.

**Faith** - The property is located approximately 38 km southwest of Cranbrook, British Columbia, in the headwaters of Kamma Creek, a tributary of the Goat River. The property consists of approximately 2,104 ha (5,199 acres), underlain by strata correlated to the Creston and Aldridge Formations of the Late Proterozoic Purcell Supergroup. During 2007 a soils geochemical program was carried out on the Faith property. The interpretation through the Corporation's work and the work of previous operators suggests that a small helicopter supported diamond drill program should be carried out on the property and it is expected that 2 to 3 diamond drill holes will be drilled during the work season of 2011.

**Perry Creek – Gold (Au)** - The property consists of 943 ha (2,331 acres), located southwest of Cranbrook, British Columbia, along one of the placer gold producing creeks in the area. A soils geochemical program was carried out during 2008. No work is planned for 2011.

### **Copper Molybdenum Porphyry -(Cu Mo Ag Au W)**

**Isintok** - The Isintok property is located approximately 27 km west of Summerland, British Columbia. A limited program late in 2005, comprised of 4 holes, documented thick intervals of anomalous mineralization. However, winter conditions prevalent on the property during drilling, particularly with regard to accessing water, prevented the Corporation from drilling the holes in the intended locations. These holes on secondary objectives returned very encouraging results.

A geophysical airborne survey was flown over the property in the early fall of 2005, and was comprised of magnetic, radiometric and electromagnetic. The final interpreted data has been received and results are very encouraging and suggest several significant drilling targets.

An extensive soils geochemical program was carried out as well as an Induced Polarization (IP) survey during 2006 and 2007. This work has resulted in the identification of coincidental soils and IP anomalies laying to the east of the Corporation's 2006 and earlier drilling.

The Corporation has now coordinated the results of the soils geochemical and ground IP and has drilled a number of holes to the east of the former drill locations. During the 2008 field season the Corporation drilled approximately 38 diamond drill holes on the co-incident soils and IP anomalies on the Isintok property. A total of 54 holes have been drilled on the Isintok property (News Release November 19, 2008). All of the drill holes encountered encouraging mineralization. The mineralization consisted of copper, molybdenum, gold, silver and tungsten. The Corporation has several thousand assays of the drill cores on the Isintok property. All of the significant results were press released by the Corporation during 2008, 2009 and 2010. All of the 54 holes have now been split and assayed. All of the Corporation's data on Isintok indicates a large tonnage copper molybdenum porphyry type deposit. Silver and tungsten have also been identified and to a lesser degree, good gold values were seen on some of the holes.

Work on Isintok continues and Jasper's management is of the opinion that it has developed enough data in order to have a third party prepare an independent report on both tonnage and grade on Isintok during 2011. This work is presently underway by AMC Consulting of Vancouver, BC and is expected soon.

**Alaric** - The property consists of 16 claims, comprising 1,250 ha (3,089 acres), located west of Summerland, British Columbia and is very close to the Isintok property. Airborne geophysics were flown during 2006 and the interpretation is very positive and suggested diamond drilling. The expenditures on this property were written off for accounting purposes in 2008. Plans for 2011 work have not been finalized.

**Proximal – Copper (Cu)**\_ The property is located immediately north of Cranbrook, British Columbia and consists of 300 ha (741 acres). Geophysics were flown during 2006. The Corporation does not plan to carry out any work on the Proximal property during 2011. The expenditures on this property were written off for accounting purposes in 2008.

**Memphis Creek - Lead Zinc Silver (Pb Zn Ag)**- The property consists of 396 ha (978 acres), located between the communities of Slocan and Silvertown, British Columbia immediately east of Slocan Lake. The Corporation carried out no work on the property during 2007 and 2008, but plans to carry out a small soils geochemistry program during 2011. The expenditures on this property were written off for accounting purposes in 2008.

**Erie Creek – Lead Zinc Silver Copper Molybdenum (Pb Zn Ag Cu Mo)**- The property consists of 3,287 ha (8,122 acres), located north of Salmo along Erie Creek and west of Sultan

Minerals Keno property. The Corporation carried out soils geochemistry and interpreted airborne geophysics on this property. A diamond drill program started in 2007 was encouraging with anomalous results with respect to tungsten and copper. An extensive soil program was carried out in 2007 which suggests drilling locations which coincide with the Corporation's airborne geophysical interpretation. The Corporation hopes to drill this property with a helicopter supported program during 2012. The expenditures in the amount of \$1,044,041 were written off during the year ended December 31, 2009.

### **Lead Zinc Silver (Pb Zn Ag)**

**Irony** - The property is located north of Revelstoke, British Columbia and southwest of Mica Dam, consisting of 2,375 ha (5,869 acres), immediately adjacent and contiguous with Selkirk Metals Ruddock Creek property. The Corporation drilled a number of unsuccessful diamond holes and have gone back to the geophysical contractor and explained our difficulty with the interpretation and it has been agreed that the Corporation drilled on faulty interpretation and the geophysical contractor has given us seven of what they consider to be high grade locations, some of which the Corporation may drill during 2011. The expenditures were written off during the year ended December 31, 2009.

### **Cretaceous Granite Project**

The properties comprising the Cretaceous Granite Project are all located along the east side of Kootenay Lake, British Columbia extending from the Sanca property northward to the Crawford property and includes the Copper Storm, Crawford, Lydy, McFarlane, Mt. Rice, Sanca and Sawyer properties.

### **Intrusion-related Gold**

**Crawford** - The 522 ha (1,290 acre) property is located within the magnetic halo surrounding the Fry Creek Batholith and covers a small granitic exposure previously documented and exposed at surface. The Humbolt and Rose Pass MINFILE occurrences are located to the southwest and may indicate base metal mineralization associated with proximity to one (or more) Cretaceous intrusions. Geophysics was flown during 2006 and there are some prospective drilling holes. Crawford may be drilled in a helicopter supported program along with Sawyer during 2011. This property has been written off for \$179,140 accounting purposes for 2010.

**Sawyer – Lead Zinc Silver (Pb An Ag)**- The Sawyer property is located on a tributary of St. Mary's River, west of Cranbrook, British Columbia. The property consists of 1,566 ha (3,869 acres) overlying a Cretaceous age intrusive body localized along the contact between the uppermost Purcell Supergroup and the lowermost Windermere Supergroup. An airborne geophysics has identified a number of high grade anomalies which coincide with the previously reported high grade lead/zinc grab samples. Plans still remain to drill 2 to 3 diamond drill holes during 2011 on what is hoped to be a lead/zinc anomaly.

### **Diamonds**

**Summer** - The Summer property consists of 271 ha (671 acres) located along Summer Creek, British Columbia, an east flowing tributary of the Bull River, in the western Rocky Mountains. The Summer property appears to have a kimberlite pipe which is partly exposed at surface and covers an area of approximately 40 acres. The hope of the Corporation is that the kimberlite pipe would contain diamonds. During the 2008 field season the Corporation collected a bulk sample

from the Summer property and that sample has been analyzed by Saskatchewan Research Council. These results are encouraging but require further work. The accumulated expenditures on this property were written off during 2009. No work is planned for 2011.

## **RESULTS OF OPERATIONS**

### **Three months ended March 31**

During the three months ended March 31, 2011, the Corporation incurred a net loss of \$306,200 compared to a net loss of \$40,813 during the same 2010 period. The majority of the increase in the loss can be attributed to the following components:

- A \$219,000 increase in stock-based compensation expense as there were new options granted in the last quarter of 2010 and another issue in the first three months of 2011.
- A \$34,000 increase in general and administrative expenses due to \$7,000 increase in professional fees; \$16,000 increase in travel and entertainment; \$9,000 increase in office expenses and \$2,000 increase in regulatory and filing fees.
- A \$4,000 decrease in Part XII.6 tax due to the Corporation not spending all of the 2009 flow through shares expenditures before December 31, 2010.
- A \$16,000 increase in deferred tax recovery.

## **LIQUIDITY AND CAPITAL RESOURCES**

As at March 31, 2011, the Corporation had working capital of \$148,912 compared to a working capital deficit of \$583,623 at December 31, 2010. The increase in working capital is primarily comprised of approximately \$800,000 of net financing, \$10,000 of capital expenditures, \$80,000 of funds used in operations and \$15,000 change in non-cash working capital.

Junior mining companies like Jasper face significant difficulties in raising money to fund their ongoing operations during this period of economic downturn. The Corporation had a commitment that it must have incurred \$1,044,750 of qualifying flow-through expenditures by the end of 2010. Approximately \$244,244 of the qualifying expenditures were incurred to March 31, 2011. The Corporation anticipates that it will incur the remaining \$800,506 in 2011. Subsequent to March 31, 2011, the Corporation closed some equity financing for gross proceeds of \$409,100 in order to meet its commitments. The Corporation continues to pursue alternate arrangements either from equity or debt financings, joint ventures or asset rationalizations to provide the funding required to continue its exploration. The priority is to complete the resource reports on the McFarlane and Isintok properties, which will assist the Corporation when it pursues future financings.

## FINANCING ACTIVITIES

During the three months ended March 31, 2011, the Corporation authorized and issued the following equity instruments:

	<u>Number</u>	<u>Amount (\$)</u>
Common share units	3,188,000	797,000
Reduced by:		
Cash share issue costs		(96,730)
	<u>3,188,000</u>	<u>700,269</u>

## EXPLORATION AND EVALUATION ASSETS AND OTHER CAPITAL SPENDING

During the three months ended March 31, 2011, the Corporation incurred \$10,208 of cash expenditures on exploration and evaluation assets.

Exploration and evaluation expenditures for the three months ended March 31, 2011 are summarized in the following table:

<u>Property</u>	<u>Type of Expenditure</u>	<u>Amount</u>
Isintok	Exploration	\$ 10,208
		<u>\$ 10,208</u>

## RELATED PARTY BALANCES AND TRANSACTIONS

The Corporation had the following related party transactions:

- a) Amounts due to related parties consist of amounts due to shareholders, officers and directors of the Corporation and companies controlled or significantly influenced by shareholders and officers of the Corporation. The amounts are non-interest bearing, unsecured and have no fixed terms of repayment.
- b) Legal fees of \$32,912 (2010 – \$nil) relating to various financings were charged by the President’s law firm of which all was recognized as share issue costs.
- c) A total of \$5,250 (2010 – \$14,350) was charged by a company owned by the President for rent and administrative services.

Transactions in the normal course of operations were recorded at exchange amounts, which is the amount of consideration established and agreed to by the related parties.

## ASSET RETIREMENT OBLIGATIONS

At March 31, 2011, the Corporation did not estimate costs relating to future site restoration and abandonment to be in excess of recorded property deposits. The Corporation has made no provision for site restoration costs or potential environmental liabilities on the basis that any such liability would not have a material effect on the March 31, 2011 or December 31, 2010 financial statements. Factors such as further exploration, inflation and changes in technology may materially change the cost estimate. Mineral property deposits totaling \$69,910(2009 - \$71,068) have been paid to the Government of British Columbia and are refundable upon reclamation of

areas impacted by mining exploration activities.

## **SHARE CAPITAL**

### **Common shares**

The Corporation commenced 2011 with 67,955,047 shares outstanding. During the three months ended March 31, 2011 the Corporation issued 3,188,000 common shares bringing the shares outstanding to 71,143,047. Subsequent to quarter end, the Corporation issued private placements for 1,544,451 common shares bringing the common shares outstanding to 72,687,498 as at the date of this MD&A.

### **Warrants**

At the beginning of 2011, the Corporation had 525,000 warrants outstanding. During the three months ended March 31, 2011, 1,594,000 warrants were issued. As at March 31, 2011, 2,119,000 warrants were outstanding. Subsequent to quarter end, the Corporation issued private placements for 1,544,451 units that had 772,226 warrants attached increasing the warrants outstanding to 2,891,226 as at the date of this MD&A.

### **Stock options**

The Corporation had 6,327,500 stock options outstanding at the beginning of 2011. During the quarter ended March 31, 2011, 1,200,000 options were granted, and 191,280 finder's options were granted resulting in 7,718,780 options outstanding at March 31, 2011. Subsequent to quarter end the Corporation issued an additional 300,000 investor relation's options and 69,214 finder's fees options increasing the options outstanding to 8,087,994 as at the date of this MD&A.

## **COMMITMENTS AND CONTRACTUAL OBLIGATIONS**

### **Flow-through expenditures and Rent**

During the year ended December 31, 2009, the Corporation raised \$1,050,000 of flow-through share gross proceeds. The related tax benefits of the flow-through share proceeds were renounced to investors in February 2010 with an effective date of December 31, 2009. The Corporation had until December 31, 2010 to incur the related qualifying flow-through expenditures. Approximately \$244,244 of the qualifying expenditures were incurred to March 31, 2010. The Corporation anticipates that it will incur the remaining \$800,506 in 2011.

The Corporation has a rental agreement of \$25,988 total on office premises which terminates on May 31, 2013.

### **Work Credits**

The Corporation's work on the Ruth/Vowell Creek, Lydy, Proximal, Isintok, Erie Creek and other properties has been credited towards the assessment requirement of the Province of British Columbia which puts the claims, leases and grants of the Corporation in good standing for a number of years. The Corporation will file its assessment report with the Government of the Province of British Columbia for the 2011 field work.

## Other

The Corporation has not entered into any hedging contracts. The Corporation does not have any special purpose entities nor is it a party to any off-balance sheet arrangements.

## THE YEAR AHEAD

### Isintok

All of the 54 diamond drill holes on the Isintok property have now been split and assayed. The data has been provided to AMC Consultants of Vancouver, BC so that they can produce a compliant report of tonnage and grade. This report is expected during early summer 2011.

### McFarlane

Approximately 20 of the diamond drill holes on the McFarlane property remain to be split and assayed out of the 93 holes drilled by Jasper. This work is almost complete and has been carried out by TerraLogic of Cranbrook, BC and should be completed by early summer 2011. Jasper expects that sufficient data would be available to produce a compliant report on the property.

### Drilling

Limited diamond drilling is being planned for the Sawyer, Faith and Irony properties.

## SELECTED QUARTERLY INFORMATION

	IFRS			
	2011		2010	
\$	March 31	December 31	September 30	June 30
Mineral properties	6,713,730	6,703,522	6,920,494	6,761,894
Total assets	7,748,932	7,024,769	7,373,946	7,441,993
Working capital(deficit)	148,912	(583,623)	(392,054)	(273,814)
Shareholders' equity	6,155,244	5,412,216	5,733,142	5,798,311
Net loss	306,200	374,224	90,358	85,172
Net loss per share	0.00	0.01	0.00	0.00
	IFRS		GAAP	
	2010		2009	
\$	March 31	December 31	September 30	June 30
Mineral properties	6,755,391	6,755,391	9,018,363	9,006,076
Total assets	7,591,868	7,694,970	9,332,210	9,305,482
Working capital	(175,233)	460,693	(397,317)	(374,206)
Shareholders' equity	5,883,483	6,504,296	7,377,499	7,382,619
Net loss	40,813	1,804,926	75,765	96,911
Net loss per share	0.00	0.03	0.00	0.00

## **BUSINESS AND OPERATIONAL RISKS**

The Corporation is a mineral exploration company and is exposed to a number of risks and uncertainties that are common to companies in the same business. These risks and uncertainties include, among other things, the speculative nature of mineral exploration and development activities, the Corporation's need for additional funding to continue its exploration efforts, operating hazards and risks incidental to mineral exploration, the fact that the Corporation's properties are in the exploration stage only and do not contain a known body of commercial ore, uncertainties associated with title to mineral properties, changes in general economic, market and business conditions; competition for capital, acquisitions of mineral properties and skilled personnel; ability to obtain required mine licenses, mine permits and regulatory approvals required to proceed with mining operations; ability to comply with current and future environmental and other laws; actions by governmental or regulatory authorities including increasing taxes and changes in other regulations; and the occurrence of unexpected events involved in mineral exploration, development and production.

Being a junior exploration mining company, the Corporation's ability to raise the necessary financings for future exploration depends to a large degree on commodity price trends, general investor sentiment for companies in the mining exploration sector and the Corporation's ability to confirm the existence of sought after minerals in sufficient quantities and quality on its exploration lands. Management of the Corporation is of the view that these risks faced by the Corporation are no greater than the risks encountered by its peers.

### **Valuation of mineral properties**

The Corporation records its interest in mineral claims and properties at cost whereby all direct and indirect costs of acquiring, exploring for and developing mining properties are capitalized as separate areas of interest. When the areas of interest are brought into production, the costs will be amortized using the unit-of-production method based on estimated proved reserves. Where a property shows no promise from prior exploration results and is dormant, the claims may be allowed to lapse, and would be written down to a nominal value where an interest in claims remained. Management will also determine if an exploration property is impaired, and whether the carrying value of such property should be written down and whether exploration costs incurred should be charged against earnings rather than being deferred, on each occasion that financial statements are issued.

### **Income taxes**

The Corporation records future tax assets and liabilities to account for the expected future tax consequences of events that have been recorded in its financial statements and its tax returns. These amounts are estimates and the actual tax consequences may differ from the estimates due to changing tax rates and regimes, as well as changing estimates of cash flows and capital expenditures in current and future periods. A valuation allowance is recorded to the extent that there is uncertainty regarding utilization of future tax assets.

### **Stock-based compensation**

Stock-based compensation expense is recorded in the statement of loss and deficit for all options granted based on the estimated fair value at the time of the grant and recognized as expense over the vesting period of the option. The fair value of options is estimated using the Black-Scholes

option-pricing model based on estimates and assumptions for expected life of the options, expected volatility, risk-free interest rate and dividend yield.

## **FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT**

The Corporation's financial instruments include cash, term deposits, mineral property security deposits, accounts receivable, due from related parties, investments, accounts payable and accrued liabilities. The carrying values of these financial instruments approximate their fair values due to their relatively short periods to maturity. The Corporation is required to classify fair value measurements using a hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy is as follows:

- Level 1 - quoted prices in active markets for identical assets or liabilities;
- Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 - inputs for the asset or liability that are not based on observable market data.

The fair value of cash and short term investments is considered level 1 as it is determined by cash balances and investments held at financial institutions. Accounts receivable, due from related parties, investment, mineral property security deposits, and accounts payable and accrued liabilities approximate their fair values due to their short term to maturity.

The Corporation's risk management policies are established to identify and analyze the risks faced by the Corporation, to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions and the Corporation's activities. The Corporation has exposure to credit risk, liquidity risk and market risk as a result of its use of financial instruments.

This section of the MD&A presents information about the Corporation's exposure to each of the above risks and the Corporation's objectives, policies and processes for measuring and managing these risks. Further quantitative disclosures are included throughout this MD&A.

The Board of Directors has overall responsibility for the establishment and oversight of the Corporation's risk management framework. The Board has implemented and monitors compliance with risk management policies as set out herein:

### **a) Credit risk**

Credit risk is the risk of financial loss to the Corporation if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Corporation's policy is to ensure that its investments are liquid and not to invest in asset backed commercial paper products.

The Corporation's accounts receivable relates to Goods and Services Tax input tax credits. Accordingly, the Corporation views credit risk on accounts receivable as minimal and has subsequently collected the outstanding amount.

### **b) Liquidity risk**

Liquidity risk is the risk that the Corporation will incur difficulties meeting its financial obligations as they became due. The Corporation's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when

due, under both normal and stressed conditions without incurring unacceptable losses or risking harm to the Corporation's reputation.

The Corporation prepares annual expenditure budgets, which are regularly monitored and updated as considered necessary. To facilitate its expenditure program, the Corporation raises funds through private equity placements. The Corporation's liquidity position has weakened since the beginning of the year due to the cost of ongoing exploration and corporate activities exceeding funds raised during the period. Current market conditions resulting from the global credit crisis have created unfavourable terms for equity financings required for many junior mineral exploration companies, including the Corporation. As a result, the Corporation is currently evaluating alternatives to raise additional capital to improve liquidity.

As at March 31, 2011, the Corporation's financial liabilities were comprised of accounts payable and accrued liabilities which have a maturity of less than one year. The Corporation has \$800,506 of unexpended flow-through expenditures. The Corporation's working capital as at March 31, 2011 was \$148,912. Subsequently, the Corporation has raised additional equity (see note 16) to the March 31, 2011 financial statements).

c) Market risk

Market risk consists of currency risk, commodity price risk and interest rate risk. The objective of market risk management is to manage and control market risk exposures within acceptable limits, while maximizing returns.

i) Currency risk

Foreign currency exchange rate risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in foreign exchange rates. Although the Corporation is considered to be in the exploration stage and has not yet developed commercial mineral interests, the underlying market prices in Canada for minerals are impacted by changes in the exchange rate between the Canadian and United States dollar. As all of the Corporation's transactions are denominated in Canadian dollars, the Corporation is not exposed to foreign currency exchange risk at this time.

ii) Commodity price risk

Commodity price risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in commodity prices. Commodity prices for minerals are impacted by world economic events that dictate the levels of supply and demand as well as the relationship between the Canadian and United States dollar, as outlined above. As the Corporation has not yet developed commercial mineral interests, it is not exposed to commodity price risk at this time.

iii) Interest rate risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Corporation is exposed to interest rate risk primarily through its variable interest rate on its term deposit. For the three months ended March 31, 2011, if interest rates had been 1% higher with all other variables held constant, earnings for the periods would have been \$340 higher (2010 – \$80), due to increased interest income. An equal and opposite impact would have occurred had interest rates been lower by the same amounts.

## **CAPITAL MANAGEMENT**

The Corporation's objectives when managing capital are to safeguard the Corporation's ability to continue as a going concern and to maintain a flexible capital structure which will allow it to pursue the development of its mineral properties. Therefore, the Corporation monitors the level of risk incurred in its mineral property expenditures relative to its capital structure.

The Corporation considers its capital structure to include working capital and shareholders' equity. The Corporation monitors its capital structure and makes adjustments in light of changes in economic conditions and the risk characteristics of the underlying assets.

To maintain or adjust the capital structure, the Corporation may issue new equity if available on favourable terms, option its mineral properties for cash and/or expenditure commitments from optionees, enter into joint venture arrangements, or dispose of mineral properties.

The Corporation's investment policy is to hold cash in interest bearing bank accounts and highly liquid short-term interest bearing investments with maturities of one year or less which can be liquidated at any time without penalties.

The Corporation is not subject to externally imposed capital requirements. There has been no change in the Corporation's approach to capital management during the three months ended March 31, 2011.

## **INTERNAL CONTROLS OVER FINANCIAL REPORTING**

The President and Chief Financial Officer of the Corporation are responsible for designing internal controls over financial reporting or causing them to be designed under their supervision in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The President and Chief Financial Officer have assessed the design of internal controls over financial reporting and during this process have identified certain weaknesses in internal controls over financial reporting which are as follows:

- Due to the limited number of staff at the Corporation, it is not possible to achieve complete segregation of duties; and
- Due to the size of the Corporation and the limited number of staff, the Corporation does not have the technical accounting expertise and knowledge to address all complex and non-routine accounting transactions that may arise.

These weaknesses in the Corporation's internal controls over financial reporting result in a more than remote likelihood that a material misstatement would not be prevented or detected. Management and the Board of Directors work to mitigate the risk of material misstatement in financial reporting. In addition, when complex accounting and technical issues arise during preparation of the quarterly financial statements outside consulting expertise is engaged. In spite of management's best efforts, there can be no assurance that this risk can be reduced to less than a remote likelihood of a material misstatement.

## **CRITICAL ACCOUNTING ESTIMATES**

The Corporation's financial statements are prepared in accordance with IFRS. A comprehensive discussion of the Corporation's significant accounting policies is contained in note 3 to the unaudited financial statements for the three months ended March 31, 2011. The Corporation's

significant accounting policies are subject to estimates and key judgments about future events, many of which are beyond management's control.

### **PENDING ACCOUNTING PRONOUNCEMENTS**

IFRS 9 – *Financial Instruments* was published in November, 2009 by the IASB as part of its project to replace IAS 39 “Financial Instruments: Recognition and Measurement”. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, and also requires a single impairment method to be used, replacing multiple methods in IAS 39. In October, 2010, additional requirements for classifying and measuring financial liabilities were added to IFRS 9 providing entities the option to recognize financial liabilities at fair value through profit or loss. In December, 2010 and January, 2011, respectively, “Financial Instruments: Impairment” and “Hedge Accounting” documents were published for comment. IFRS 9 will become effective on January 1, 2013.

IFRS 10 – *Consolidated Financial Statements* was issued by the IASB in May, 2011, replacing the consolidation requirements in SIC-12 “Consolidation – Special Purpose Entities” and IAS 27 “Consolidated and Separate Financial Statements”. IFRS 10 builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. IFRS 10 will become effective on January 1, 2013.

IFRS 11 – *Joint Arrangements* was issued by the IASB in May, 2011, focusing on the rights and obligations of joint arrangements, rather than their legal form. The standard requires a single method to account for interests in jointly controlled entities.

IFRS 12 – *Disclosure of Interest in Other Entities* was issued by the IASB in May, 2011. IFRS 12 is a new standard on disclosure requirements for all forms of interest in other entities, including subsidiaries, joint arrangements, associates and unconsolidated structured entities. The standard will be effective on January 1, 2013.

IFRS 13 – *Fair Value Measurement* was issued by the IASB in May, 2011. IFRS 13 provides guidance on fair value measurement and disclosure requirements.

The Corporation has not yet reviewed the impact of the above standards.

### **INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRS”)**

Effective January 1, 2011, the Corporation adopted IFRS for publicly accountable enterprises as required by the Accounting Standards Board of Canada, and will report interim and annual periods beginning on January 1, 2011 under IFRS. The Corporation's transition date to IFRS was January 1, 2010, therefore the comparative periods for 2010 are restated to IFRS. The 2009 financial information within this MD&A is reported in accordance with Canadian GAAP, and has not been restated to IFRS.

Information regarding the Corporation's accounting policies and transition from Canadian GAAP to IFRS is presented in notes 2, 3 and 17 to the unaudited interim consolidated financial statements for the three months ended March 31, 2011 and 2010.

Guidance for first-time adoption of IFRS is set out in IFRS 1 - First-time Adoption of International Financial Reporting Standards which provides for certain mandatory exceptions, and optional exemptions.

As part of the Corporation's adoption of IFRS, the following elections were made under IFRS 1:

- Share based payments (IFRS 2) – To elect not to restate options that have vested by January 1, 2010.
- Business combinations (IFRS 3) – To elect not to re-state business combinations that occurred prior to the transition date.
- Exploration and evaluation assets (IFRS 6) – To elect to measure assets at deemed cost as determined under the previous GAAP and perform an impairment review as at January 1, 2010.

Exploration and evaluation (“E&E”) assets are the accumulated expenditures in an area where technical feasibility and commercial viability has not yet been determined. E&E assets are tested for impairment when sufficient data exists to determine technical feasibility and commercial viability, or when indicators suggest that the carrying amount exceeds the recoverable amount.

On transition to IFRS on January 1, 2010, the Corporation completed an impairment review which indicated that no impairment existed as at the date of transition. The Corporation then reclassified the \$6,755,391 balance from mineral property to E&E assets relating to the two non-producing exploration licenses in BC. Under Canadian GAAP, these licenses are included with property and equipment whereas IFRS 6 Exploration for and Evaluation of Mineral Resources requires that assets which do not meet the technical feasibility and commercial viability criteria be presented separately.

- Property and equipment (IAS 16) – To elect to measure assets at deemed cost as determined under the previous GAAP and perform an impairment review as at January 1, 2010.

The carrying amounts of property and equipment are grouped into CGU's based on separately identifiable and largely independent cash flows, and are reviewed quarterly for indications of impairment which suggest that the carrying amount of the CGU may not be recoverable. If the carrying amount of the CGU exceeds the recoverable amount, the CGU is written down and the impairment is recognized in income. Impairments of property and equipment are reversed, to the extent of what the carrying amount would have been without recognition of an impairment, when there is a subsequent increase in the recoverable amount. No impairment charge was recorded on transition to IFRS on January 1, 2010. The Corporation's cash generating unit is comprised of the BC assets.

#### Share capital

In prior years, the Corporation had issued a number of flow-through common shares. Under

Canadian GAAP, an amount would be recorded in cash and share capital based on the number of flow-through common shares and the price per share. Upon renouncement, future income tax would be recorded resulting in an adjustment to share capital. Under IFRS, the price of the flow-through common share is compared to the price of a common share and any difference is recorded as a share premium liability. The share premium liability is reversed in conjunction with recognizing the deferred liability as the qualifying expenditures are incurred. This results in a difference in the amount recorded for share capital and the deficit between Canadian GAAP and IFRS for flow-through shares issued prior to the January 1, 2010 conversion date. As a result of this difference, an adjustment for \$1,311,223 was recognized in retained earnings at January 1, 2010. At the date of transition, none of the flow-through common share expenditures had been incurred.

#### Retained earnings (deficit):

The effect of the adjustments to convert from Canadian GAAP to IFRS are summarized as follows:

	January 1, 2010	March 31, 2010	December 31, 2010
Property, plant, and equipment	\$ (6,755,391)	(6,755,391)	(6,703,522)
Exploration and evaluation assets	6,755,391	6,755,391	6,703,522
Flow-through share premium	580,000	580,000	443,497
Deferred income tax	-	(262,500)	4,953
Share capital	731,223	993,723	787,181
Contributed surplus	-	-	(11,743)
Deficit	\$ 1,311,223	1,311,223	1,223,888

#### FORWARD LOOKING STATEMENTS

Certain information set forth in this MD&A, including management's assessment of the Corporation's future plans and operations, contains forward-looking statements, which are based on the Corporation's current internal expectations, estimates, projections, assumptions and beliefs, which may prove to be incorrect. Some of the forward-looking statements may be identified by words such as "expects", "anticipates", "believes", "projects", "plans" and similar expressions. These statements are not guarantees of future performance and undue reliance should not be placed on them. Such forward-looking statements necessarily involve known and unknown risks and uncertainties, which may cause the Corporation's actual performance and financial results in future periods to differ materially from any projections of future performance or results expressed or implied by such forward-looking statements. The Corporation is a mineral exploration Corporation and is exposed to a number of risks and uncertainties that are common to companies in the same business. These risks and uncertainties include, among other things, the speculative nature of mineral exploration and development activities, the Corporation's need for additional funding to continue its exploration efforts, operating hazards and risks incidental to mineral exploration, the Corporation's properties are in the exploration stage only and do not contain a known body of commercial ore, uncertainties associated with

title to mineral properties, changes in general economic, market and business conditions; competition for, among other things, capital, acquisitions of mineral properties and skilled personnel; ability to obtain required mine licenses, mine permits and regulatory approvals required to proceed with mining operations; ability to comply with current and future environmental and other laws; actions by governmental or regulatory authorities including increasing taxes and changes in other regulations; and the occurrence of unexpected events involved in mineral exploration, development and production.

### **DISCLOSURE CONTROLS AND PROCEDURES**

Disclosure controls and procedures have been designed to ensure that information required to be disclosed by the Corporation is accumulated and communicated to our management as appropriate to allow timely decisions regarding required disclosure. The Corporation's Chief Executive Officer and Chief Financial Officer have concluded, based on their evaluation as of March 31, 2011, that the Corporation's disclosure controls and procedures are effective to provide reasonable assurance that material information related to the Corporation, is made known to them by others within the entity. It should be noted that while the Corporation's Chief Executive Officer and Chief Financial Officer believe that our disclosure controls and procedures provide a reasonable level of assurance and that they are effective, they do not expect that the disclosure controls and procedures will prevent all errors and fraud. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

### **LIST OF DIRECTORS AS OF MARCH 31, 2011**

Gordon F. Dixon, Q.C.  
Steven C. Funk  
John A. Dixon  
Jean-Pierre Pelletier  
Frederick W. Shandro  
M. Blake Willard

### **LIST OF OFFICERS AS OF MARCH 31, 2011**

Gordon F. Dixon, Q.C. - President and CEO  
John A. Dixon – CFO and Secretary  
Dena Dixon - Assistant Treasurer  
Susan Lawrence – Assistant Secretary