

# **BENTON**

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## **RESOURCES CORP.**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

**For the nine months ended March 31, 2009**

**May 29, 2009**

#### **GENERAL**

Benton Resources Corp. (the "Company") is a development stage public company engaged in exploration for mineral deposits in Canada. The Company is in the early exploration stage with respect to all of its properties.

The following discussion of the financial condition and results of operations of the Company constitutes management's review of the factors that affected the Company's financial and operating performance for the nine months ended March 31, 2009. The discussion should be read in conjunction with the audited annual financial statements of the Company for the year ended June 30, 2008, including the notes thereto.

Unless otherwise stated, all amounts discussed herein are denominated in Canadian dollars and all financial information (as derived from the Company's consolidated financial statements) has been prepared in accordance with Canadian generally accepted accounting principles.

#### **FORWARD-LOOKING INFORMATION**

Certain information regarding the Company within Management's Discussion and Analysis (MD & A) may include "forward-looking statements" within the meaning of applicable Canadian securities legislation. All statements, other than statements of historical facts, included in this MD & A that address activities, events or developments that the Company expects or anticipates will or may occur in the future, including such things as future business strategy, goals, expansion and growth of the Company's businesses, operations, plans and other such matters are forward-looking statements. When used in this MD & A the words "estimate", "plan", "anticipate", "expect", "intend", "believe" and similar expressions are intended to identify forward-looking statements. Such statements are subject to known and unknown risks and uncertainties that may cause actual results in the future to differ materially from those anticipated in forward-looking statements. Although the Company has attempted to identify important factors that could cause actual results to differ materially, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such statements will prove to be accurate as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.

#### **OVERVIEW OF BUSINESS**

The focus of the Company is to seek out and explore mineral properties of potential economic significance and advance these projects through prospecting, sampling, geological mapping and geophysical surveying, trenching, and diamond drilling in order for management to determine if further work is justified. The Company's property portfolio consists of projects focusing on base metals, gold, uranium, and platinum group metals.

## FINANCIAL & OPERATIONAL OVERVIEW

### Overall Performance

Recent months have witnessed the drastic decline and continued volatility of the global financial markets. Share prices of junior exploration companies listed on the exchange, including the Company, have experienced a significant impact as a result. Equity financing activity for the junior resource sector, its primary source of capital, is currently extremely difficult to obtain as the level of these financings that occurred in this sector in the most recent quarter declined sharply.

In response to this extreme volatility and uncertainty, the Company has taken several steps to ensure that it will endure the current economic environment and position itself favourably for the recovery by preserving capital. Company management has refocused the planned project expenditures by significantly reducing expenditures directed at new project evaluation and generation. As well, it has carefully budgeted to advance only key projects forward during this time and as a result, has reduced its field personnel to conserve capital. It has also reviewed its land positions and where favourable, will reduce its claim position to eliminate surplus claims and reduce costs. In addition, the Company has sought and is actively seeking interested partners on many of its projects in order to continue to advance them and conserve capital in the process by forming strategic joint ventures. Finally, the Company has reviewed its corporate overhead expenditures and reduced or eliminated the expenditures on all non-essential corporate costs.

While the Company currently holds no long-term debt and has significant working capital to fund current operations, the timing of the recovery of the financial markets cannot be determined. This will pose a challenge in the interim for the Company to effectively manage its capital through the down turn. The Company also feels however that during this time, there will be immense opportunities to add undervalued assets to its portfolio of projects for when the recovery does occur. Management has and will continue to evaluate strategic opportunities to aggressively acquire favourable advanced assets at depressed prices. This was demonstrated in its investment in the common shares of Coro Mining Corp.

Overall, the Company feels it can effectively balance its growth opportunities with its need to conserve capital at this time. Planned project expenditures are continually reviewed to ensure efficient and effective exploration is conducted and if needed, to reduce costs accordingly.

### Financial Condition

The Company's cash balance as at March 31, 2009 was \$575,775 compared to \$1,103,901 as at June 30, 2008. This decrease is attributable in large part to deferred development expenditures, operating expenditures, and shares purchased under the normal course issuer bid during the period. Current assets of the Company as at March 31, 2009 were \$14,092,665 compared to \$18,292,948 as at June 30, 2008. The decrease in current assets was attributable in a large part to the \$3 million investment in Coro Mining Corp. during the period. Total assets as at March 31, 2009 were \$29,451,063 compared to \$30,174,127 as at June 30, 2008. The decrease in total assets was attributable to the aforementioned decrease in cash, the shares purchased under the normal course issuer bid, and the decline in the market value of long-term investments. Current liabilities as at March 31, 2009 were \$79,169 compared to \$344,127 as at June 30, 2008. This decrease is attributable to decreased activity in exploration activities and general operating expenses just prior to the end of the period.

### Results of Operations

The net loss being comprehensive loss for the nine months ended March 31, 2009 was \$2,111,306 (\$0.03 per common share) as compared to \$872,996 (\$0.01 per common share) for the same period in 2008. The increased loss is primarily due to the change in market value of the long-term investments and the large write-down of mineral properties that was taken during the period. The write-down of mineral properties at March 31, 2009 of \$979,597 (\$nil at March 31, 2008) was taken as a result of no further planned exploration on those properties.

In addition, the Company has seen a continual decline in the interest rates implicit on its investments in short term fixed income instruments throughout the economic down turn. This decline has impacted and will continue to impact the level of interest income that can be earned on these investments as these funds mature and are reinvested.

## Cash Flows

The cash used by operating activities was \$312,041 for the nine months ended March 31, 2009 compared to cash used by operating activities of \$513,613 for the same period in 2008; this change arose due primarily to the large decrease in cash used in working capital items and the large amounts added back to operating cash flows during the current period for mineral property write-downs and adjustments to fair market value for held for trading investments. Cash provided by financing activities was \$1,472,938 for the nine months ended March 31, 2009 as compared to cash provided by financing activities of \$17,441,596 for the same period in 2008; this change arose due to a decrease in the proceeds from the issuance of shares with respect to private placements closing during the period. Cash used in investing activities was \$1,689,023 for the nine months ended March 31, 2009 as compared to \$21,865,145 for the same period in 2008. The change in cash used by investing activities is due to the decrease in the investment of private placement proceeds into fixed income temporary investments and a decrease in mineral property acquisitions and exploration expenditures.

## Investment in Coro Mining Corp.

During the period ended March 31, 2009, the Company announced that it completed a non-brokered private placement in Coro Mining Corp. (COP-TSX) ("Coro") by acquiring 27,272,727 units of Coro at a price of \$0.11 per unit for a total investment of \$3,000,000 each unit consisting of one common share and one common share purchase warrant of Coro. Each warrant entitles the Company to purchase one common share of Coro for a period of two years at a price of \$0.18 for the first year from the date of closing and at a price of \$0.20 thereafter until the expiry date. The warrants are subject to a forced exercise provision which provides that the Company will exercise the warrants if (i) the trading price of Coro's shares on the TSX trade at a price equal to or greater than \$0.50 for a period of 10 consecutive trading days; (ii) Coro has received approval for its Environmental Impact Study at its San Jorge project; and (iii) at the time of such exercise of warrants, Coro completes a concurrent equity financing at a price of not less than the gross proceeds of the warrants being exercised. Any warrants not exercised pursuant to the forced exercise provision will expire at the end of the 10 days. Upon closing of the Coro financing, the Company will own approximately 34% of the issued shares of Coro prior to the Company exercising any of the warrants.

Coro is a Latin America focused exploration and development company whose principal asset is the San Jorge copper gold project, located in the Province of Mendoza, Argentina. In April 2008, Coro announced the conclusions of an independent Preliminary Economic Assessment ("PEA"), for a Float Only project at San Jorge which contemplates the production of an average of 39,500 metric tonnes (approximately 90,000,000 lbs) per year of copper and 39,000 oz per year of gold contained in concentrate for a period of 16 years. The Float Only project has NI 43-101 compliant Measured and Indicated Resources of 152 million tonnes at 0.48%CuT and 0.20g/t Au containing approximately 719,000 tonnes (1,584 million lbs) of copper and 984,000 ounces of gold. It also has Inferred Resources of 11 million tonnes at 0.38%CuT and 0.16g/t Au containing approximately 43,000 tonnes (95 million lbs) of copper and 57,000 ounces of gold. At a copper price of US\$1.65/lb and a gold price of US\$600/oz, the PEA concluded that the project has an after tax NPV 10 of US\$82 million with an IRR of 17.7%. At US\$2.00/lb copper and US\$600/oz gold, the NPV 10 increases to US\$220 million with an IRR of 28.6%. Note: for the purposes of the PEA mineral resources that are not mineral reserves do not have demonstrated economic viability.

Coro's management has significant exploration and mine development experience in Latin America, and is led by President, CEO & Director, Alan Stephens, who prior to co-founding Coro in 2005, was VP Exploration for First Quantum Minerals. Other key members of the Coro management team include Juan Carlos Roman, Senior VP and Chief Operating Officer (ex Antofagasta Minerals), Michael Philpot, Executive VP, Secretary & Director and Damian Towns, CFO, (both ex First Quantum Minerals), Angelo Peri, VP Exploration (ex Vale) and Marcelo Cortes, Environmental and Infrastructure Manager (ex Antofagasta Minerals).

Benton views the investment in Coro as an excellent opportunity to become involved in an exciting portfolio of advanced projects and looks forward to working closely with Coro's management.

The Company has recorded its investment in Coro as an equity investment. At March 31, 2009, the Company holds approximately 34% of the issued and outstanding shares of Coro with a market value of \$3,818,182 (based on the March 31, 2009 closing price of \$0.14 per share).

For the three months ended March 31, 2009, the Company recorded equity and dilution losses totaling \$99,287.

## Exploration Projects

### BERMUDA/BAMOOS/CLAW LAKE/FOUR DAMS COPPER PGE PROPERTIES

In the previous year, the Company signed an agreement to enter into an Option and Joint Venture Agreement with Marathon PGM Corporation ("Marathon") on the eastern portion of the Bermuda property named the Bamoos/Claw Lake/Four Dams Property ("BCF"). Under the terms of the agreement, the Company will allow Marathon to earn a 60% interest in the BCF property by (i) issuing to the Company 120,000 common shares of Marathon, (ii) spending \$1.5 million in each of the first four option years and an additional \$2 million on or before the fifth anniversary year, and (iii) issuing to the Company cash payments of \$500,000 per year for the first three years totaling \$1.5 million. In addition, any ore mined on the property during the earn in period would entitle the Company to a 2% NSR royalty payable by Marathon.

During the current period, the Company and Marathon elected to terminate the OJVA and alternatively, the Company agreed to sell to Marathon the Bamoos portion of the property and one additional claim block. Under the terms of the agreement, Marathon will issue to the Company 1,500,000 common shares (received subsequent to the March 31, 2009) and \$300,000 in cash. The common shares will carry with them a two year voting restriction. The Company will retain a 2% net smelter royalty of which 1% can be purchased for \$1 million. Marathon will assume the 2% net smelter royalty that applies to the Bamoos lease and an existing 1% net smelter royalty that applies to the additional claim block included in the land package. At March 31, 2009, this agreement was still subject to Exchange approval and amounts were paid and as a result, the proceeds will be recorded in the subsequent period upon approval of the transaction.

The western portion of the Bermuda property consists of mining rights for 37 leases covering 87 claim units located in the Seeley Lake, Martinet, Grain, and Foxtrap Lake. Pursuant to a purchase agreement dated April 20, 2005, the Company acquired a 100% interest in these properties from Redstone Resources Inc. (owned 100% by Newmont Mining Corporation) for the sum of \$100,000. Redstone Resources Inc. will retain a 2% NSR.

This portion of the property hosts two large low grade deposits containing historical resources of 60 million tons grading 0.2% Cu, 5% Ti, 27% Fe, 5% P and 32 million tons grading 0.3% Cu, 2.48% Ti, 23% Fe, 0.02% Ni and 0.36% P located near Sally and Wullie Lake respectively. Previous operator Redstone Resources Inc. estimated the resources in 1991 using historical diamond drill information completed in the 1950's and 1960's by Lakehead Mines Ltd. and filed in the Ontario government assessment archives (Ministry of Northern Development and Mines branch, "MNDM"). The resources are also referenced from Ontario Geological Survey (Schneider et al, 2004; OFR 6148, p.36). The reader should be cautioned that the resources and reserve estimates are historical in nature, have not been verified by the issuer's qualified person, and should not be relied upon. However, the Company believes them to be relevant due to the association between elevated titanium and PGE mineralization located to the east on the same mineralized horizon and the apparent lack of PGE assaying in the titanium-rich deposits by previous operators.

During the previous year, the company announced that drilling has commenced on the Sally Lake and Area 41 Copper-PGM (platinum group metal) mineralized zones located on the western extent of the Company's Bermuda Property near Marathon, Ontario. In Area 41, previous drilling completed by Benton returned significant intersections of TPM (Total Precious Metal = Pt + Pd + Au) and Cu including hole SL-06-01 which returned 0.28% Cu with 1.27 gpt TPM (0.42gpt Pt + 0.74gpt Pd + 0.11gpt Au) and 0.28% Cu over 57.7m (metres) including a 24.6m intersection grading 0.35% Cu with 2.02gpt TPM (0.67gpt Pt + 1.17gpt Pd + 0.18gpt Au). All intervals reflect drill thickness (drill thickness).

The first hole of the 2008 drill program intersected 61.5m grading 1.29gpt TPM and 0.17% Cu. Several higher grade sections within the above intersection include 4.06gpt TPM and 0.17% Cu over 4.5m and 4.34gpt TPM and 0.29% Cu over 3.0m. The Company views the new results as very significant as they extend the known mineralization to depth and confirm high platinum to palladium ratios at Area 41. The Pt:Pd ratio at Area 41 is approximately 1:2 versus the historical ratio of 1:4 on the remainder of the Bermuda Property.

Highlights of the remaining four drill holes in Area 41 include 39.0m grading 0.18% Copper and 1.37gpt TPM (total precious metals = Pt+Pd+Au). The results of the drilling and surface sampling to date on the Area 41 zone continually demonstrate the continuity of the zone for at least 900m in strike length and exhibits similar grades and thicknesses to the Marathon deposit. Benton is planning further drilling on the Area 41 zone in order to determine the size of the deposit.

## GOODCHILD AND SOUTH GOODCHILD PROPERTY (STILLWATER JOINT VENTURE)

The Goodchild Project is located approximately 15 kilometres north of Marathon, Ontario and is host to several nickel showings with grab samples assaying up to 6.72% nickel (Falconbridge/Xstrata personnel). The large ultramafic intrusion measures approximately 5 by 8km and has numerous untested airborne electromagnetic anomalies detected from a survey completed almost 20 years ago.

On the Goodchild project the Company has completed a detailed airborne survey over the entire property and entered into a joint venture with Stillwater Mining Company of Montana, USA ("SWC") on the project. The company has also completed additional prospecting, line cutting, and geological mapping. In addition, 2000 meters of diamond drilling is also anticipated to begin subsequent to the period ended.

During the nine month period ended March 31, 2009, the company announced that it had received \$2 million on the exercise of a warrant by SWC in accordance with the first anniversary requirements of the participation agreement dated July 10, 2007 whereby SWC has the exclusive right to earn up to a 50% interest in the Goodchild and South Goodchild Ni-Cu-PGE projects. Pursuant to the exercise of the warrant the Company issued 1,290,322 common shares to SWC at an effective price of \$1.55 representing a 200% premium to the current market.

In accordance with the Agreement to earn an initial 50% interest in the Goodchild Project SWC is required to complete three separate financings over three years into the Company in the aggregate amount of \$6 million (\$3 million of which must be spent on the Goodchild Project) as follows:

- a) a \$1.6 million private placement (of which \$600,000 is to be spent on the Goodchild Project) at an issuance price of \$1.24 per share, which was completed in July, 2007;
- b) a \$2 million financing (of which \$1 million is required to be spent on the Goodchild Project) pursuant to the exercise of a warrant issued pursuant to the Agreement and having an effective exercise price of \$1.55 per share, which was completed on July 10, 2008; and
- c) a \$2.4 million financing ( of which \$1.4 million is required to be spent on the Goodchild Project) to be completed by July 10, 2009 pursuant to a warrant issued pursuant to the Agreement, such warrant to have an exercise price equal to a 50% premium to the trading price of Benton's shares at the time of exercise.

Upon fulfilling the requirements to earn an initial 50% interest, SWC and the Company shall form a 50/50 joint venture (the "Joint Venture") for the further development of the Goodchild Project subject to SWC's right to earn a further 10% interest in the Joint Venture (to 60%) by directly funding an additional \$4 million in exploration expenditures over the following two year period.

Provided it earns a 60% interest in the Joint Venture SWC will have the right to earn a further 10% interest in the Joint Venture (to 70%) by directly funding over the following three year period an additional \$20 million in exploration expenditures or the completion of a Feasibility Study, whichever occurs first.

At the Company's sole election, following completion of the Feasibility Study, the Company may cause SWC to arrange total project financing for placing the Goodchild Project into commercial production by granting SWC an additional 5% interest in the Goodchild Project (to 75%). In such case, SWC would be reimbursed for the Company's proportionate share of the financing from 80% of the Company's share of net revenue from the Goodchild Project with interest at the prime rate of the Royal Bank of Canada plus 1%.

During the period ended March 31, 2009, the company announced phase one drilling results on the Goodchild project. This first phase program consisted of approximately 2000 metres of diamond drilling to test numerous conductive responses delineated by airborne and ground geophysics near and along strike from high grade surface nickel showings. Planned exploration for the upcoming periods include prospecting and mapping previously identified geophysical targets for potential follow up diamond drilling in the summer.

### KINGURUTIK LAKE NICKEL PROPERTY

The Company has spent the initial \$600,000 on the property under the Agreement and the exploration completed to date includes a large airborne survey, geological mapping, prospecting, sampling, and limited Deep EM ground geophysics. Due to weather conditions, additional ground geophysics will be completed in the spring to be followed by diamond drilling and will be funded by Teck Cominco Limited ("Teck Cominco"). Teck Cominco has the right under the Agreement to increase their interest in the property to 60% by incurring an additional \$4 million in expenditures over the initial three years with an additional right to increase its interest to 70% by incurring an additional \$7 million in expenditures (for a total of \$11 million) over a further three years.

Teck Cominco is currently completing exploration work under the joint venture agreement to increase its interest in the project to 60% by incurring the aforementioned expenditures.

Teck Cominco initiated a 1,673 line-kilometre AeroTEM II airborne survey during the period on the remaining ground not covered by last year's survey on the Kingurutik Lake joint venture land package. The new airborne survey is designed to delineate conductive sources associated with nickel and copper mineralization similar to that discovered as part of the airborne follow-up program last summer.

During nine months ended March 31, 2009, the Company was advised that Teck Cominco has mobilized a ground geological and geophysical crew to evaluate strong conductive zones identified from the recently flown AeroTEM II airborne survey on the remaining ground not covered by the 2007 survey on the Kingurutik Lake joint venture land package. The ground crew will conduct mapping, sampling and ground geophysics with hope of discovering new nickel and copper mineralization in addition to mineralization discovered as part of the airborne follow-up program last summer.

To date a total of 324 grab samples have been collected from numerous conductive target areas identified by the 2007 survey. The selected samples from many of the targets returned encouraging nickel, copper, and cobalt values. Ground geophysical (UTEM) surveying over one of the targets, target "P", detected a strong conductive response that may form part of a future drill program. Teck Cominco is the operator on the joint venture project.

### Q-9 GOLD AND SAGANAGA LAKE PROPERTIES

In previous periods, Tech Cominco has elected not to continue its joint venture agreement with the Company on these properties. As a result, the Company now has a 100% interest in the properties.

The company is planning to conduct extensive mapping and line cutting of the Saganaga property during 2009 along with trenching and further sampling.

### ARMIT LAKE PROPERTY

The Company has recently completed line cutting and ground geophysics consisting of ground magnetics, HLEM (Max-Min) surveys, geological mapping, soil sampling, prospecting and has completed an induced polarization survey (I.P) and trenching.

During the year ended June 30, 2008, the company completed a thirteen-hole 2,151 metre diamond drilling program on the property. Partial assay results were received for five holes with the most significant results including a mineralized zone that returned 1.57% Nickel (Ni) and 0.08% cobalt (Co) over 7.8 metres in an altered ultramafic rock unit. Within that intersection was narrower but higher grading material of 3.7% Ni and 0.2% Co over 2.55 metres. This hole was drilled beneath the DC Creek nickel showing where previously discovered selected surface grab samples returned up to 4.17% Ni. The Company was also pleased with a second significant intersection being that of a new gold (Au) discovery in another drill hole located 800 meters to the east of the abovementioned hole. The intersected gold zone graded 23.03 grams per tonne (gpt) Au over 1.5 meters at 100 meters down hole. Follow up drilling is needed to determine the extent and true thickness of the nickel and gold mineralization.

The Armit Lake property has seen limited historical exploration efforts so the new gold and nickel discoveries in the first phase of drilling are extremely significant. The Company feels that given the large size of the property and the distance between the current drill holes the potential to discover additional mineralized zones of economic interest is high. Significant results from the remaining drill holes will be released when they are received and compiled.

### NIPIGON URANIUM PROPERTIES

The Company has numerous claim blocks in the Nipigon Basin covering structures and geology favorable for hosting uranium mineralization. The Company has recently signed joint venture agreements with Tri-Gold Resources Corp. ("Tri-Gold") and Bell Copper Corporation ("Bell") (formerly Grandcru Resources Corp.) for all the claims held in the area. Work completed to date include, airborne geophysics, prospecting, line cutting, trenching, and geological mapping. Exploration on both projects is ongoing and includes diamond drilling on the Tri-Gold joint venture and additional line cutting to be followed by diamond drilling on the Bell joint venture ground. Both Tri-Gold and Bell can earn up to 60% interest in their respective joint venture properties with the Company by spending the initial \$1 million each on the blocks they have under joint venture.

During the period ended March 31, 2009, the Company amended its agreement with Bell to allow for settlement of Bell's outstanding work commitment totaling \$295,743 in common shares in lieu of cash. As a result, the Company was issued 845,000 common shares of Bell at an underlying price of \$0.35. The account receivable was derecognized and a long term equity investment was recorded and is carried at market value of the closing trading price of Bell at March 31, 2009. Also, during the period, Bell notified the Company that it no longer was going to participate in the joint venture and the property reverted 100% back to the Company.

### BARK LAKE PROPERTY

The Company entered into an option agreement with Joseph Hackl Sr. and Joseph Christopher Hackl Jr. whereby the Company has the right to earn a 100% interest in the Bark Lake claims located in Northern Ontario by making cash payments totaling \$59,000 and issue 40,000 common shares over a three year period. The property is subject to a 2% NSR royalty, half of which can be purchased by the Company for \$1 million.

The Bark Lake property is host to numerous newly discovered platinum (Pt), palladium (Pd), gold (Au), copper (Cu) and nickel (Ni) showings consisting of mineralized ultramafic rock either in outcrop or dozens of mineralized boulders. The mineralized occurrences are situated along the Quetico Fault, a major crustal-scale east west oriented structure. Samples collected during the first phase prospecting program have identified high grade nickel (Ni) and copper (Cu), along with platinum (Pt), palladium (Pd), and gold (Au). These samples, which were taken approximately 200 meters to the north of the initial mineralized zone, have returned individual assays grading up to 1.5% Ni, 1.2% Cu, 2.6 gram per tone (gpt) of Pd and 0.7gpt Au.

Through additional staking, the Company has more than doubled its initial land position and has completed its initial prospecting and line cutting programs as well as geological mapping and ground geophysics including magnetic, Max-Min electromagnetic and an induced polarization survey.

During the year ended June 30, 2008, the Company completed a 1,414 meter diamond drill program in seven holes to test various geophysical anomalies. Two of the drill holes intersected the mineralized mafic-ultramafic intrusive rock unit that may represent the source of the high-grade mineralized boulders located due south. Although the platinum (Pt) to palladium (Pd) ratios in the drill core and mineralized boulders are similar, additional drilling is required to determine the exact location of the mineralized boulders. The next drill phase on the Bark Lake property will target the distinct high magnetic anomaly to search for mineralized basal and potential feeder zones to the mineralized ultramafic body.

### HOPE BROOK GOLD PROPERTY

During the year ended June 30, 2008, the Company acquired through staking and option, a large land package that includes the past producing Hope Brook Gold Mine located on the southwest coast of Newfoundland. The company has staked the favourable gold-bearing trend that hosts the Hope Brook deposit for approximately 30 kilometers and has entered into an option agreement with Quinlan Prospecting (Q.P.) of Newfoundland to acquire 3 separate claim blocks, one of which includes the Hope Brook gold deposit. To earn a 100% interest in the 3 claim blocks, the Company will make cash payments to Q.P. totaling \$170,000 and issue 200,000 shares over 4 years. As well, the Company paid a finder's fee to a third party for being introduced to the project of 25,000 shares and 25,000 share purchase warrants exercisable for 24 months at a price of \$1.00. As well, the 3 claim blocks are subject to a 2% NSR royalty payable to Q.P. with an advance royalty payment of \$10,000 owing per year to a maximum of \$100,000 commencing on the Company having exercised the option to acquire the 3 claim blocks. The Company has the right to purchase one half of the 2% NSR royalty for \$1 million.

The Hope Brook gold deposit was the province of Newfoundland's largest gold deposit and it is management's view that there is significant potential to discover additional deposits in the area. The Hope Brook deposit operated from 1987 to 1997 and produced 752,826 ounces of gold plus a copper concentrate from 1993 to 1997. Previous exploration by Royal Oak Mines near the mine during the last few years of mining operations resulted in the discovery of several areas of significant gold mineralization. Since the closure of mining operations in 1997, little or no exploration has been carried out for gold in the area.

The Company is has completed an aggressive and extensive exploration program, and has begun an extensive regional compilation of the entire belt which will incorporate all existing drill holes, mine workings, geology and assay results of the mine area.

To date, all existing drill holes have been compiled and a 3d model of the mine area has been completed. Several high priority targets have been identified. The focus of early summer exploration and drilling programs will be to focus on these target areas, including the 240 Zone, which is located approximately 1.0 km southwest of the Hope Brook Deposit. Historical drill intersections on the 240 Zone include 5.43 gpt Au over 15 meters (CE-383A), 7.08 gpt Au over 5.8 meters (CE-240) and 3.88 gpt Au over 41 meters incl. 5.82 gpt Au over 12.0 meters (CE-246). A large 20 man camp is currently being permitted and this summer's work plans are moving forward rapidly.

During the year ended June 30, 2008, the Company announced that it had completed a large geophysical airborne survey on the property. Due to the remoteness of the property and the costs to explore, the Company is currently seeking a partner on this project and has no exploration plans for the property until such time as a joint venture is formed.

#### SWAYZE JOINT VENTURE (HEENAN, TOOMS, KENOGAMING TOWNSHIPS)

During the year ended June 30, 2008, the Company announced that they have entered into a Joint Venture agreement with Pacific North West Capital Corp. to undertake exploration on the Swayze Nickel Project. The Swayze Joint Venture Project is situated in the Swayze Greenstone Belt, approximately 100km south-west of Timmins, Ontario and incorporates some fifty townships. The Swayze Greenstone Belt represents the western extension of the Abitibi Greenstone Belt, which is the host to numerous ultramafic-hosted Ni deposits including the producing Redstone Mine (Liberty) south of Timmins as well as the newly discovered Golden Chalice Occurrence.

The Swayze Joint Venture Project was initiated by both companies to include each of their property holdings within the project area. These holdings will continue to grow through the staking and optioning of selected properties that have the potential to host nickel, copper, and PGM mineralization within the belt. Exploration programs will be designed to identify and test priority areas within the project boundaries. The Swayze is underlain in several areas by ultramafic flows and intrusions, some of which host historical nickel showings including the Joint Ventures' Tooms Showing which has historically reported 2.5% Ni over 1.6m within a drill intersection of 0.63% Ni over 7.3 metres. Benton Resources and Pacific North West Capital have entered into a 50% - 50% Joint Venture Agreement whereby both Companies agree to bear all expenditures and participate in a single purpose unincorporated Joint Venture for the purpose of carrying out all mineral exploration for a three year period, totaling a minimum of \$1,200,000.

Benton will act as Operator for the project and will be responsible for carrying out all exploration activities.

During the period ended March 31, 2009, the Company announced that it had completed an airborne VTEM survey and ground follow-up work was completed. The work programs completed included prospecting and mapping on the Heenan and Kenogaming properties. In addition, the Company announced that drilling was completed on the Heenan Property's Hussey-Aube gold zone. Gold mineralization was first discovered by prospectors J. Hussey and A. Aube in 1997 and has not seen any exploration activity until the Swayze JV optioned the Heenan claim block in late 2007. As part of the 2008 work program designed to evaluate the nickel potential of the joint venture area, prospecting the Company over the Heenan zone returned assays grading from <2 grams per tonne up to 6.4 grams per tonne gold over a 400 meter strike length. The zone is hosted within albitized and carbonated altered metavolcanic rocks having trace to 10% fine grained disseminated sulphides and is coincident with a distinct 600 meter-long induced polarization chargeability and resistivity anomaly. A drill was mobilized to the property and 447 metres of drilling in three shallow drill holes designed to test the subsurface continuity of the gold mineralization was completed. The holes encountered multiple zones with anomalous gold concentrations, including grades up to 3.42 grams per tonne Au over 0.20 metres.

Due to the present economic conditions, the Company and PFN have no exploration plans for the Swayze group of properties in the upcoming months. The Company has also determined that no further work would be conducted on the Heenan Property claims and as a result, incurred a write-down on its share of the capitalized exploration costs to date totaling \$82,326.

#### PORTAGE LAKE JOINT VENTURE

During the year ended June 30, 2008, the company entered into an option agreement to acquire 70% of the Portage Lake Nickel-Copper-Cobalt (Ni-Cu-Co) property located in Central Newfoundland. The property consists of seven unpatented mining licenses totaling 593 units. The project is Joint Ventured with Golden Dory Resources (“Golden Dory”) which has an option to acquire the remaining 30% interest and which will be funding 30% of exploration costs. To earn its 70% interest the Company will make payments totaling \$87,000 in cash and issue to the vendors 136,000 shares over 3 years. The property is also subject to a 2% NSR payable to the vendors of which the Company and Golden Dory can buy back 1% for \$1 million. The property is host to several newly discovered Cu-Ni-Co showings that lie within a large mafic intrusion which has been recently identified and mapped by the Newfoundland government.

During the period, a new joint venture was formed between the Company, Golden Dory and Royal Roads Corp. (“Royal Roads”) whereby Royal Roads will operate the project and will have a 40% interest in the project while the Company will hold a 40% interest and Golden Dory will hold a 20% interest.

Subsequent to the period ended March 31, 2009, Golden Dory announced that they were no longer going to continue with the joint venture and as a result, both the Company and Royal Roads have increased their respective interests to 50%. Royal Roads will continue to operate the project.

The Company believes the property geology is highly favourable for nickel-copper mineralization and is currently reviewing the data from a joint airborne survey to look for conductive bodies within the large intrusion. The ground work will follow as soon as weather permits to delineate diamond drill targets.

#### GOLDEN HARP JOINT VENTURE

During the period, the Company signed a letter of intent with Golden Harp Resources Inc. (“Golden Harp”) giving the Company the option to earn up to 60% interest in Block A of Golden Harp’s 100%-owned Copper Hill Property which represents 351 of Golden Harp’s 855 claim units covering several historic gold occurrences including the Cook Zone and the newly discovered MC Zone. The property is located approximately 100 km south of Timmins, Ontario along Highway 560 between Shining Tree and Gowganda, within the Southern Abitibi Greenstone belt.

Under the terms of the agreement, the Company will make payments to Golden Harp totaling \$75,000 and issue common shares totaling 550,000, all payable over a three-year period. In addition, the Company is required to spend \$2 million in work commitments over the three year period.

The Company can acquire an additional 10% (bringing their interest to 70%) by incurring an additional \$1 million in work commitments over 24 months and by paying an additional \$50,000 to Golden Harp. Once the Company has earned its interest in the project, the project will be subject to a joint venture. In the event that Golden Harp’s interest is reduced to 10%, its interest shall be converted to a 1% NSR on all claims comprising the Copper Hill Block A Property that do not already have an NSR on them and Golden Harp has solely retained the right to purchase the pre-existing NSRs as per the terms under the original agreements. Additionally, Golden Harp retains a \$0.50 per carat royalty on any diamonds taken from the Copper Hill Block A Property.

The Cook Zone, first discovered in the 1930’s, is hosted within silicified and carbonate altered mafic and ultramafic volcanic rocks that have been intruded by altered felsic porphyry dykes. The zone has been subject to several diamond drilling campaigns which have intersected significant gold mineralization from several sub-parallel zones. Some of the better down hole drill intersections include 54.2 gpt Au (gram per tonne gold) over 4.0m (metres) (hole B-04) and 5.71 gpt Au over 4.6m (hole B-06) drilled in 1952 by Bessey Mining Syndicate; 5.4 gpt Au over 7.6m (hole T-14) drilled in 1953 by Tenendo Mining and 10.6 gpt Au over 3.1m (hole ORC-01) drilled by Orcana in the 1980’s; and 2.7 gpt Au over 13m (KC-12) drilled by KRL Resources in 1995. The MC Zone, discovered by Golden Harp in 2008, located 1.3 km east southeast of the Cook Zone, is hosted in a thick package of pyritic, green carbonate, albite and hematite altered ultramafic and mafic volcanic rocks. To date, five holes have tested the MC Zone over a strike length of 220m. All holes intersected widespread anomalous gold mineralization with some of the

better down hole mineralized intervals returning 44.0m of 0.89 gpt Au including 2.0m of 4.01 gpt Au from hole GH-025 and 9.0m of 3.6 gpt Au including 2.0m grading 14.29 gpt Au from hole GH-019.

The 2009 exploration program will consist of grid establishment, ground geophysics, prospecting and mapping. In addition, the Company has embarked upon a diamond drilling program on one of the previously identified mineralized zones.

#### OTHER PROPERTIES

The Company has several early stage projects which include, Delta Property, Rex Lake Property, Cheeseman Lake Property, Whitton Lake Property, Gem Property, Pikitigushi Property, Linklater Lake Property, Blackett Lake Property, Edar Lake Property, Portage Lake Property, Forester Lake Property, McVicar Property, Bedivere Property, Kitchen Lake Property, Williams Port Property, Weston Property, Black Sturgeon, Horne Township, Onion Lake, Spike Lake, Hele Township, Conmee Township, McGregor Township, Caramat Property, Whitehead Property and miscellaneous properties.

### **MINERAL PROPERTIES AND DEFERRED DEVELOPMENT EXPENDITURES**

Mineral property acquisition, exploration and development expenditures are deferred until the properties are placed into production, sold, impaired or abandoned. These deferred costs will be amortized over the estimated useful life of the properties following commencement of production or written-down if the properties are allowed to lapse, are impaired or are abandoned. The deferred cost associated with each property is as follows:

<u>For the nine months ended March 31, 2008</u>	<u>Opening balance</u>	<u>Expenditures</u>	<u>Recoveries and write downs</u>	<u>Ending balance</u>
Bermuda/Bamoos/Claw Lake/Four Dams	5,853,422	47,547	-	5,900,969
Copper PGE Properties				
Saganaga Lake Property	323,190	45,331	-	368,521
Nipigon Uranium Property	83,368	-	-	83,368
Flying Loon Property	612,944	-	(612,944)	-
Goodchild and South Goodchild Property	231,999	506,281	(303,227)	435,053
Armit Lake Property	1,236,965	99,011	-	1,335,976
Kingurutik Lake Nickel Property	592,361	(34,689)	-	557,672
Q-9 Gold Property	102,224	24,829	-	127,053
Sibley Basin Property	14,027	45,861	-	59,888
Bark Lake Property	484,056	35,482	-	519,538
Swayze Property	116,173	269,947	(215,201)	170,919
Hope Brook Property	560,253	586,648	-	1,146,901
Rim Property	400,775	120,494	-	521,269
Golden Harp Joint Venture	-	53,500	-	53,500
Other Properties	596,287	536,996	(317,329)	869,454
Total	<u>\$11,208,044</u>	<u>2,337,238</u>	<u>(1,448,701)</u>	<u>12,096,581</u>

During the period ended March 31, 2009, the Company determined that no further exploration work would be conducted on the Flying Loon Property as well as various properties in Other Properties. As a result, the Company recorded a write-down on mineral properties in the current period totaling \$979,597. This amount was charged against the Net Loss being Comprehensive Loss for the period but given it was a non-cash charge, was added back to operating cash flows. Management of the Company has reviewed all ongoing exploration projects and determined that no further write downs of capitalized exploration and development expenditures would be required at this time. The Company will continue to assess the exploration potential of each project on a recurring basis and make adjustments when necessary.

## SELECTED ANNUAL FINANCIAL INFORMATION

Description	Nine months ended March 31, 2009 \$	Year ended June 30, 2008 \$	Year ended June 30, 2007 \$
Operating expenses	1,501,987	2,185,953	1,706,384
Interest income	557,406	588,524	45,534
Adjustment to fair market value of held for trading investments	(503,809)	(107,480)	-
Write down of mineral properties	-	54,954	34,532
Net loss being comprehensive loss	2,111,306	463,250	1,668,309
Net loss per share – basic (1) (2)	0.03	0.01	0.05
Cumulative mineral properties and deferred development expenditures	12,096,581	11,208,044	6,611,707
Total assets	29,451,063	30,174,127	13,647,441

- (1) Basic per share calculations are made using the weighted-average number of shares outstanding during the year.
- (2) Loss per share on a diluted basis is the same as the basic calculation per share as all factors are anti-dilutive.

## SUMMARY OF QUARTERLY RESULTS

Three Month Period Ending	Net (Earnings)/Loss \$	Net (Earnings)/Loss per Share Basic and Diluted (1) (2) \$
March 31, 2009	83,916	0.00
December 31, 2008	1,499,262	0.02
September 30, 2008	528,128	0.01
June 30, 2008	(409,746)	(0.01)
March 31, 2008	325,485	0.01
December 31, 2007	206,804	0.01
September 30, 2007	340,707	0.01
June 30, 2007	586,547	0.01
March 31, 2007	615,763	0.02
December 31, 2006	279,296	0.01
September 30, 2006	186,703	0.01
June 30, 2006	334,917	0.01
March 31, 2006	367,273	0.02
December 31, 2005	199,046	0.01

- (1) Basic loss per share calculations are made using the weighted-average number of shares outstanding during the period.
- (2) Loss per share on a diluted basis is the same as the basic calculation per share as all factors are anti-dilutive.

In the nine month period ended March 31, 2009, the Company's cash on hand decreased by \$528,126 to \$575,775 as compared to \$1,103,901 as at June 30, 2008. The decrease in cash on hand is attributed deferred development expenditures and general and administrative expenditures for the period. Temporary investments decreased from \$16,516,953 at June 30, 2008 to \$13,399,614 at March 31, 2009. This decrease is attributable to the Company's \$3 million investment in Coro Mining Corp. during the period. Accounts receivable decreased from \$465,198 at June 30, 2008 to \$16,010 at March 31, 2009. This decrease was due to the derecognition of \$295,743 of accounts

receivable that was settled with common shares in lieu of cash (see note 7(i) of the March 31, 2009 interim consolidated financial statements). Mineral properties increased from \$11,208,044 at June 30, 2008 to \$12,096,581 at March 31, 2009 due mainly to exploration activities at the Goodchild, Swayze, Hopebrook, RIM, and other properties. As a result of a private placement that occurred during the period, share capital increased from \$27,859,432 at June 30, 2008 to \$28,001,262 at March 31, 2009 net of shares purchased and cancelled under the normal course issuer bid.

## TRANSACTIONS WITH RELATED PARTIES

The Company paid or accrued the following amounts to related parties during the nine months ended March 31, 2009 and March 31, 2008:

Payee	Description of Relationship	Nature of Transaction	2009 Amount (\$) (Unaudited)	2008 Amount (\$) (Unaudited)
Stares Contracting Corp.	Company controlled by Stephen Stares, Director and Michael Stares, Director	Payments for equipment rentals, supply of labour and reimbursement of expenses capitalized in deferred development expenditures and for office costs included in general and administrative expenses	471,696	818,596
Barr Geological Consulting	Company controlled by Clinton Barr, Director and Officer	Payments for geological services, equipment rentals and reimbursement of expenses capitalized in deferred development expenditures and for promotional activities included in advertising and promotion expenses	-	88,964
Gordon J. Fretwell Law Corporation	Company controlled by Gordon Fretwell, Director and Officer	Legal fees charged/accrued during the period	113,081	110,920
Stares Prospecting	Company controlled by Alexander Stares, Brother of Stephen and Michael Stares	Prospecting services	-	94,160
Newfie Shores	Partnership controlled by Stephen Stares, Director and Officer, and Michael Stares, Director	Payments for cabin rentals capitalized in deferred development expenditures	-	11,275

The purchases from and fees charged by the related parties are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

During fiscal year 2007, the Company entered into an option agreement with Stares Contracting Corp. to acquire a 100% interest in the Q-9 Gold Property (note 7(h)). The transaction was recorded at the exchange amount, which is the amount established and agreed to by the related parties.

During the year ended June 30, 2007, the Company entered into a Joint Venture agreement with a company which a director of the Company is also on the Board of Directors of the Joint Venture Company (note 7 (i)). During the nine month period ended March 31, 2009, this joint venture agreement was terminated and the Company holds 100% of the property.

During the year ended June 30, 2008, the Company paid a finder's fee to Alexander Stares, brother of Stephen and Michael Stares, Directors, for being introduced to the Hope Brook property project. The finder's fee consisted of 25,000 shares and 25,000 share purchase warrants exercisable for 24 months at a price of \$1.00.

Included in accounts payable and accrued liabilities is \$37,769 (2008 - \$63,019) to Stares Contracting Corp., \$10,517 (2008 - \$8,911) to Gordon J. Fretwell Law Corporation, and \$nil (2008 - \$924) to Newfie Shores. The repayment terms are similar to the repayment terms of non-related party trade payables.

## SHARE DATA

As at May 29, 2009, the Company has 68,479,281 common shares issued and outstanding (of which 139,000 were held for cancellation), as well as: (a) stock options to purchase an aggregate of 9,871,250 common shares expiring at various dates between April 13, 2010 and March 26, 2014 and exercisable at various prices between \$0.28 and \$1.18 per share; and, (b) share purchase warrants to purchase an aggregate of 10,441,900 common shares expiring at various dates between February 21, 2010 and April 16, 2010 and exercisable at various prices between \$1.00 and \$1.60 per share. For additional details of share data, please refer to note 9 of the March 31, 2009 interim consolidated financial statements.

During the period, 9,600,000 warrants that originally carried an expiry date of April 16, 2009 and an exercise price of \$1.60 were extended for 12 months and will expire on April 16, 2010. All other terms of the warrants remain the same.

## FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, temporary investments, accounts and other receivables, long-term investments, refundable security deposits and accounts payable and accrued liabilities. It is management's opinion that the Company is not exposed to significant interest or credit risks arising from these financial instruments.

## LIQUIDITY AND CAPITAL RESOURCES

The Company has a net working capital as at March 31, 2009 of \$14,013,496 (\$17,948,821 as at June 30, 2008) and cash on hand of \$575,775 (\$1,103,901 as at June 30, 2008) and a deficit of \$7,949,909 (\$5,838,603 as at June 30, 2008).

During the nine months ended March 31, 2009, the Company issued, pursuant to a private placement, 1,290,322 common shares for gross proceeds of \$1,999,990.

During the period, the Company, through the facilities of the TSX Venture Exchange (the "Exchange") acquired 1,320,000 common shares under the Normal Course Issuer Bid (the "Bid") at a total cost of \$223,825. 1,020,000 of the shares purchased were cancelled during the period while the remaining 320,000 shares were held for cancellation at the end of the period. These shares were cancelled in the subsequent period. Under the Bid, the Company can purchase up to an aggregate of 3 million shares during the period of August 26, 2008 to August 26, 2009. The actual number of shares that may be purchased and the timing of any such purchases will be determined by the Company. All shares purchased under the Bid will be cancelled.

The Company's consolidated financial statements have been prepared on the basis that the Company will continue as a going concern, which assumes the realization of assets and the settlement of liabilities in the normal course of business. The appropriateness of the going concern assumption is dependent upon the Company's ability to generate future profitable operations and/or generate continued financial support in the form of equity financings. Management feels that sufficient working capital will be obtained from public share offerings to meet the Company's liabilities and commitments as they come due. These consolidated financial statements do not reflect any adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classification that would be necessary if the going concern assumption were not appropriate and such adjustments could be material.

The recovery of amounts shown as mineral properties and deferred development expenditures is dependent upon the discovery of economically recoverable resources, the ability of the Company to obtain adequate financing to complete development, and upon future profitable operations from the properties or proceeds from the dispositions thereof.

The Company currently has no operations that generate cash flow and its long-term financial success is contingent upon management's ability to locate economically recoverable resources. This process can take many years to complete, cannot be guaranteed of success, and is also subject to factors beyond the control of management. Factors such as commodity prices, the health of the equity markets and the track record and experience of management all impact the Company's ability to raise funds to complete exploration and development programs.

The Company has taken numerous steps to ensure that it will continue to have adequate working capital to fund operations. The Company has set a conservative exploration budget for the upcoming year that will focus on a few key project advancement initiatives. It has reduced its budget for new project evaluation and generation substantially to ensure exploration is focused on advancing primary projects. This has also reduced the need for additional field personnel which will reduce labour costs. As well, the Company has and will continue to actively seek out strategic joint venture partners on certain of its projects to ensure that they will be advanced while at the same time preserving its capital. The Company has also reviewed corporate overhead costs to allow for only essential expenditures.

The Company anticipates that the continued sale of Flow Through shares/warrants should enable it to maintain exploration activities on its mineral properties. However, there can be no assurance that these activities will be sufficient to enable the Company to carry on its planned activities given the current economic climate.

## **CAPITAL MANAGEMENT**

The Company's objectives when managing capital are as follows:

- i) To safeguard the Company's ability to continue as a going concern;
- ii) To raise sufficient capital to finance its exploration and development activities on its mineral exploration properties;
- iii) To raise sufficient capital to meet its general and administrative expenditures.

The Company manages its capital structure and makes adjustments to it based on the general economic conditions, its short term working capital requirements, and its planned exploration and development program expenditure requirement. The capital structure of the Company is composed of working capital and shareholders' equity. The Company may manage its capital by issuing flow through or common shares, or by obtaining additional financing.

The Company utilizes annual capital and operating expenditure budgets to facilitate the management of its capital requirement. These budgets are approved by management and updated for changes in the budgets underlying assumptions as necessary.

During the current period, management has readdressed the exploration budget and amended it to reflect the weakened financial markets and slumping commodity prices with the objective of reducing expenditures and preserving its capital. The Company will focus only on certain key project advancement initiatives and curtail all non-essential corporate overhead expenditures to ensure it can persist through the market down turn.

## **CRITICAL ACCOUNTING ESTIMATES**

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the related reported amounts of revenues and expenses during the reporting period. Significant areas requiring the use of management estimates relate to the determination of impairment of assets, resource property values, useful lives for amortization, future income taxes, and determination of fair value for stock based transactions. Actual results could differ from those reported.

While the Company feels that its estimates are reasonable at this time, a prolonged decline in commodity prices may impact the Company's estimate of capitalized mineral properties and deferred development expenditures and as a result, future write downs of these capitalized expenditures may be necessary given the current economic environment. As well, if the current economic conditions persist, the ability for the company to realize its future income tax assets may also change given the difficulty in establishing future profitable operations at these current depressed commodity prices.

## **OFF-BALANCE SHEET ARRANGEMENTS**

The Company has not participated in any off-balance sheet or income statement arrangements.

## **CURRENT AND FUTURE CHANGES IN ACCOUNTING POLICY INCLUDING INITIAL ADOPTION**

### Financial Instruments – Disclosures (CICA Handbook Section 3862)

The CICA has issued this new handbook section which will affect disclosures in the Company's financial statements beginning on July 1, 2008. The new standards describe the required disclosure for the assessment of the significance of financial instruments for an entity's financial position and performance and of the nature and extent of risks arising from financial instruments to which the entity is exposed and how the entity manages those risks. The new standards increase disclosures in future financial statements. See note 17 in the interim consolidated financial statements for disclosures related to this new standard.

### Financial Instruments – Presentation (CICA Handbook Section 3863)

The CICA has issued this new handbook section which will affect disclosures in the Company's financial statements beginning on July 1, 2008. This new section establishes the standards for presentation of the financial instruments and non-financial derivatives. It carries forward the presentation related requirements of Section 3861 "Financial Instruments – Disclosure and Presentation". The new standards increase disclosures in the financial statements. See note 17 in the interim consolidated financial statements for disclosures related to this new standard.

### Comprehensive Income (CICA Handbook Section 1530)

Comprehensive income is the change in shareholders' equity during the period from transactions and other events from non-owner sources. This standard requires certain gains and losses that would otherwise be recorded as part of net loss to be presented in other "comprehensive income" until it is considered appropriate to recognize into net loss. This standard requires the presentation of comprehensive income, and its components in a separate financial statement that is displayed with the same prominence as the other financial statements. The company currently does not have any comprehensive income.

### Assessing Going Concern (CICA Handbook Section 1400)

The AcSB amended CICA Handbook Section 1400 to include requirements for management to assess and disclose an entity's ability to continue as a going concern. The standard became effective for fiscal years beginning on or after January 1, 2008 and is applicable to the Company as of July 1, 2008. The company has included disclosures recommended by this amendment in note 1 of the interim consolidated financial statements for the period ended March 31, 2009.

### Capital Disclosures (CICA Handbook Section 1535)

CICA Handbook section 1535 requires disclosures of an entity's objectives, policies and process for managing capital, quantitative data about what the entity regards as capital and whether the entity has complied with any capital requirements and, if it has not complied, the consequences of such non-compliance. The Company has included disclosures recommended by this new CICA Handbook section in note 16 of the interim consolidated financial statements for the period ended March 31, 2009.

### International Financial Reporting Standards (IFRS)

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly accountable enterprises to use IFRS, replacing Canada's own GAAP. The transition date is for interim and annual financial statements relating to fiscal year's beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended June 30, 2011. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably determined at this time.

## **RISKS AND UNCERTAINTIES**

### Nature of Mineral Exploration and Mining

At the present time, the Company does not hold any interest in a mining property in production. The Company's viability and potential success lie in its ability to discover, develop, exploit and generate revenue out of mineral deposits. The exploration and development of mineral deposits involve significant financial risks over a significant period of time which even a combination of careful evaluation, experience and knowledge may not eliminate. While discovery of a mine may result in substantial rewards, few properties which are explored are ultimately developed into producing mines. Major expenses may be required to establish reserves by drilling and to construct mining and processing facilities at a site. It is impossible to ensure that the current or proposed exploration programs on exploration properties in which the Company has an interest will result in a profitable commercial mining operation.

The operations of the Company are subject to all of the hazards and risks normally incidental to exploration and development of mineral properties, any of which could result in damage to life or property, environmental damage and possible legal liability for any or all damage. The activities of the Company may be subject to prolonged disruptions due to weather conditions depending on the location of operations in which the Company has interests. Hazards, such as unusual or unexpected formation, rock bursts, pressures, cave-ins, flooding or other conditions may be encountered in the drilling and removal of material. While the Company may obtain insurance against certain risks in such amounts as it considers adequate, the nature of these risks is such that liabilities could exceed policy limits or could be excluded from coverage. There are also risks against which the Company cannot insure or against which it may elect not to insure. The potential costs which could be associated with any liabilities not covered by insurance or in excess of insurance coverage or compliance with applicable laws and regulations may cause substantial delays and require significant capital outlays, adversely affecting the future earnings and competitive position of the Company and, potentially, its financial position.

Whether a mineral deposit will be commercially viable depends on a number of factors, some of which are the particular attributes of the deposit, such as its size and grade, proximity to infrastructure, financing costs and governmental regulations, including regulations relating to prices, taxes, royalties, infrastructure, land use, importing and exporting and environmental protection. The effect of these factors cannot be accurately predicted, but the combination of these factors may result in the Company not receiving an adequate return on invested capital.

### Fluctuating Prices

Factors beyond the control of the Company may affect the marketability of any copper, nickel, gold, platinum or any other minerals discovered. Resource prices have fluctuated widely and are affected by numerous factors beyond the Company's control. The effect of these factors cannot accurately be predicted.

### Competition

The mineral exploration and mining business is competitive in all of its phases. The Company competes with numerous other companies and individuals, including competitors with greater financial, technical and other resources than the Company, in the search for and acquisition of attractive mineral properties. The ability of the Company to acquire properties in the future will depend not only on its ability to develop its present properties, but also on its ability to select and acquire suitable properties or prospects for mineral exploration. There is no assurance that the Company will continue to be able to compete successfully with its competitors in acquiring such properties or prospects.

### Financing Risks

The Company has limited financial resources and no current revenues. There is no assurance that additional funding will be available to it for further exploration and development of its projects or to fulfill its obligations under applicable agreements. Although the Company has been successful in the past in obtaining financing through the sale of equity securities, there can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. Failure to obtain such additional financing could result in delay or indefinite postponement of further exploration and development of the property interests of the Company with the possible dilution or loss of such interests.

### Permits and Licenses

The operations of the Company may require licenses and permits from various governmental authorities. The Corporation believes that it presently holds all necessary licenses and permits required to carry on with activities which it is currently conducting under applicable laws and regulations and the Company believes it is presently complying in all material respects with the terms of such laws and regulations. However, such laws and regulations are subject to change. There can be no assurance that the Company will be able to obtain all necessary licenses and permits required to carry out exploration, development and mining operations at its projects.

### No Assurance of Titles

The acquisition of title to mineral projects is a very detailed and time consuming process. Although the Company has taken precautions to ensure that legal title to its property interests is properly recorded in the name of the Company where possible, there can be no assurance that such title will ultimately be secured. Furthermore, there is no assurance that the interest of the Company in any of its properties may not be challenged or impugned.

### Environmental Regulations

The operations of the Company are subject to environmental regulations promulgated by government agencies from time to time. Environmental legislation provides for restrictions and prohibitions on spills, releases or emissions of various substances produced in association with certain mineral exploration and mining operations, which would result in environmental pollution. A breach of such legislation may result in the imposition of fines and penalties. In addition, certain types of operations require the submission and approval of environmental impact assessments. Environmental legislation is evolving in a manner which means stricter standards, and enforcement, fines and penalties for non-compliance are more stringent. Environmental assessments of proposed projects carry a heightened degree of responsibility for companies and their directors, officers and employees. The cost of compliance with changes in governmental regulations has a potential to reduce the profitability of operations.

### Conflicts of Interest

The directors and officers of the Company may serve as directors or officers of other public resource companies or have significant shareholdings in other public resource companies. Situations may arise in connection with potential acquisitions and investments where the other interests of these directors and officers may conflict with the interest of the Company. In the event that such a conflict of interest arises at a meeting of the directors of the Company, a director is required by the *Business Corporations Act* (Ontario) to disclose the conflict of interest and to abstain from voting on the matter.

From time to time several companies may participate in the acquisition, exploration and development of natural resource properties thereby allowing for their participation in larger programs, permitting involvement in a greater number of programs and reducing financial exposure in respect of any one program. It may also occur that a particular company will assign all or a portion of its interest in a particular program to another of these companies due to the financial position of the company making the assignment. In determining whether or not the Company will participate in a particular program and the interest therein to be acquired by it, the directors will primarily consider the degree of risk to which the Company may be exposed and its financial position at that time.

#### Dependence on Key Personnel

The Company is dependent on a relatively small number of key people, the loss of any of whom could have an adverse effect on its operations. Any key person insurance which the Company may have on these individuals may not adequately compensate for the loss of the value of their services.

### **EFFECTIVENESS OF DISCLOSURE CONTROLS**

The Chief Executive Officer and Chief Financial Officer have evaluated the effectiveness of the Company's disclosure controls and procedures as of June 30, 2008. They have concluded that the Company's disclosure controls and procedures were effective to provide reasonable assurance that all material financial information relating to the Company was made known to them by others within the Company in order for them to complete their analysis and review of the financial position and results of the Company, particularly during the period in which the annual filings are being prepared.

This evaluation of the design of internal controls over financial reporting for the Company resulted in the identification of internal control deficiencies which are not atypical for a company of this size including lack of segregation of duties due to a limited number of employees dealing with accounting and financial matters and insufficient in-house expertise to deal with complex accounting, reporting and taxation issues.

The MD&A was reviewed and approved by the Audit Committee and Board of Directors and is effective as of May 29, 2009.

### **ADDITIONAL INFORMATION**

Additional information relating to the Company is available on SEDAR at [www.sedar.com](http://www.sedar.com).