Form 51-102-F1

HIGHLAND RESOURCES INC.

MANAGEMENT DISCUSSION & ANALYSIS
For the period ended February 28, 2010

Directors and Officers as at April 23, 2010

Directors:

Robert Eadie
Roger Blair
Gary Arca
David Salmon
Ken Sumanik

Officers:

President – Roger Blair
Chief Executive Officer – Robert Eadie
Chief Financial Officer and Corporate Secretary– Gary Arca

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TSX Venture Exchange Symbol:	HI

Form 51-102-F1

HIGHLAND RESOURCES INC.

MANAGEMENT DISCUSSION & ANALYSIS

For the period ended February 28, 2010

1.1 Date of This Report

This Management Discussion and Analysis ("MD&A") should be read in conjunction with the unaudited interim financial statements of Highland Resources Inc. ("Highland", or the "Company") for the period ended February 28, 2010. All dollar amounts herein are expressed in Canadian Dollars unless stated otherwise.

This MD&A is prepared as of April 23, 2010.

This MD&A includes certain statements that may be deemed "forward-looking statements". All statements in this discussion, other than statements of historical facts, that address exploration drilling, exploitation activities and events or developments that the Company expects are forward-looking statements. Although the Company believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance and actual results or developments may differ materially from those in the forward-looking statements. Factors that could cause actual results to differ materially from those in forward-looking statements include market prices, exploitation and exploration successes, continued availability of capital and financing and general economic, market or business conditions. Investors are cautioned that any such statements are not guarantees of future performance and actual results or developments may differ materially from those projected in the forward-looking statements.

1.2 Overall Performance

Description of Business

The Company was incorporated in the Province of British Columbia on June 7, 2006 under the Business Corporations Act of British Columbia. The Company received acceptance from the TSX Venture Exchange (the "Exchange") for the Company's qualifying transaction described in its filing statement dated September 16, 2008. As such the Company is no longer considered a capital pool company and is listed as a Tier 2 issuer on the Exchange. See section 1.4.1 for a discussion of the Company's qualifying transaction.

The Company is engaged in the business of mineral exploration in the Canada. The Company's objective is to locate and develop economic precious and base metal properties of merit. The Company had signed a letter of agreement to acquire 100% of the Montgomery Pass Property in Nevada. (see Section 1.4.1) but terminated the proposed acquisition during the period ended November 30, 2009. The Company has entered into a Mineral Property Purchase & Joint Venture Agreement for the proposed acquisition of a 51% interest in claims located in Ontario, Canada (see Section 1.4.1).

Financings

During the year ended May 31, 2008, the Company issued 7,500 common shares to the agent of the IPO at $0.20 per share for proceeds of $1,500 pursuant to the exercise of agent warrants.

During the year ended May 31, 2009, the Company issued 195,000 common shares at $0.20, for proceeds of $39,000 pursuant to the exercise of stock options.

In connection with the Rickaby Property Acquisition (see Section 1.4.1), the Company issued 4,605,000 units at $0.15 per unit for proceeds of $690,750. Each unit consisted of one common share and one-half of one transferable share purchase warrant. Each whole warrant is exercisable to purchase one share at a price of $0.30 per share for the first 12 months ending April 29, 2010 or $0.40 per share for the second 12 month period ending April 29, 2011. The proceeds were allocated to the fair value of the warrants of $358,000 with the remainder allocated to share capital.

The Agents received cash commissions of $55,260 and 690,750 Agents' options. Each Agent's option is exercisable into one unit at $0.15 per unit until April 29, 2011. The fair value of the Agents' options of $116,000 is included in share issue costs. Other legal and corporate fees of $47,092 were incurred.

On November 2, 2009, the Company announced the completion of a private placement for gross proceeds of $1,408,224.45. The private placement consisted of:

(a) 5,691,498 flow-through shares at $0.15 per share for proceeds of $853,725; and
(b) 3,696,666 Units at $0.15 per Unit for proceeds of $554,500. Each Unit consists of one common share and one-half non-transferable share purchase warrant. Each whole Warrant entitles the holder to purchase one common share at $0.20 until October 29, 2010 or at $0.30 until October 29, 2011.

The Company paid cash commissions of $89,848 and issued 743,731 warrants to the agents. The agents' warrants are exercisable at $0.20 per share until October 29, 2010. Share issue costs include $70,000 for the fair value of the agent's warrants.

MineralFields Group (a division of Pathway Asset Management), participated in Highland's private placement as to 2,666,666 flow-through common shares. MineralFields, based in Toronto, Vancouver and Calgary, is a mining fund with significant assets under administration that offers its tax-advantaged super flow-through limited partnerships to investors throughout Canada as well as hard-dollar resource limited partnerships to investors throughout the world.

1.3 Selected Annual Information

The highlights of financial data for the Company's three most recently completed year-ends are as follows:

	Year ended May 31, 2009	**Year ended May 31, 2008**	**June 7, 2006 (Date of Incorporation) to May 31, 2007**
(a) Net sales	**Nil**	**Nil**	**Nil**
(b) Loss before other items	**(263,057)**	**(136,269)**	**(107,183)**
(c) Net loss	**(296,199)**	**(126,881)**	**(98,422)**
(d) Loss per share – basic and diluted	**(0.07)**	**(0.06)**	**(0.07)**
(e) Total assets	**1,325,867**	**356,795**	**448,515**
(f) Total long-term liabilities	**Nil**	**Nil**	**Nil**
(g) Cash dividends declared per-share	**Nil**	**Nil**	**Nil**

1.4 Results of Operations

Discussion of Acquisitions, Operations and Financial Condition

The following should be read in conjunction with the financial statements of the Company and notes attached thereto.

1.4.1 Property Activity

Montgomery Pass Property

The Company entered into a letter agreement with Desert Pacific Exploration Inc. ("Desert Pacific") dated June 24, 2008 to acquire 81 mineral claims in Mineral County, Nevada. Desert Pacific is a private company incorporated in Nevada, U.S.A.

Pursuant to the letter agreement, the Company may have acquired a 100% undivided interest, subject to a 3% net smelter royalty ("NSR"). During the period ended November 30, 2009, the Company terminated the proposed acquisition of the Montgomery Pass Property. The Company recorded a write-down of $32,668 relating to this property in the statement of operations and deficit for the year ended May 31, 2009.

Rickaby Property

During the year ended May 31, 2009, the Company entered into a Property Purchase & Joint Venture Agreement (the "Agreement") with Canadian Prospector Inc. ("CPI"). The Agreement, as amended on January 23, 2009, grants the Company an option to acquire an undivided 51% interest in 88 mineral claims located in the Beardmore-Geraldton Belt of the Thunder Bay Mining District, Ontario ("Rickaby Property"). The Agreement was accepted by regulatory authorities on May 6, 2009 (the "Approval Date"). Consideration payable is as follows:

(i) payment of an aggregate $250,000 (paid);
(ii) expenditures by the Company in the aggregate amount of $1,000,000 by May 6, 2010; and
(iii) issuance of 2,916,666 shares (issued) to be held in escrow until $1,000,000 in exploration expenditures have been incurred by the Company. In the event the Company does not incur $1,000,000 of expenditures, the shares shall be returned to the Company for cancellation. These shares were valued using the market value of the shares as of the Approval Date.

In connection with the Agreement, a finder's fee was paid by the issuance of 393,749 shares of the Company. These shares were valued using the market value of the shares as of the Approval Date.

The Rickaby property is a grassroots gold property located in Elmhirst and Rickaby Townships in Northwestern western Ontario (see Claim Map available at www.highlandresources.ca) located in the Thunder Bay Mining District.

The property is in the Geraldton-Beardmore Gold belt which has a long history of gold exploration and development and has produced an estimated 4,373,300 ounces of gold over the years from 24 mining operations of various sizes, including production from one deposit located in part on the property. The property hosts gold-rich quartz veins and has exploration potential for base metal massive sulphide mineralization. The gold veins on the property occur in and around a granodiorite stock and are identical to gold veins that exhibit high grades, substantial widths and considerable continuity being developed on the adjacent Hercules property by Kodiak Exploration. Low grade base metal mineralization occurs on the property as well in a stringer/replacement type sulphide occurrence. The mineralization occurs in a rhyolite volcanogenic hydrothermal system of the kind in which many massive sulphide deposits in the Canadian Shield occur. There is unevaluated potential for massive sulphides at depth in the volcanogenic hydrothermal system.

J. L. LeBel, P. Eng., of Orequest Consultants Ltd., who is independent to the Company, is the Company's qualified person on the project as required under NI 43-101 and has prepared the technical information contained in this property description. He has prepared a 43-101 compliant report on the Rickaby Property, Thunder Bay Mining Division, Ontario, which is available on SEDAR.

Recent Exploration Activity

In June, 2009, the Company engaged the services of GeoVector Management Services Inc. of Ottawa, Ontario ("GeoVector") to manage the exploration program on the Rickaby Property. GeoVector, a mineral exploration consulting firm whose principals have over 100 years of cumulative industry experience, provides consulting services to the mineral industry, ranging from grass-roots exploration to advanced pre-development programs.

GeoVector was initially engaged to interpret the results of an airborne survey flown over three blocks, where a total of 982-line km. of geophysical data was acquired during the survey. The cost to Highland of the survey over the Rickaby Property was approximately $190,000. GeoVector also began field work, with the objective of completing a work program during that season, the results of which would be integrated with geological, geophysical and geochemical project databases for a complete multidisciplinary approach in the search for large ore deposits.

On June 23, 2009, the Company reported that the initial field work on the Rickaby Property was completed by GeoVector. As part of the work program, GeoVector completed channeling on the eastern end of the Highland claims adjacent to Mantis Mineral Corporation's historic Orphan mine claims. The Orphan Main vein was mined briefly in the 1930's and produced 3,525-tons of ore grading 0.689 ounces per ton gold. Highland's claims cover the eastern strike extension of this vein system and this area was extensively stripped in 2008 and exposed two new quartz veins. Channel sampling was carried out on these new pyrite mineralized quartz veins that are up to 1.8m wide, and contained mineralized feldspar, porphyry and granodiorite zones that are similar to the rock types hosting the Hercules mineralization. Channel sampling occurred over 60m of vein strike length, and the veins continued to extend into low swampy ground on both ends of the stripped area. The exposed extension of the Orphan vein remained to be channel sampled, and this would be carried out during the next phase of work on the property.

In November 2009, the Company reported that GeoVector had completed mapping and channel sampling at various targets on the Rickaby Property, including the Zeus claim, Lapilli trench and the Orphan Mine area. Trenching and mapping were also completed at Foisey-Larson, with channel sampling proceeding, and trenching was also completed at a new sulphide target, with mapping and sampling carried out thereafter.

Results of this work included the following:

1. The Zeus trench exposed a quartz vein up to 1 meter thick within a shear zone over approximately 25 meters of strike. Although the better mineralised shear and vein is fairly narrow (less than 2 meters wide), it occurs in a large shear system. Additionally two grab samples taken in June from a small outcrop exposure on this zone were both anomalous in gold (3.76 g/t in quartz vein and 1.36 g/t gold in shear). Finally the fact the shear/vein strike is trending parallel to the strike of Kodiak's Golden Mile Zone is considered very significant, and therefore Zeus is considered a high priority target.
2. The Foisey-Larson trench exposed a 45 meter wide shear zone in a granite to grano-diorite host rock. This zone was subsequently trenched 40 meters north along the shear strike over a 25m width on the western side of the 45 meter wide zone. A wide vein (up to 4 meters thick) and an accompanying wide zone of intense mineralized shear (up to 15 meters wide) were exposed. Both are mineralized with pyrite.
3. Prospecting has revealed massive sulphide mineralization southeast of the historically drilled Kenty Zone, and coincident with airborne survey EM anomalies.

In a news release dated January 5, 2010, the Company reported positive assay results from field work on the Rickaby Property that was completed during October and November by GeoVector.

The work consisted of prospecting, mechanical trenching, line cutting and ground IP, VLF and magnetic surveys. A total of 52 days were spent on the property from October 20th when prospecting began until December 10th when final geophysical surveying was completed. Results of the work were highly encouraging and the target areas explored are detailed as follows:

Zeus

As noted previously in a news release dated August 17th 2009, the Zeus area is directly north of mineralized veins on Kodiak's Hercules property. In the August release Highland reported a grab sample of a vein discovered during prospecting that returned 3.76 g/t gold. As reported in Highland's news release of November 4, 2009, this area was targeted for trenching to expose this vein. Prior to mechanical trenching, hand stripping of the area exposed more veining, and grab samples returned values of 6.54 g/t, 2.28 g/t 0.93 g/t and 0.78 g/t gold. Subsequent trenching with an excavator exposed a large sheared gabbroic host rock containing an area with an intense shear/quartz vein within it. This zone began with a NW strike and curved into a due east direction at the western end of the trench exposure.

Approximately 15 meters of strike length on the intense shear and veining was exposed within a trenched area that covers approximately 40 meters east/west and 30 meters north/south. The vein structure continues to trend to the west at the end of the trenched area. In total 222 channels were taken and sample grades ran from non-detectable gold up to 27.20 g/t gold. The channels covered the complete trench exposure, but only the intense shear/quartz vein zone contained positive gold results. Over a strike distance of 15 meters 6 channels crossed this zone with the following results:

Channel ZS-09 8	14.31 g/t gold over 1.0m, including 27.20 g/t Au over 0.50m
Channel ZS-09-9	9.71 g/t gold over 1.0m, including 18.90 g/t over 0.50m
Channel ZS-09-7	3.34 g/t gold over 1.0m
Channel ZS-09-10	2.47 g/t gold over 0.50m
Channel ZS-09-6	0.44 g/t gold over 0.50m
Channel ZS 09-5	0.38 g/t gold over 0.50m

The zone of mineralization shows excellent grade potential (up to 27.20 g/t gold), and good strike continuity. This is consistent with the style of mineralization described for the Hercules quartz vein zones. Highland will drill target areas where this mineralization could "blow out" to greater width. To assist in drill targeting 2 grids (Zeus North and Zeus South) were cut over the trend of mineralization, and IP, Magnetic and VLF surveys were carried out.

Foisey Larson

This area has historic reports of a wide shear zone with low grade Au mineralization. Analysis of a 2008 VTEM and magnetic airborne survey showed that this zone has the potential to be 1.5 km long. This is likely the largest target on the property.

Mechanical trenching covering 45m of shear strike length (north-northwest) over 25m of shear thickness exposed mineralized shear over a 10-15 meter width over the entire 45m strike length exposed. This mineralized zone include thick zones of quartz veining. In total, 399 channel samples were taken. Of this number 157 samples had negligible Au. These were from the barren eastern side of the shear. In the mineralized portion of the shear, 199 samples graded better than 0.10 g/t gold up to a maximum of 2.73 g/t Au. Average grade over the entire 45m strike length was 0.51 g/t gold over an average 13meter width.

In its press release of January 5, 2010, the Company reported highlights of the Foisey-Larson sampling which included:

Channel LF-09-1	0.37 g/t gold over 15.5m, including 1.04 g/t Au over 4.0m
Channel LF-09-2/3	0.48 g/t gold over 13.1m, including 0.91 g/t Au over 5.1m
Channel LF-09-7/8/9	0.54 g/t gold over 13.5m, including 0.86 g/t Au over 4.0m
Channel LF-09-10/11/12	0.56 g/t gold over 13.5m, including 1.15 g/t Au over 3.0m
Channel LF-09-15/23	0.71 g/t gold over 9.5m, including 1.14 g/t Au over 1.5m

Channel LF-09-20	0.71 g/t gold over 7.5m, including 1.06 g/t over 2.5m
Channel LF-09-21	0.64 g/t gold over 8.5m, including 1.45 g/t over 1.5m

In addition to gold results, the zone has silver and molybdenum content. Silver is linearly related to gold and averages 4 g/t for every 1 g/t of gold. The molybdenum content is approximately 0.025% Mo within the mineralized shear zone. Both these elements are significant accessories to the gold.

This zone indicates a very large mineralizing system, particularly when the strike of the mineralized trenched area is extended to an historic drill hole located 800m north. This hole assayed approximately 1 g/t gold over 8m. This target has very good potential of containing a large gold deposit. Subsequent to the trenching and sampling, this area was surveyed by IP/VLF/MAG on a grid covering the 1.5km of potential strike length. Once interpreted it is expected that these surveys will highlight potential areas that are possibly wider and higher grade. .

Foisey-Larson Zone Drill Results
The Foisey Larson target was initially defined by positive channel sampling results from October and November 2009 work (see news release of January 5th, 2010). This target was greatly expanded along strike by encouraging Induced Polarization ("IP") anomalies that appear to be directly associated with the known mineralization. In April, 2010, the Company reported that a pattern of 7 holes totalling 1260.66 meters were drilled at the Larson-Foisey Zone.

An additional 5 holes have been drilled on the Rickaby property; assays are pending for these holes. The drill program is currently suspended awaiting the end of the spring thaw so that the remaining targets can be drilled. On recommencement of the drilling program holes are planned on the Zeus South, Zeus North, Kilometre 23 and Koch-Daneff target areas.

Six of the seven holes drilled on the Larson-Foisey target intersected mineralization directly associated with disseminated pyrite in sheared granitic rocks. Five holes were drilled on an excellent Au/Mo/Ag target initially defined by positive channel sampling results from October and November 2009 work (Foisey-Larson Main Zone). The holes were drilled on a cut grid and are spaced between 175 and 475 meters apart along 1300 meters of IP anomalies. All five holes intersected significant Au/Mo/Ag mineralization with individual assay values up to 2.75 g/t gold over 0.50m and 0.38% Molybdenum over 0.49m.. Drill intersection highlights include 8.18m of 0.86 g/t gold in hole FL10-01 and 11.25 meters of 0.75 g/t gold in FL10-02. The Company is very encouraged by the strike length of this zone and that it is still open for extension along strike and down dip. The Company believes the Foisey-Larson area has the potential to host a significant deposit.

One hole was drilled in the Foisey-Larson area on a new sub-parallel structure (Foisey-Larson #2 Target). This target is indicated by an IP anomaly over a strike length of 600m. This drill hole also intersected significant gold mineralization. This zone does not appear to have significant molybdenum with it. Both the Main Zone and the #2 Target remain open along strike.

The seventh hole in the Foisey-Larson drilling was targeted on a third IP anomaly (Foisey-Larson #3 target) and had no significant values. It may have been drilled over the top of the IP anomaly in the overburden portion of the hole.

Highland Resources Drilling Program 2010										
Foisey-Larson Drill Holes										
		Grid Location		Drill Intersection						
Hole #	MAIN ZONE	GridS	GridW	From (m)	To (m)	Width (m)*	Au g/t	Ag g/t	Mo%	Comment
FL-01		75S	3+25W	44.42	52.60	**8.18**	**0.86**	**1.84**	**0.01**	
			including	48.52	51.97	3.45	1.13	2.16	0.03	
FL-02		300S	3+25W	43.88	55.13	**11.25**	**0.75**	**1.05**	**0.03**	
			including	44.38	46.52	2.14	1.51	2.82	-	
			including	50.70	52.70	2.00	1.12	2.12	0.16	
FL-03		775S	3+75W	128.27	133.00	4.73	0.43	2.19	0.04	
			including	131.50	132.36	1.29	1.37	6.50	0.13	
			and	158.60	169.00	10.40	0.28	0.62	-	
			including	161.50	164.00	2.50	0.58	1.36	-	
FL-04		900S	2+50W	3.33	8.90	5.57	0.53	0.20	-	Drill hole was collared inside the zone of mineralization
			including	5.90	7.40	1.50	1.51	0.50	-	
FL-06		1275S	3+00W	3.73	7.00	3.27	0.59	0.92	0.01	Drill hole was collared inside the zone of mineralization
			including	4.92	5.94	1.02	1.52	2.30	0.03	
FL-05		1100S	4+62W	99.82	104.00	4.18	0.54	0.74	-	
			including	99.82	101.11	1.88	1.13	1.64	-	
			and	110.80	111.30	0.50	1.12	1.60	-	
FL-07		1475S	5+00W	No significant Assays						Possibly overshot the IP target

**Holes were drilled to intersect the mineralized zones normal to the interpreted strike and dip of the zones. Based on drill core foliations true widths are interpreted to be 85-100% of drill intersections*

Koch-Daneff

This area is next to the historic Orphan mine which was mined briefly in the 1930's and produced 3,525-tons of ore grading 0.689 ounces per ton gold. The Company's claims cover the eastern strike extension of this vein system and this area was extensively stripped in 2008. Partial channel sampling on new vein exposures during Highland's June 2009 work included 17.1 g/t over 1.20m. Channel sampling of this previously trenched area was completed in October. A total of 87 channel samples were taken. Most samples had negligible gold but two channels were taken on a sulphidized zone that appears to be the extension of the Orphan vein. These channels returned anomalous gold.

Channel KD-09-01	1.82 g/t Au over 1.0m
Channel KD-09-02	1.63 g/t Au over 0.70m

These samples are also on strike with an historic drill hole that intersected 15.77 g/t over 3.5m. This drill hole is approximately 100 meters from the trench results, indicating good continuity for this structure. Following the channel sampling IP, VLF and Magnetic surveys were completed over a possible 800 meter strike for this zone, and in the first quarter of 2010 drilling will investigate this target area.

KRK Zone
This area was trenched and channel sampled in 2008. Channel sampling results reported in August 2009 included values of 1.07 g/t gold over 1.50m and 1.07% Pb and 1.59% Zn over 1.50m in massive sulphides in a felsic fragmental volcanic. Historical drilling (hole R98-22 returned 0.74% Cu over 71 meters). Areas that were trenched in 2008 were not completely sampled and these areas were covered with 74 channel samples during the recent field work. No samples were anomalous in gold, but a zone of volcanic breccia was sampled that returned 0.11% Zinc and 1.08 g/t silver over a 12 meter width across the strike of the breccia. Although low grade this zone is significant as it is 800 meters along strike from VTEM airborne anomalies defined during the 2008 airborne survey. The EM conductors could be indicating areas of higher concentrations of base metals. IP, VLF and Magnetics were completed on these anomalies during the recent field work. The results of these surveys will be used to spot follow-up drilling to take place in the first quarter of 2010.

Proposed exploration

Humboldt Bay Property Airborne Survey Completed
The Company would also like to report that it has completed a detailed Airborne Survey on its Humboldt Bay Property in the Beardmore-Geraldton Gold Camp (see the Company's news release February 25th, 2010). AeroQuest International Limited completed 3348 line kilometres of the helicopter borne survey on March 25th using their AeroTem II system. The Company's geophysical consultants are currently assessing the magnetic and electro magnetic ("EM") data. Preliminary magnetic information suggests interesting structural targets proximal to historic gold mineralized zones. In addition several EM anomalies were defined by the program, and these are potentially related to volcanogenic massive sulphide or Ni/Cu deposits that are known to occur in the area surrounding the Humboldt Bay property. Ground follow-up of promising targets is planned once spring thaw conditions allow. Field crews are tentatively scheduled to mobilize to the property in late April.

Joe Campbell (P.Geo.), President of GeoVector, is the Company's qualified person on the project as required under NI 43-101 and has prepared the technical information contained in this description of exploration activities.

1.4.2 Results of Operations

The Company incurred a loss for the period ended February 28, 2010 of $535,676 as compared to a loss for the comparative period ended February 28, 2009 of $178,063 as follows:

Nine months ended February 28,	**2010**	2009
Accounting and office administration	**$ 21,813**	$ 22,560
Amortization	**304**	-
Audit fees	**2,923**	4,167
Bank charges and interest	**1,113**	686
Consulting fees	**44,187**	29,012
Legal and corporate services	**56,876**	53,734
Management fees	**105,000**	20,000
Qualifying transaction investigation costs	**-**	1,370
Rent	**22,500**	20,834
Shareholder communications	**69,362**	4,005
Stock-based compensation	**192,000**	-
Transfer agent and filing fees	**19,959**	21,221
Foreign exchange	**-**	2,189
Interest income	**(361)**	(1,715)
Net loss for the period	**$ (535,676)**	**$** (178,063)

The Company completed its qualifying transaction on September 26, 2008 and has fully commenced ongoing public company activities as such, during the comparative period ended February 28, 2009 the Company was still in the start up phase and as a result, expenditures for that period vary from the current period ended February 28, 2010 at which time the Company was operating normally. Legal and corporate services of $56,876 in the current period ended February 28, 2010 relate to ongoing corporate activities relating to the Rickaby Property. Additionally, increased activity related to the Company's activity on the Rickaby Property includes shareholder communications of $69,362 and consulting fees of $44,187 compared to $4,005 and $29,012, respectively, for the same period last year. Management fees of $105,000 have increased significantly due to the addition of a corporate president. The most significant expense is the Stock based compensation expense in the period ended February 28, 2010 of $192,000 related to options which vested in the period. The expense was calculated at fair value using the Black Scholes option pricing model.

Investor Relations Activities

There are no formal investor relations agreements in place.

Financings, Principal Purposes & Milestones

See section 1.2.

1.5 Summary of Quarterly Results

The following is a summary of the Company's financial results for the financial past eight quarters:

	Q3 28-Feb-10	Q2 30-Nov-09	Q1 31-Aug-09	Q4 31-May-09
Net Loss:				
Total	$ 151,203	$ 187,077	$ 197,396	$ 118,136
Per share – basic and fully diluted loss	$ (0.01)	$ (0.01)	$ (0.02)	$ (0.02)

	Q3 28-Feb-09	Q2 30-Nov-08	Q1 31-Aug-08	Q4 31-May-08
Net Loss:				
Total	$ 88,611	$ 62,101	$ 27,351	$ 46,272
Per share – basic and fully diluted loss	$ (0.04)	$ (0.03)	$ (0.01)	$ (0.02)

Discussion

For the discussion of results for the period ended February 28, 2010, please refer to Section 1.4.2 *Results of Operations.*

1.6 Liquidity and Capital Resources

In management's view, given the nature of the operations, which currently consists of its agreement to acquire certain resource properties, the most relevant financial information relates primarily to current liquidity, solvency and planned expenditures. The Company's financial success will be dependent upon the extent to which it can determine whether its resource properties contain reserves, which are economically recoverable.

Such development may take years to complete and the amount of resulting income, if any, is difficult to determine. The Company does not expect to receive significant income in the foreseeable future.

As at February 28, 2010, the Company had not yet achieved profitable operations and has accumulated losses of $1,057,178 since its inception. Its ability to continue as a going concern is dependent upon the ability of the Company to obtain the necessary financing to meet its obligations and pay its liabilities arising from normal business operations when they come due. Working capital at February 28, 2010 was $648,958, however this may not be adequate to meet the Company's obligations over the next twelve months. As such, the Company's ability to continue as a going concern is in substantial doubt. If required, it is anticipated that any additional funding will be in the form of equity financing from the sale of common shares, however there is no guarantee that funding from such financings will be available in amounts sufficient to meet the commitments of the Company.

1.6 Capital Resources

The only capital resource of the Company is the Rickaby Property, with historical costs of $1,635,139 as at February 28, 2010. The Company is committed to further expenditures on the properties, as detailed in Section 1.4 Results of Operations.

1.8 Off Balance Sheet Arrangements

There are no off-balance sheet arrangements to which the Company is committed.

1.9 Transactions with Related Parties

The Company incurred the following costs with companies controlled by directors of the Company and with companies controlled by significant shareholders:

	February 28, 2010	February 28, 2009
Accounting and office administration	**$ 22,500**	$ 4,500
Consulting fees	**26,000**	-
Corporate services	**69,000**	-
Management fees	**105,000**	-
Rent	**22,500**	9,000
Shareholder communications	**9,000**	-
	$ 194,000	$ 13,500

Included in prepaid expenses at February 28, 2010, is $2,575 (May 31, 2009: $2,575) for prepaid rent with a company with a director in common and $2,500 in advance of expenses incurred by a director.

These transactions were measured at the exchange amount, which is the amount agreed upon by the transacting parties.

1.10 Third Quarter

The third quarter ended February 28, 2010 differs significantly from the comparative quarter in the prior year. See Section 1.4.2 for a discussion.

1.11 Proposed Transactions

N/A

1.12 Critical Accounting Estimates

Stock-Based Compensation

The Company adopted the recommendations of CICA Handbook section 3870, "Stock-Based Compensation and Other Stock-Based Payments." This section establishes standards for the recognition, measurement and disclosure of stock-based compensation and other stock-based payments made in exchange for goods and services. Stock-based compensation is accounted for at fair value as determined by the Black-Scholes option pricing model using amounts that are believed to approximate the volatility of the trading price of the Company's shares, the expected lives of awards of stock-based compensation, the fair value of the Company's stock and the risk-free interest rate, as determined at the grant date. The estimated fair value of awards of stock-based compensation are charged to expense over their vesting period, with offsetting amounts recognized as contributed surplus. Upon exercise of share purchase options, the consideration paid by the option holder, together with the amount previously recognized in contributed surplus, is recorded as an increase to share capital.

The Company uses the Black-Scholes option valuation model to calculate the fair value of share purchase options at the date of grant. Option pricing models require the input of highly subjective assumptions, including the expected price volatility. Changes in these assumptions can materially affect the fair value estimate and, therefore, the existing models do not necessarily provide a reliable single measure of the fair value of the Company's share purchase options.

1.13 Changes in Accounting Policies Including Initial Adoption

The unaudited interim financial statements of the Company follow the same accounting policies and methods as the Company's most recent annual audited financial statements except for the initial adoption of the policies outlined below:

Resource Properties

The Company defers the cost of acquiring, maintaining its interest, exploring and developing mineral properties until such time as the properties are placed into production, abandoned, sold or considered to be impaired in value. Costs of producing properties will be amortized on a unit of production basis and costs of abandoned properties are written-off. Proceeds received on the sale of interests in mineral properties are credited to the carrying value of the mineral properties, with any excess included in operations. Write-downs due to impairment in value are charged to operations.

The Company is in the process of exploring and developing its mineral properties and has not yet determined the amount of reserves available. Management reviews the carrying value of mineral properties on an annual basis and will recognize impairment in value based upon current exploration results, the prospect of further work being carried out by the Company, the assessment of future probability of profitable revenues from the property or from the sale of the property. Amounts shown for properties represent costs incurred net of write-downs and recoveries, and are not intended to represent present or future values.

Environmental expenditures that relate to current operations are expensed or capitalized as appropriate. Expenditures that relate to an existing condition caused by past operations and which do not contribute to current or future revenue generation are expensed. Liabilities are recorded when environmental assessments and/or remedial efforts are probable, and the costs can be reasonably estimated. Generally, the timing of these accruals coincides with the earlier of completion of a feasibility study or the Company's commitment to a plan of action based on the then known facts.

Asset Retirement Obligations

The Company follows the recommendations in CICA Handbook Section 3110 – "Asset Retirement Obligations" with respect to asset retirement obligations. Under Section 3110, legal obligations associated with the retirement of tangible long-lived assets are recorded as liabilities. The liabilities are calculated using the net present value of the cash flows required to settle the obligation. A corresponding amount is capitalized to the related asset. Asset retirement costs are charged to earnings in a manner consistent with the depreciation, depletion and amortization of the underlying asset. The liabilities are subject to accretion over time for changes in the fair value of the liability through charges to accretion which is included in cost of sales and operating expenses.

It is possible that the Company's estimates of its ultimate asset retirement obligations could change as a result of changes in regulations, the extent of environmental remediation required, the means of reclamation or cost estimates. Changes in estimates are accounted for prospectively from the period the estimate is revised.

The Company has only performed preliminary exploratory work on its mineral properties, and has not incurred significant reclamation obligations in the current year or prior periods.

Impairment of Long-lived Assets

Canadian generally accepted accounting principles require that long-lived assets and intangibles to be held and used by the Company be reviewed for possible impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If changes in circumstances indicate that the carrying amount of an asset that an entity expects to hold and use may not be recoverable, future cash flows expected to result from the use of the asset and its disposition must be estimated. If the undiscounted value of the future cash flows is less than the carrying amount of the asset, impairment is recognized. Management believes there has been no impairment of the Company's long-lived assets as at February 28, 2010.

Capital Management

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The properties in which the Company currently has an interest are in the exploration stage and, as such, the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during the period ended February 28,2010. The Company is not subject to externally impost capital requirements

1.14 **Financial and Other Instruments**

The carrying value of the Company's financial instruments, consisting of cash and accounts payable and accrued liabilities approximate their fair values due to the short maturity of those instruments. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments.

1.15 International Financial Reporting Standards ("IFRS")

In February 2008, the Canadian Accounting Standards Board ("AcSB") confirmed the mandatory changeover date to IFRS for Canadian profit-oriented publicly accountable entities ("PAE's") such as the Company.

The AcSB requires that IFRS compliant financial statements be prepared for annual and interim financial statements commencing on or after January 1, 2011. For PAE's with a May 31 year-end, the first unaudited interim financial statements under IFRS will be the quarter ending August 31, 2011, with comparative financial information for the quarter ended August 31, 2010. The first audited annual financial statements will be for the year ending May 31, 2012, with comparative financial information for the year ended May 31, 2011. This also means that all the opening balance sheet adjustments relating to the adoption of IFRS must be reflected in the June 1, 2011 opening balance sheet which will be issued as part of the comparative financial information in the August 31, 2011 unaudited interim financial statements.

The Company intends to adopt these requirements as set out by the AcSB and other regulatory bodies. At this time, the impact of adopting IFRS cannot be reasonably quantified. During fiscal 2010, the Company will continue to evaluate the impact of IFRS on the Company and develop and put in place a plan for the conversion to IFRS. If the Company decides not to early adopt the standards, the actual conversion work will occur in late 2010 and 2011, in anticipation of the preparation of the May 31, 2011 balance sheet that will be required for comparative purposes for all periods ending in fiscal 2012.

1.16 Other

1.16.1 Disclosure of Outstanding Share Capital as at April 23, 2010:

	Number	Book Value
Common Shares	21,581,080	$ 2,352,232

At February 28, 2010, the Company had outstanding 1,237,500 share purchase options and 10,000 charitable share purchase options, each option allowing the holder to acquire an additional share of the Company at between $0.155 and $0.20 per share, respectively and at $0.20 per share for charitable share purchase option holders. Share purchase options have expiry dates ranging from September 22, 2011 to November 18, 2014 and charitable share purchase options expire on September 22, 2016.

At November 30, 2009, the Company had 2,302,500 share purchase warrants outstanding, exercisable to purchase one common share at $0.30 per share until April 29, 2010 or at $0.40 per share until April 29, 2011. Additionally, pursuant to the financing (see section 1.2 – *Financings*) 1,848,333 warrants were issued which are exercisable to purchase one share at $0.20 per share until October 29, 2010 or $0.30 until October 29, 2011 and 743,731 agents' warrants are exercisable to purchase one share at $0.20 per share until October 29, 2010. the Company

At November 30, 2009, the Company also had 690,750 Agent's options outstanding. Each Agent's option is exercisable for one unit at $0.15 per unit until April 29, 2011. Each unit consists of one common share and one-half of one transferable share purchase warrant. Each whole warrant is exercisable to purchase one share at a price of $0.30 per share for the first 12 months ending April 29, 2010 or $0.40 per share for the second 12 month period ending April 29, 2011.