

SENNEN RESOURCES LTD.

Management Discussion and Analysis

For the year ended January 31, 2010

This discussion and analysis of financial position and results of operations is prepared as at May 25, 2010 and should be read in conjunction with the audited consolidated financial statements of Sennen Resources Ltd. (the "Company" or "Sennen") for the year ended January 31, 2010 and the related notes thereto. Those audited consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. These documents are available for viewing at www.sedar.com. All dollar amounts included therein and in the following management discussion and analysis ("MD&A") are expressed in Canadian dollars except where noted.

This discussion contains forward-looking statements that involve risks and uncertainties. Such information, although considered to be reasonable by the Company's management at the time of preparation, may prove to be inaccurate and actual results may differ materially from those anticipated in the statements made.

Description of Business

The Company is a natural resource company engaged in the acquisition and exploration of mineral properties. The Company trades on the TSX Venture Exchange under the symbol SN.

Overview

Subsequent to January 31, 2010, the Company executed a Heads of Agreement providing for an option over an interest a mineral project in Spain. The option is over an 80% interest in Minera de Rio Guadiato S.L. ("MRG"), the company that owns the rights to the La Nava-El Paredon massive sulphide mineral deposit located near Cordoba, Spain.

MRG - La Nava-El Paredon ("El Paredon")

El Paredon is located approximately 45 kilometers northwest of Cordoba in the Andalucia region of Southern Spain and comprises one permit covering a six square kilometers area, as granted by the Director General Ministry of Energy and Mines on March 9th, 2010.

The El Paredon deposit is hosted by the volcano-sedimentary strata of the Erillas Volcanic complex and situated on the western flank of the La Nava-El Paredon Syncline. El Paredon was first discovered in 1979 from drilling in an area of old iron ore workings and mineral showings. The drill campaign consisted of 32 core-holes with 3,954m drilled that outlined a deposit of strata-bound, semi-massive and disseminated mineralization that extends for at least 300m along strike and dips at 35°. From this previous work an 'ore estimation' for only a higher grade mineralized zone was conducted and reported as being 257,736 tonnes grading 2.0% copper, 4.7% lead, 10.9% zinc, 1.8 g/t gold and 183 g/t silver. ***This historical resource estimate was made in accordance with the standards in effect at the time, but such estimate is not compliant with National Instrument 43-101. It is reported here for reference purposes only, and should not be relied upon.*** Disseminated mineralization was also reported to occur, with average grades of 0.4% copper, 0.6% lead, 1.4% zinc, 0.5 g/t gold and 24 g/t silver, but no resource estimation was conducted on this zone of lower grade mineralization.

In 1981, a feasibility study was carried out by Estudios Poyectus Mineras S.A. that concluded that the optimum design of the initial open-pit (to a depth of 80m) would have a 'recoverable resource' of 639,155 tonnes with grades of 1.1% copper, 3% lead, 6.5% zinc, 79.8 g/t silver and 0.6 g/t gold, with a waste to ore strip ratio of 4.3 to 1. ***This historical resource estimate was made in accordance with the standards in effect at the time, but such estimate is not compliant with National Instrument 43-101. It is reported***

here for reference purposes only, and should not be relied upon. A further drill campaign in 1982 located mineralization in the footwall sequences but no resource estimates were made following this drilling.

The drill spacing between holes at El Paredon varies from 15m to 50m and this is considered too wide for the correlation of mineralization for resource estimate purposes in line with NI 43-101 reporting requirements. Further drilling is therefore required to improve definition of the mineralization and to evaluate the dimensions of higher-grade zones. Also, gold values were often not reported, and both gold and silver grades require investigation. Further drilling and assaying is required to locate possible new ore zones that have higher ratios of precious to base metals. Previous work and technical studies were focused on a small area at El Paredon with very limited exploration and there is potential for the historical resource to be substantially increased within the area covered by the Permit and exploration work is proposed across the area in order to locate other similar sulphide deposits in the vicinity of El Paredon. MRG will remain the operator of the property and will manage and control exploration work in line with that recommended in the NI 43-101 report.

Sennen shall acquire the interest in El Paredon by way of an option to purchase 80% of the issued and outstanding shares of MRG (the “MRG Shares”), the Spanish company that owns the right to El Paredon. Under the terms of the Agreement, Sennen shall be entitled to retain the option (the “MRG Option”) to purchase the MRG Shares for up to four years (the “MRG Option Period”) by paying a total of US\$2,500,000 and issuing a total of 5,000,000 common shares of the Company (the “MRG Option Payments”) over the course of the MRG Option Period. The MRG Option Payments are payable as follows:

- (a) US\$200,000 on execution of the Heads of Agreement, to secure an exclusivity period for Sennen to finalize formal agreements and secure regulatory acceptance;
- (b) US\$300,000 to be paid and 1,000,000 common shares to be issued upon receipt of regulatory acceptance to the transaction (“MRG Completion”);
- (c) US\$500,000 to be paid and 1,000,000 common shares to be issued 12 months after MRG Completion to keep the MRG Option open for a second year;
- (d) US\$700,000 to be paid and 1,500,000 common shares to be issued 24 months after MRG Completion to keep the MRG Option open for a third year;
- (e) US\$800,000 and a further 1,500,000 common shares to be issued 36 months after MRG Completion in order to keep the MGR Option open for a fourth year.

In order to exercise the MRG Option, the Company is required to pay US\$4,000,000 and issue 8,000,000 common shares.

The MRG Option can be exercised at any time after 12 months in lieu of any remaining option payments.

Sennen retains a right of first refusal to acquire the remaining 20% of MRG at any time during the MRG option period.

The Agreement remains subject to the acceptance of the TSX Venture Exchange and finder’s fee is payable by the Company on this transaction in accordance with TSX Venture Exchange guidelines.

El Paredon represents an excellent opportunity to acquire and develop known resources located in a country offering a combination of political and economic stability together with a positive attitude towards mining. With the acquisition of the El Paredon Sennen will have an active project in Spain.

Sennen currently has 47,998,665 shares issued and outstanding and sufficient funds to meet all its obligations with respect to the option and acquisition without the need for further financing.

Selected Annual Financial Information

	Year Ended January 31, 2010	Year Ended January 31, 2009	Year Ended January 31, 2008
Interest income	\$ 471,498	\$ 1,297,693	\$ 650,695
Gain on sale of mineral properties	-	-	20,125,615
Net income (loss) before taxes (tax recovery)	1,839,625	(1,413,725)	19,952,752
Net income (loss)	1,839,625	(1,093,244)	13,824,752
Basic and diluted earnings (loss) per share	0.04/0.04	(0.02)/(0.02)	0.31/0.30
Total assets	17,916,749	17,633,575	21,813,348
Total long-term liabilities	-	-	-
Cash dividends	-	-	-
Cash Flows from (Used In):			
Operating activities	\$ 3,858,910	\$ (879,733)	\$ (309,001)
Investing activities	-	-	12,874,812
Financing activities	-	699,500	-
Net Change	\$ 3,858,910	\$ (180,233)	\$ 12,565,811

In fiscal 2008, the Company completed the sale of the Middlemount coal deposit to Custom Mining (Middlemount) Pty Ltd. Additionally, during fiscal 2008, the Company sold the Ownaview and Collingwood coal deposits to Anglo Coal (Taroom) Pty Ltd. and MCH Surat Basin Investment Pty Ltd. Cash proceeds received on the sale of the three coal deposits in 2008 totaled \$12,874,812, net of disposition costs, on the sale of the three coal deposits.

In fiscal 2009, the Company received \$3,672,321 (AUD\$4,500,000) in connection with the sale of the Middlemount coal deposit. This was the second of the three installment payments received by the Company. The final tranche of AUD\$4,500,000 was paid in June 2009. Also during fiscal 2009, the Company received \$699,500 on the exercise of 3,497,500 Company stock options.

In fiscal 2010, the Company recorded a net income of \$1,839,625 resulting in earnings of \$0.04 per common share primarily from a \$2,910,843 foreign exchange gain. Also during fiscal 2010, the Company received \$4,133,250, representing the third and final tranche on the sale of the Middlemount deposit.

Results of Operations

During the year ended January 31, 2010, the Company recorded a net income of \$1,839,625 compared to a loss of \$1,093,244 for the year ended January 31, 2009. The significant changes during the year ended January 31, 2010 compared to the year ended January 31, 2009 are as follows:

- During the year ended January 31, 2009, the Company incurred administration fees of \$57,110 as compared to \$47,694 during the year ended January 31, 2009. There was increased corporate activity in the Company during the current year.
- Property investigation costs decreased to \$Nil during the year ended January 31, 2010 from \$91,993 during the year ended January 31, 2009 as a result of the Company hiring certain geological consultants to identify potential resource exploration projects subsequent to the sale of the coal projects during the comparative year.

- During the year ended January 31, 2010, the Company recorded a foreign exchange gain of \$2,910,843 compared to a foreign exchange loss of \$1,790,242 recorded in the year ended January 31, 2009 due to currency fluctuations between the Canadian and Australian dollars. The majority of the Company's cash and cash equivalents are currently held in Australian dollars.
- During the year ended January 31, 2010, professional fees decreased to \$174,188 from \$203,513 incurred during the year ended January 31, 2009 as a result of additional expenses paid by the Company in connection with the sale of the coal deposits, including income tax consultation during the comparative year.
- During the year ended January 31, 2010, the Company incurred management fees of \$155,000 as compared to the \$140,000 incurred during the year ended January 31, 2009. This increase was related to a bonus paid to Prospect Point Consulting, a company controlled by Barbara Dunfield the Chief Financial Officer of Sennen.
- Stock-based compensation expense of \$738,068 was recorded during the year ended January 31, 2010, with respect to 5,650,000 options granted during fiscal 2010, as compared to \$3,731 recorded during the year ended January 31, 2009. Pursuant to the Company's stock option plan, this amount represented the fair value of the vested options. This is a non-cash transaction.
- Office and miscellaneous expenses decreased to \$29,024 during the year ended January 31, 2010 from \$68,959 in the year ended January 31, 2009 as a result of the interest expense recorded on the taxes payable by Huisan Inc, the Company's wholly owned subsidiary, in connection with the sale of the Middlemount deposit in the comparative year.
- Interest income of \$471,498 was earned during the year ended January 31, 2010 on cash held in short-term investments from the sale of the coal deposits. This compares to interest income of \$1,297,693 earned during the year ended January 31, 2009, which included \$331,524 of accreted interest on the net present value calculation on the outstanding receivable in connection with the sale of the Middlemount deposit. A discount rate of 6% was used over the term of the receivable.
- During fiscal 2009, the Company recorded a \$320,481 income tax recovery as a result of an over-estimate of taxes payable in fiscal 2008 in connection with the sale of the coal deposits. There was no similar recording during fiscal 2010.

Fourth Quarter Results

The Company recorded a loss of \$610,769 for the three month period ended January 31, 2010 or \$0.01 loss per common share compared to a loss of \$172,387 or \$0.01 loss per common share during the comparative period ended January 31, 2009. Additionally, the Company earned \$168,158 in interest income during fourth quarter of fiscal 2009 compared to \$216,015 earned in the comparative period. The significant decrease in interest income is a result of the drop in interest rates in the current fourth quarter. Otherwise, total administrative expenses between the two comparative periods were similar. In the current fourth quarter, the Company recorded a loss of \$554,096 in foreign exchange as a result of currency fluctuations between the Canadian and Australian dollars.

Quarterly Information

The following table sets forth selected consolidated financial information prepared by management of the Company.

Summary of Quarterly Results

	Three Months Ended January 31, 2010	Three Months Ended October 31, 2009	Three Months Ended July 31, 2009	Three Months Ended April 30, 2009
Total assets	\$17,916,749	\$18,516,015	\$17,079,401	\$19,246,168
Working capital	17,872,901	18,483,670	17,015,272	16,700,614
Interest income	168,158	105,424	90,662	107,253
Net income (loss)	(610,769)	1,468,398	314,657	667,339
Earnings (loss) per share - basic/diluted	(0.01)/(0.01)	0.03/0.03	0.01/0.01	0.01/0.01

	Three Months Ended January 31, 2009	Three Months Ended October 31, 2008	Three Months Ended July 31, 2008	Three Months Ended April 30, 2008
Total assets	\$17,633,575	\$18,316,470	\$21,447,080	\$24,240,172
Working capital	15,295,208	15,467,595	18,005,920	13,578,492
Interest income	216,015	367,362	366,351	347,965
Net income (loss)	(172,387)	(2,538,325)	438,683	1,178,785
Earnings (loss) per share - basic/diluted	(0.01)/(0.01)	(0.05)/(0.05)	0.01/0.01	0.03/0.03

Those consolidated financial statements for the year ended January 31, 2010, have been prepared on a going concern basis which assumes that the Company will be able realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future.

Fiscal 2010

During the fourth quarter of fiscal 2010, the Company recorded a foreign exchange loss of \$554,096 that resulted in a net loss for the quarter of \$610,769. Otherwise administrative expenses remained consistent with the prior quarter.

During the third quarter of fiscal 2010, the Company recorded a gain on foreign exchange of \$1,561,633 that resulted in a net income for the quarter of \$1,468,398. Otherwise, all administrative expenses remained consistent with the prior quarter.

During the second quarter of fiscal 2010, the Company received AUD\$4,500,000 (CDN\$4,133,250), representing the third and final tranche in connection with the sale of the Company's interest in the Middlemount coal deposit. Also during this quarter, the Company paid AUD\$2,879,842 (CDN\$2,526,773) towards the income taxes payable by Racehorse Investment Inc. ("Racehorse"), the Company's wholly-owned subsidiary, in connection with the sale of the Collingwood and Ownaview coal deposits. Lastly, the Company reported net income of \$314,657 primarily a result of the \$429,846 foreign exchange gain recorded by the Company.

During the first quarter of fiscal 2010, the Company reported a gain of \$667,339 primarily a result of the \$1,416,524 foreign exchange gain recorded during this quarter. The Company's funds from the sale of its

coal assets are mostly held in Australian dollars. The fiscal 2010 first quarter gain was partially offset as the Company recorded a \$738,068 stock based compensation expense on the granting of 5,650,000 stock options exercisable at \$0.17 per share over a five year period.

Fiscal 2009

During the fourth quarter of fiscal 2009, the Company reported a loss of \$172,387. During this quarter, management recorded a recovery of income tax expense of \$320,481. This was a result of the over-estimate in income tax payable recorded in the year January 31, 2008.

During the third quarter of fiscal 2009, the Company reported a loss of \$2,538,325, primarily a result of the \$2,667,553 loss on foreign exchange on its funds held in Australia dollars. The Company also earned \$367,362 in interest income during the third quarter. Lastly, during the third quarter the Company paid \$89,348 of income taxes on the sale of the Middlemount coal asset.

During the second quarter of fiscal 2009, the Company reported a net income of \$438,683, primarily from interest income totaling \$366,351 and a foreign exchange gain of \$391,061. Included in interest income was \$113,698 of accreted interest income. The Company also paid \$3,377,500 (AUD\$3,500,000) towards taxes payable on the sale of the Middlemount project during the second quarter of fiscal 2009. Lastly, during the second quarter, the Company received the second installment payment of \$4,359,150 (AUD\$4,500,000) from the sale of the Middlemount project. A receivable of AUD\$4,480,000 was due to the Company no later than June 30, 2009 (received).

During the first quarter of fiscal 2009, the Company reported a net income of \$1,178,785. This was primarily attributed to the gain on foreign exchange of \$1,079,250. Additionally, the Company earned \$347,965 in interest income of which \$116,725 was accreted interest income in connection with the net present value calculation on the Company's receivables. Also in the first quarter of fiscal 2009, the Company received \$699,500 through the exercise of 3,497,500 stock options at an exercise price of \$0.20 per share.

Liquidity and Capital Resources

The Company has no operational cash flow. At January 31, 2010, the Company had working capital of \$17,872,901, inclusive of cash and cash equivalents of \$17,882,317. This compares to working capital of \$15,295,208 at January 31, 2009, inclusive of cash on hand and equivalents of \$14,023,407.

The increase in cash during the year ended January 31, 2010, was primarily a result of the receipt of \$4,133,250 relating to the third and final tranche payment from Middlemount Coal. This increase was partially offset by the approximate \$2,280,000 payment for income taxes in Australia in connection with the sale of the coal projects. Additionally, the Company recorded an approximate \$2,910,000 foreign exchange gain as a result of holding the majority of its funds in Australian dollars.

As at January 31, 2010, the Company had current and total assets of \$17,916,749 and total liabilities of \$43,848. There is no long-term debt. There are no known trends in the Company's liquidity or capital resources.

The Company has sufficient funds on hand to fund its operating expenses for the balance of fiscal 2011.

Cash flow from operations to date has not satisfied the Company's operational requirements. The development of the Company may in the future depend on the Company's ability to obtain additional financings. In the past, the Company has relied on the sale of equity securities to meet its cash requirements. Future developments, in excess of funds on hand, will depend on the Company's ability to obtain financing through joint venturing of projects, debt financing, equity financing or other means. There can be no assurances that the Company will be successful in obtaining any such financing or in joint venturing its properties.

Related Party Transactions

The Company entered into the following transactions with related parties during the period:

- a) Paid or accrued consulting fees of \$180,000 (2009 - \$180,000) to a company controlled by Ian Rozier, a director of the Company.
- b) Paid or accrued rent of \$66,000 (2009 - \$65,000) to a company controlled by Ian Rozier.
- c) Paid or accrued management fees of \$155,000 (2009 - \$140,000) to a company controlled by Barbara Dunfield, the Chief Financial Officer of the Company. Included in management fees was a \$35,000 (2009 - \$20,000) bonus paid to this company.
- d) Paid or accrued director's fees of \$60,000 (2009 - \$37,483) to James Robertson ("Robertson"), Merfyn Roberts ("Roberts") and Douglas B. Hyndman ("Hyndman"), directors of the Company.

As of January 31, 2010, accounts payable included \$10,000 (January 31, 2009 - \$10,000) owed to Robertson, Roberts and Hyndman.

These transactions 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.

Off Balance Sheet Arrangements

The Company has no off Balance Sheet arrangements.

New Accounting Policies

Adoption of New Accounting Policy

Goodwill and Intangibles Assets

This new section replaced Section 3062, "Goodwill and Other Intangible Assets" and Section 3450, "Research and Development Costs". It establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062.

The Company adopted this standard effective February 1, 2009, on a prospective basis with no restatement of prior period financial statements. Management adopted this new standard with no material impact on the financial statements of the Company or its business.

Financial instruments – disclosures

CICA Handbook Section 3862, "Financial instruments – disclosures" was amended to require disclosure about the inputs used in making fair value measurements, including their classification within a hierarchy that prioritizes their significance. The three levels of the fair value hierarchy are:

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

Recent accounting pronouncements

In February 2008, the Canadian Accounting Standards Board announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own generally accepted accounting principles. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of the Company will be February 1, 2011 and will require the restatement for comparative purposes of amounts reported by the Company for the year ended January 31, 2011. The Company continues to monitor and assess the impact of Canadian GAAP and IFRS.

In January 2009, the CICA issued Handbook Sections 1582 "Business Combinations", 1601 "Consolidated Financial Statements" and 1602 "Non-controlling Interests" which replace CICA Handbook Sections 1581 "Business Combinations" and 1600 "Consolidated Financial Statements". Section 1582 establishes standards for the accounting for business combinations that is equivalent to the business combination accounting standard under IFRS. Section 1601 together with Section 1602 establishes standards for the preparation of consolidated financial statements. These Sections are applicable for interim and annual consolidated financial statements for fiscal years beginning January 1, 2011. Early adoption of these Sections is permitted and all these Sections must be adopted concurrently.

Financial Instruments and Risk Management

Fair Values

The fair values of cash and equivalents, receivables and accounts payable and accrued liabilities approximate their book values because of the short-term nature of these instruments.

(a) *Financial Risk Management*

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company considers the fluctuations of financial markets and seeks to minimize potential adverse effects on financial performance.

(b) *Financial Instrument Risk Exposure*

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board approves and monitors the risk management process.

Credit Risk

Credit risk is the risk of a financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligation. The Company's exposure to credit risk includes cash and receivables. The Company reduces its credit risk by maintaining its bank accounts at large international financial institutions. The Company's receivables consist primarily of tax receivables due from federal government agencies. The maximum exposure to credit risk is equal to the fair value or carrying value of the financial assets.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they become due. The Company's ability to continue as a going concern is dependent on management's ability to raise required funding through future equity issuances. The Company manages its liquidity risk by forecasting cash flows from operations and anticipating any investing and financing activities. Management and the Board of Directors are actively involved in the review, planning and approval of significant expenditures and commitments.

Market risk

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

(a) Interest rate risk

The Company has cash balances and no interest-bearing debt. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks.

(b) Foreign currency risk

The Company is not exposed to foreign currency risk on fluctuations in exchange rates.

(c) Price risk

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

IFRS Changeover Plan Disclosure

The Canadian Accounting Standards Board (AcSB) has announced its decision to replace Canadian generally accepted accounting principles ("GAAP") with International Financial Reporting Standards (IFRS) for all Canadian Publicly Accountable Enterprises ("PAEs"). The effective changeover date is February 1, 2011, at which time Canadian GAAP will cease to apply and will be replaced by IFRS. Following this timeline, the Company will issue its first set of interim financial statements prepared under IFRS in the first quarter of 2011 including comparative IFRS financial results and an opening balance sheet as at February 1, 2010. The first annual IFRS consolidated financial statements will be prepared for the year ended January 31, 2011 with restated comparatives for the year ended January 31, 2010.

Management has developed a project plan for the conversion to IFRS based on the current nature of operations. The conversion plan is comprised of three phases: 1) Scoping phase which will assess the overall impact and effort required by the Company in order to transition to IFRS; 2) Planning phase which will include a detailed analysis of the conversion process and implementation plan required for disclosure for the Company's first quarter; and, 3) Transition phase which will include the preparation of an IFRS compliant opening balance sheet as at February 1, 2010, any necessary conversion adjustments and reconciliations, preparation of a fully compliant pro forma financial statements including all note disclosures and disclosures required for the MD&A.

Management has completed phase one, IFRS Scoping phase, and is now advancing through phase two, the Planning stage. Management prepared a component evaluation of its existing financial statement line items, comparing Canadian GAAP to the corresponding IFRS guidelines, and has identified a number of differences. Many of the differences identified are not expected to have a material impact on the reported results and financial position.

Most adjustments required on transition to IFRS will be made, retrospectively, against opening retained earnings as of the date of the first comparative balance sheet presented based on standards applicable at that time.

IFRS 1, "First-Time Adoption of International Financial Reporting Standards", provides entities adopting IFRS for the first time with a number of optional exemptions and mandatory exceptions, in certain areas,

to the general requirement for full retrospective application of IFRS. The Company is still evaluating which option exemptions it should elect under IFRS 1.

Set out below are the most significant areas, management has identified to date, where changes in accounting policies may have the highest potential impact on the Company's consolidated financial statements based on the accounting policy choices approved by the Audit Committee and Board of Directors.

In the period leading up to the changeover in 2011, the AcSB has ongoing projects and intends to issue new accounting standards during the conversion period. As a result, the final impact of IFRS on the Company's consolidated financial statements can only be measured once all the IFRS accounting standards at the conversion date are known. Management will continue to review new standards, as well as the impact of the new accounting standards, between now and the conversion date to ensure all relevant changes are addressed.

IFRS 2 – Share Based Payments;

IFRS and Canadian GAAP largely converge on the accounting treatment for share based transaction with only a few differences. Starting Q1 2010, the Company is moving from 'straight line' to 'graded' vesting for the recognition of stock-based compensation expense. A greater portion of expense is recorded in the initial vesting periods compared to distributing the expense equally over all vesting period.

IAS 36 – Impairment of Assets;

Canadian GAAP generally uses a two-step approach to impairment testing: first comparing asset carrying values with undiscounted future cash flows to determine whether impairment exists; and then measuring any impairment by comparing asset carrying values with discounted cash flows.

International Accounting Standard (IAS) 36, "Impairment of Assets" uses a one-step approach for both testing and measurement of impairment, with asset carrying values compared directly with the higher of fair value less costs to sell and value in use (which uses discounted future cash flows). This may potentially result in write downs where the carrying value of assets were previously supported under Canadian GAAP on an undiscounted cash flow basis, but could not be supported on a discounted cash flow basis.

Risks and Uncertainties

The business of mineral exploration and extraction involves a high degree of risk. Few properties that are explored ultimately become producing mines. At present, the Company's property has no known commercial ore deposit. Other risks facing the Company include competition for mineral properties, environmental risks, fluctuations in metal prices, fluctuations in exchange rates, share price volatility and uncertainty of obtaining additional financing. The Company will require additional capital to pursue its exploration projects. Given the nature of capital market demand for speculative investment opportunities, there is no assurance that additional financing will be available for the appropriate amounts and at the times required. The impact of fluctuations in the price of gold and other minerals is a risk to the Company's ability to advance its properties as well as future profitability and cash flow. As the price for gold and other minerals is denominated in U.S. dollars, the Company is also at financial risk as the currency exchange rate between Canadian and U.S. dollars fluctuates. If the Canadian dollar strengthens against to the U.S. dollar, revenue from future gold and other mineral sales, which is generated in U.S. dollars, would convert to fewer Canadian dollars available to pay for operating costs that are almost entirely incurred in Canadian dollars. The ability of the Company's exploration projects to be successfully permitted to be developed as mining projects requires the approval of regulatory agencies which are beyond the Company's control.

Contingencies

The Company is not aware of any contingencies or pending legal proceedings as of May 25, 2010.

Subsequent Event

Subsequent to January 31, 2010, the Company announced it had executed a Heads of Agreement providing for an acquisition of an option over the rights to a mineral project in Spain (see **Overview** above).

Additional Information

As at May 25, 2010, the Company had:

- a) 47,998,665 common shares outstanding;
- b) 5,700,000 stock options outstanding with exercise prices ranging from \$0.17 to \$0.20 per share and expiring from November 2011 to March 2014.
- c) No share purchase warrants outstanding.

Disclaimer

The information provided in this document is not intended to be a comprehensive review of all matters concerning the Company. It should be read in conjunction with all other disclosure documents provided by the Company, which can be accessed at www.sedar.com. No securities commission or regulatory authority has reviewed the accuracy or adequacy of the information presented herein.

Cautionary Statement on Forward Looking Information

Certain statements contained in this document constitute “forward-looking statements”. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance, or achievements of the Company to be materially different from any future results, performance, or achievements expressly stated or implied by such forward-looking statements. Such factors include, among others, the following: mineral exploration and development costs and results, fluctuation in the prices of commodities for which the Company is exploring, foreign operations and foreign government regulations, competition, uninsured risks, recoverability of resources discovered, capitalization requirements, commercial viability, environmental risks and obligations, and the requirement for obtaining permits and licenses for the Company’s operations in the jurisdictions in which it operates.