

CENTRAL RESOURCES CORP.
(An Exploration Stage Company)
Form 51 – 102F1
MANAGEMENT DISCUSSION & ANALYSIS
Period ended December 31, 2009

Introduction

This Management Discussion and Analysis (MD&A) for Central Resources Corp. (the “Company” or “Central”) for the nine month period ended December 31, 2009, has been prepared by management in accordance with the requirements of National Instrument 51-102. The MD&A compares the financial results for the three and nine month periods ended December 31 and should be read in conjunction with the Company’s unaudited financial statements and accompanying notes for the periods ended December 31, 2009 and 2008 and the audited financial statements and accompanying notes for the years ended March 31, 2009 and 2008. The Company’s financial statements are prepared in accordance with Canadian generally accepted accounting principles (“GAAP”) and filed with appropriate regulatory authorities in Canada. All dollar amounts are stated in Canadian funds.

Forward-Looking Information

This MD&A contains certain statements that may constitute “forward-looking statements”. Forward-looking statements include, but are not limited to, statements regarding future anticipated property acquisitions, the content, cost, timing and results of future anticipated exploration programs, the anticipated discovery and delineation of mineral resources/reserves, proposed business and financing plans (including private placements of equity securities), anticipated business trends and potential future operating revenues. Although the Company believes that such statements are reasonable, it can give no assurance that such expectations will prove to be correct. Forward-looking statements are typically identified by words such as: believe, expect, anticipate, intend, estimate, postulate and similar expressions or are those which, by their nature, refer to future events. The Company cautions investors that any forward-looking statements by the Company are not guarantees of future performance, and that actual results may differ materially from those in forward-looking statements as a result of various factors, including, but not limited to, the Company’s inability to negotiate successfully for the acquisition of interests in mineral properties, the determination of applicable governmental agencies not to issue the exploration concessions applied for by the Company or excessive delay by the applicable governmental agencies in connection with any such issuances, the Company’s inability to identify one or more economic deposits on its properties, variations in the nature, quality and quantity of any mineral deposits that may be located, the Company’s inability to obtain any necessary permits, consents or authorizations required for its activities, to produce minerals from its properties successfully or profitably, to continue its projected growth, to raise the necessary capital or to be fully able to implement its business strategies.

The current state of the global securities markets may cause significant reductions in the price of the Company’s securities and render it difficult or impossible for the Company to raise the funds necessary to continue operations. See “Risk Factors – Insufficient Financial Resources/Share Price Volatility”.

No securities commission or regulatory authority has reviewed the accuracy or adequacy of the information presented herein.

Additional information relating to the Company is available under the Company’s profile on SEDAR at www.sedar.com.

Date

This MD&A reflects information available as at February 22, 2010.

Overview

The Company was incorporated on June 6, 2007 pursuant to the provisions of the Business Corporations Act (British Columbia) under the name of Central Resources Corp. Central is an early-stage precious and base metal exploration and development company focused on mineral exploration in Canada. It presently has the right to acquire interests in two mineral properties, one located in British Columbia and one in Ontario. The Company maintains its head office in Vancouver, British Columbia.

New Appointments

Effective November 24, 2009, Mr. Paul Reynolds, P. Geo, was appointed President and Chief Executive Officer, and joined the Board of Directors of the Company. Mr Reynolds is a registered professional geoscientist with over 22 years experience working in Canada, USA, Bolivia, Argentina and Guyana. He specializes in the conception and management of mineral exploration ventures and has extensive experience in public company management. Mr. Reynolds was a senior officer and director of Athlone Energy Ltd.(TSX-V: ATH) from 1994 until its sale to Daylight Resources Trust in 2008. Mr. Reynolds replaces Mr. Tim McNulty, who has stepped down as President and Chief Executive Officer but remains a Director and Vice President of the Company.

Also effective November 24, 2009, Mr. Peter Thiersch, M. Sc., P. Geo., was appointed Vice-President Corporate Development. Mr. Thiersch is a professional geoscientist with over 24 years of mineral exploration industry experience throughout North and South America as an exploration geologist and project manager for companies including Barrick Gold Corp., Hecla Mining Canada Ltd., Radius Gold Inc. and as a director and senior officer for Fortuna Silver Mines Inc. He holds a B.Sc. and M.Sc. in Geological Sciences.

Effective December 10, 2009, Mr. Ken Carter, P. Geo., of North Vancouver, British Columbia, has been appointed as a Director of the Company. Mr. Carter is a professional geoscientist with 40 years of hands-on fieldwork experience examining, exploring and evaluating a wide range of geological and mineralized settings around the globe. From 1970 to 1988, Ken worked for Cominco Ltd., in North America, Europe and the Middle East. Mr. Carter was the Director of Canadian Exploration for Echo Bay Mines Ltd., from 1988 to 1991. Since 1991, he has managed exploration programs for precious and base metal deposits and diamonds in a variety of geological environments. Mr. Carter is currently a director of Ascot Resources Ltd.

In addition, Ken Bicknell has resigned as director of the company in order to pursue other business interests.

MINERAL PROPERTY ACTIVITIES

Tam Property, British Columbia

During the first quarter of fiscal 2010, the Company initiated a Phase 1 consisting of geological mapping. Since that period, no field work has occurred up to the date of this MD&A. The required cash payment, share issuance and exploration expenditures have not been met in order to satisfy the Tam option agreement. The Company has negotiated an extension to the second anniversary commitments which expires on April 15, 2010.

Newman-Todd Property, Ontario

Pursuant to an option agreement dated November 2, 2009 between the Company and Redstar Gold Corp. (“Redstar”), a company related by a common director, the Company has the right to earn up to an undivided sixty percent interest in Newman-Todd Property by incurring \$6.5 million in exploration expenditures and issuing to Redstar 1,250,000 shares of the Company before December 31, 2014.

The Newman Todd property is located in the prolific Red Lake Mining Camp of northwestern Ontario which is host to over 30 million ounces past production and current reserves. Situated 35 kilometres west of the town of Red Lake, the property consists of 13 patented claims totaling 195 hectares.

The Red Lake Greenstone Belt is an accumulation of Archean age metavolcanic, metasedimentary and intrusive rocks comprising a portion of the Uchi Province of the Canadian Shield. The belt is recognized for its high-grade, highly profitable gold mines, which include the world class Campbell and Red Lake mines owned and operated by Goldcorp Inc.

Newman Todd property geology consists of felsic, mafic and ultramafic rocks of the Ball and Balmer assemblages, and minor siliciclastic sedimentary and felsic to intermediate volcanic rocks of the Slate Bay, Huston and Confederation assemblages. All rock types have been influenced by folding and thrust faulting generated during two phases of regional deformation.

Significant gold mineralization on the claim group is associated with quartz veining in silicified and iron-carbonate altered breccia zones, sulphidized iron-formation and altered felsic and mafic rocks adjacent to ultramafic units.

Redstar has previously completed 4,643 metres of drilling in 17 holes during 2005-2008. Sixteen of these holes intersected wide zones of quartz-carbonate breccia with anomalous to locally high-grade gold mineralization, including up to 69.02 grams per tonne gold over 1.0 metre, within a 3.0 metre interval grading 24.89 grams per tonne gold. Redstar has traced the breccia corridor on surface for approximately 2,000 metres along strike and with drilling to a depth of approximately 300 metres.

During November-December, 2009, Central drilled four holes totaling 1,319 metres in a phase 1 program. Highlights of those results include 23.5 grams per tonne gold over 1.0 metre within 30.5 metres of 1.85 grams per tonne gold, and 45.3 grams per tonne gold over 0.35 metres within 4 metres of 4.4 grams per tonne gold. A phase 2 winter drill program is currently underway and results are expected in Q2 2010.

The Newman-Todd claim group exhibits some of the most widespread and economically significant gold mineralization in the Western Red Lake Gold Camp and remains under explored.

Qualified Person and QA/QC

Peter Thiersch, M.Sc., P.Geo., a “qualified person” under National Instrument 43-101 and the Company’s Vice President Corporate Development, has reviewed and approved the technical disclosure contained in this document. Mr. Thiersch is not independent of the Company by virtue of his being an officer and holding incentive stock options.

The Company’s field contractor has Quality Assurance/Quality Control (QA/QC) protocols in place for all drilling, rock, soil, and stream sediment sampling programs as part of all geochemical sampling, sample preparation, sample shipping and sample analysis and compilation procedures.

RISK FACTORS

The Company is in the business of acquiring, exploring and, if warranted, developing and exploiting natural resource properties. Due to the nature of the Company’s proposed business and the present stage of exploration of its resource properties, the following risk factors, among others, will apply:

Resource Industry is Intensely Competitive: The Company’s business is the acquisition, exploration and development of resource properties. The resource industry is intensely competitive and the Company will compete with other companies that have far greater resources.

Resource Exploration and Development is Generally a Speculative Business: Resource exploration and development is a speculative business and involves a high degree of risk, including, among other things, unprofitable efforts resulting not only from the failure to discover resource deposits but from finding resource deposits which, though present, are insufficient in size to return a profit from production. The marketability of natural resources that may be acquired or discovered by the Company will be affected by numerous factors beyond the control of the Company. These factors include market fluctuations, the proximity and capacity of natural resource markets, government regulations, including regulations relating to prices, taxes, royalties, land use, importing and exporting of resources and environmental protection. The exact 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. The vast majority of exploration projects do not result in the discovery of commercial oil and natural gas targets.

Fluctuation of Prices: Even if commercial quantities of resource deposits are discovered by the Company, there is no guarantee that a profitable market will exist for the sale of the product produced. Factors beyond the control of the Company may affect the marketability of any substances discovered. The prices of oil and natural gas have experienced significant movement over short periods of time, and are affected by numerous factors beyond the control of the Company, including international economic and political trends, expectations of inflation, currency exchange fluctuations, interest rates and global or regional consumption patterns, speculative activities and increased production due to improved exploration and production methods. The supply of and demand for oil and natural gas are affected by various factors, including political events, economic conditions and production costs in major producing regions. There can be no assurance that the price of any commodities will be such that any of the properties in which the Company has, or has the right to acquire, an interest may be mined at a profit.

Permits and Licenses: The operations of the Company will require consents, approvals, licenses and/or permits from various governmental authorities. There can be no assurance that the Company will be able

to obtain all necessary consents, approvals, licenses and permits that may be required to carry out exploration, development and production operations at its projects.

No Assurance of Profitability: The Company has no history of earnings and due to the nature of its business there can be no assurance that the Company will ever be profitable. The Company has not paid dividends on its shares since incorporation and does not anticipate doing so in the foreseeable future. The only present source of funds available to the Company is from the sale of its common shares or, possibly, from the sale or optioning of a portion of its interest in its resource properties. Even if the results of exploration are encouraging, the Company may not have sufficient funds to conduct the further exploration that may be necessary to determine whether or not a commercial deposit exists. While the Company may generate additional working capital through further equity offerings or through the sale or possible syndication of its properties, there can be no assurance that any such funds will be available on favourable terms, or at all. At present, it is impossible to determine what amounts of additional funds, if any, may be required. Failure to raise such additional capital could put the continued viability of the Company at risk.

Uninsured or Uninsurable Risks: The Company may become subject to liability for pollution or hazards against which it cannot insure or against which it may elect not to insure where premium costs are disproportionate to the Company's perception of the relevant risks. The payment of such insurance premiums and of such liabilities would reduce the funds available for exploration and production activities.

Government Regulation: Any exploration, development or production operations carried on by the Company will be subject to government legislation, policies and controls relating to prospecting, development, production, environmental protection, resource taxes and labour standards. In addition, the profitability of any prospect is affected by market prices which are influenced by many factors including changing production costs, the supply and demand, the rate of inflation, the political environment and changes in international investment patterns.

Environmental Matters: Existing and possible future environmental legislation, regulations and actions could cause significant expense, capital expenditures, restrictions and delays in the activities of the Company, the extent of which cannot be predicted and which may well be beyond the capacity of the Company to fund. The Company's right to exploit any property is and will continue to be subject to various reporting requirements and to obtaining certain government approvals and there can be no assurance that such approvals, including environment approvals, will be obtained without inordinate delay or at all.

Insufficient Financial Resources: The development of the Company's properties depends upon the Company's ability to obtain financing through the joint venturing of projects, private placement financing, public financing or other means. There can be no assurance that the Company will be successful in obtaining the required financing. Failure to raise the required funds could result in the Company losing, or being required to dispose of, its interest in its properties. In particular, failure by the Company to raise the funding necessary to maintain in good standing the various option agreements it has entered into could result in the loss of the rights of the Company to such properties.

Dependence Upon Others and Key Personnel: The success of the Company's operations will depend upon numerous factors, many of which are beyond the Company's control, including (i) the ability to design and carry out appropriate exploration programs on its resource properties; (ii) the ability to

produce resources from any resource deposits that may be located; (iii) the ability to attract and retain additional key personnel in exploration, marketing, mine development and finance; and (iv) the ability and the operating resources to develop and maintain the properties held by the Company. These and other factors will require the use of outside suppliers as well as the talents and efforts of the Company and its consultants and employees. There can be no assurance of success with any or all of these factors on which the Company's operations will depend, or that the Company will be successful in finding and retaining the necessary employees, personnel and/or consultants in order to be able to successfully carry out such activities. This is especially true as the competition for qualified geological, technical and petroleum personnel and consultants is particularly intense in the current marketplace.

Price Fluctuations and Share Price Volatility: In recent years, the securities markets in the United States and Canada have experienced a high level of price and volume volatility, and the market price of securities of many companies, particularly those considered exploration stage companies, have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that continual and extreme fluctuations in price will not occur.

Surface Rights and Access: Although the Company acquires the rights to some or all of the resources in the ground subject to the tenures that it acquires, or has a right to acquire, in most cases it does not thereby acquire any rights to, or ownership of, the surface to the areas covered by its resource tenures. In such cases, applicable laws usually provide for rights of access to the surface for the purpose of carrying on activities, however, the enforcement of such rights can be costly and time consuming. In areas where there are no existing surface rights holders, this does not usually cause a problem, as there are no impediments to surface access. However, in areas where there are local populations or land owners, it is necessary, as a practical matter, to negotiate surface access. There can be no guarantee that, despite having the right at law to access the surface and carry on activities, the Company will be able to negotiate a satisfactory agreement with any such existing landowners/occupiers for such access, and therefore it may be unable to carry out activities. In addition, in circumstances where such access is denied, or no agreement can be reached, the Company may need to rely on the assistance of local officials or the courts in such jurisdiction

Title: Although the Company has taken steps to verify the title to the resource properties in which it has or has a right to acquire an interest in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee title (whether of the Company or of any underlying vendor(s) from whom the Company may be acquiring its interest). Title to resource properties may be subject to unregistered prior agreements or transfers, and may also be affected by undetected defects or the rights of indigenous peoples.

FINANCING ACTIVITIES

During the third fiscal quarter, the Company completed two non-brokered private placements, as follows:

- 1) On October 30, 2009 the Company closed a non-brokered private placement of 5.5 million units at a price of 10 cents per unit for gross proceeds of \$550,000. Each unit consists of one common share and one share purchase warrant. Each warrant entitles the holder to purchase an additional share for a period of two years at a price of \$0.20 per share in the first year and \$0.40 per share in the second year. All shares and warrants are subject to a four-month hold period expiring on March 1, 2010. The proceeds of the private placement are to be used to conduct exploration programs and for general working capital. No commission was paid for the private placement.
- 2) On December 23, 2009 the Company closed a non-brokered flow-through private placement of 2,180,999 shares at a price of \$0.35 per share for gross proceeds of \$763,350. In connection with the financing, the Company paid \$4,515 in finders fees and issued 90,000 common shares (at a deemed price of \$0.35 pr share for a gross value of \$31,500) in lieu of a cash fee to finders. All shares and warrants are subject to a four-month hold period expiring on April 24, 2010. The proceeds of the private placement are to be used to conduct exploration on the Newman Todd property.

RESULTS OF OPERATIONS

Selected Annual Financial Information

The following table summarizes selected financial data reported by the Company for the year ended March 31, 2009. The information set forth should be read in conjunction with the audited financial statements, prepared in accordance with generally accepted accounting principles, and the related notes.

Year Ended March 31	2009	2008
Other Income	\$16,274	Nil
Net Loss	\$200,861	\$34,022
Loss Per Share	\$0.02	\$0.01
Total Assets	\$1,025,712	\$447,228
Share Capital	\$1,143,642	\$481,250
Contributed Surplus	\$116,309	Nil
Deficit	\$234,883	\$34,022

The main activity during the year ended March 31, 2009 was the completion of an initial public offering of 3,500,000 common shares of the Company at a price of \$0.25 per common share for gross proceeds of \$875,000. The transaction was completed on September 19, 2008 and the Company became a reporting issuer in British Columbia and Alberta on September 24, 2008 when the Company's shares became publicly traded on the TSX Venture Exchange under the symbol "CBC".

During the year ended March 31, 2009, the Company reported a net loss of \$200,861 as compared to a net loss of \$34,022 for the period from June 6, 2007 (inception) to March 31, 2008, when the Company was a

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private company. The increase in expenses was mainly due to professional and listing fees related to the preparation of the initial public offering.

Selected quarterly financial information

	December 2009	September 2009	June 2009	March 2009
Mineral Properties	\$ 639,343	\$	\$ 229,506	\$ 196,917
Working capital	1,546,083		766,306	828,151
Revenue	472	1,276	3,128	16,274
Operating expenses	337,657	39,346	32,366	217,135
Loss for the period	337,185	38,069	29,238	200,861
Loss per common share	\$0.02	\$0.00	\$0.00	\$0.02
	December 2008	September 2008	June 2008	March 2008
Mineral Properties	\$146,916	\$146,916	\$122,064	\$122,064
Working capital	883,596	936,798	243,519	302,664
Revenue	60	2,889	530	-
Operating expenses	53,262	121,899	59,675	34,022
Loss for the period	53,202	119,010	59,145	34,022
Loss per common share	\$0.01	\$0.02	\$0.01	\$0.01

Three months ended December 31, 2009 compared to three months ended December 31, 2008

During the quarter ended December 31, 2009, the Company reported a net loss of \$337,185 or \$0.02 per share as compared to a net loss of \$53,202 or \$0.01 per share for the same comparative period in the previous year. The significant differences during the current fiscal period as compared to the same period in the prior year are as follows:

- Management fees decreased (2009 - \$16,500), (2008 - \$21,000) as consulting fees increased (2009 – \$12,899), (2008 - \$375) due to the changes the company made to the structure of its administration.
- Legal fees increased (2009 - \$39,316), (2008 – \$19,877) due to activities related to the two financings which occurred in the current quarter and the option on the Newman-Todd Property.
- Listing and transfer agent fees increased (2009 - \$8,730), (2008 - \$2,897) due to the two financings which occurred and the changes in Board appointments.
- Travel expenses occurred in the current quarter due to travel to conferences.

- Marketing and conference fees (2009 - \$4,450), (2008 - \$nil) occurred due to development of a Company website and attendance at a conference.
- Shareholder communications increased (2009 - \$10,669), (2008 - \$2,896) due to the involvement of an investor relations company and an increase in news releases communicating news to shareholders about the numerous changes which occurred in the quarter.
- The increase in rent (2009 - \$5,287), (2008 - \$3,000) is due to the Company's move to the new location at 510 - 1199 West Pender Street, Vancouver, BC.
- Due to the issuance of two stock option grants, the Company incurred stock-based compensation of \$216,260. No stock options were granted in the third quarter in the prior year.
- Due to the purchase of computers and computer software, the Company has recorded amortization expense of \$12,239 (2009 - \$nil).

Nine months ended December 31, 2009 compared to nine months ended December 31, 2008

During the nine months ended December 31, 2009, the Company reported a net loss of \$404,492 or \$0.02 per share as compared to a net loss of \$231,357 or \$0.03 per share for the same comparative period in the previous year. The significant differences during the current fiscal period as compared to the same period in the prior year are as follows:

- Management fees (2009 - \$58,500), (2008 - \$34,822) and consulting fees (2009 - \$15,337), (2008 - \$375) increased as the company has made changes to the structure of its administration.
- While the third quarter saw an increase in legal fees, over the nine month period, the legal fees decreased (2009 - \$45,913), (2008 - \$78,694). In the prior year, the cost of the initial public offering was the main factor in the fee.
- The third quarter saw an increase in listing and filing fees but over the nine month period, the listing and filing fees decreased (2009 - \$15,412), (2008 - \$36,720). In the prior year, the cost of the initial public offering was the main factor in the fee.
- The increase in travel, marketing and conference fees, shareholder communications, rent, stock-based compensation and amortization expense, as explained above, was due primarily to an increase in the Company's activity and in particular to the addition of management personnel and exploration on the Newman Todd property.

Liquidity and Capital Resources

Central Resources is an exploration stage enterprise and therefore generates negative cash flow from operations. The Company's principal source of funds since incorporation has been from the sale of equity capital.

As at December 31, 2009, current assets were \$1,655,055 and current liabilities were \$108,972, resulting in working capital of \$1,546,083 compared to working capital of \$828,151 as at March 31, 2009. There are no known trends affecting liquidity or capital resources.

At December 31, 2009, the Company had \$763,350 of flow-through proceeds, all of which is to be expended on flow-through eligible Canadian exploration expenses ("CEE"). The remaining working capital of \$782,733 is available for new project generation or research and general and administrative expenses as well as exploration activities. Cash flow and the budget are monitored monthly, and the budget is revised according to changing conditions. The Company has sufficient capital to meet its

financial obligations as they become due. The Company's cash is placed with a well-capitalized, major financial institution.

As at December 31, 2009, the Company had total assets of \$2,294,398 comprising of cash and cash equivalents of \$1,593,570, accounts receivable of \$49,722, prepaid expense of \$11,763 and mineral exploration property interests with deferred expenditures of \$229,506 in the Tam Property and \$409,837 in the Newman-Todd Property.

As of December 31, 2009, share capital of \$2,452,476 (18,201,000 Common Shares issued and outstanding) included \$219,123 in share issue costs. In addition, there are 1,500,000 incentive stock options and 900,000 warrants outstanding. At December 31, 2009 the Company had an accumulated deficit of \$639,375.

Available Funds and Future Operations

With the completion of the two financings in the third quarter of the 2010 fiscal year, the working capital available is sufficient to meet the general and administrative costs for at least twelve months and to carry out the Company's Phase 1 exploration program on the Newman-Todd Property.

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 the delay or indefinite postponement of further exploration and development of the properties.

The Company's ability to continue as a going concern is dependent upon its ability to achieve profitability and fund any additional losses that may incur. The financial statements were prepared on a going concern basis, which implies that the Company will realize its assets and discharge its liabilities in the normal course of business. The financial statements do not reflect adjustments to the carrying value of assets and liabilities that would be necessary if we are unable to achieve and maintain profitable operations.

Related Party Transactions

All transactions with related parties have occurred in the normal course of operations. These financial statements include transactions with related parties in addition to those disclosed elsewhere as follows:

- a) The Company paid consulting fees of \$15,337 (2008 - \$3,788) to directors and an officer of the Company.
- b) The Company paid management fees of \$58,500 (2008 - \$34,833) to a director and a private company owned by a director of the Company.
- c) The Company paid accounting fees of \$9,500 (2008 - \$13,000) to Orcas Island Finance Ltd., a private company owned by an officer of the Company.
- d) The Company paid rent of \$8,000 (2008 - \$9,000) and marketing of \$3,250 (2008 - \$nil) to Calibre Capital Partners Inc., a private company owned by a director of the Company.

- e) The Company paid investor services of \$6,500 (2008 - \$nil) to Calibre Capital Partners Inc., a private company owned by a director of the Company.
- f) The Company incurred stock-based compensation expense of \$256,016 (2008 - \$53,634) due to the granting of stock options to directors, an officer and a company owned by a director of the Company. The Company allocated \$39,756 of the compensation to the mineral properties.

During the period, the Company entered into a property option agreement (note 4). The party is related to the Company by a director in common.

On November 24, 2009 the Company announced it had engaged Caliber Capital Partners Inc. (“Caliber”), a company controlled by a Director of the Company, to provide investor relations services to the company, subject to acceptance for filing by the TSX Venture Exchange. Caliber has been retained for a 12-month term on a monthly retainer basis plus reimbursement of approved expenses. Caliber will receive \$6,500 per month and 200,000 incentive stock options exercisable at a market price of 30 cents for a period of five years. Vesting will occur in accordance with TSX regulations.

Commitments and Contingencies

The Company is not aware of any contingencies or pending legal proceedings as of February 22, 2010. The Company is committed to monthly lease payments of \$5,881 for its premises at 510 – 1199 West Pender Street, Vancouver, BC. The current lease expires June 15, 2013.

Off Balance Sheet Arrangements

The Corporation has no off Balance Sheet arrangements

Financial Instruments

The Company’s financial instruments consist of cash, cash equivalents, short term investments and accounts payable and accrued liabilities. 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. The fair value of these financial instruments approximates their carrying values, unless otherwise noted.

Critical Accounting Estimates

The preparation of financial statements in conformity with Canadian GAAP 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 reported amounts of revenues and expenses during the period. Actual results could differ from those estimates. Areas requiring significant management estimates include assumptions and estimates relating to but not limited to, mineral resources, fair values for purpose of impairment analysis, reclamation obligations, stock-based compensation and warrants, valuation allowances for future income tax assets, and future income tax liabilities. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in estimates in future periods could be significant.

Mineral properties

The Company capitalizes all costs related to investment in mineral properties on a property-by-property basis. Such costs include mineral property acquisition costs and exploration and development expenditures, net of any recoveries. Costs are deferred until such time as the extent of mineralization has been determined and mineral property interests are either developed, the property is sold or the Company's mineral rights are allowed to lapse.

All capitalized costs are reviewed on a property-by-property basis to consider whether there are any conditions that may indicate impairment. When the carrying value of a property exceeds its net recoverable amount (as estimated by quantifiable evidence of an economic geological resource or reserve or by reference to option or joint venture expenditure commitments) or when, in the Company's assessment, it will be unable to sell the property for an amount greater than the deferred costs, the property is written down for the impairment in value.

From time to time, the Company may acquire or dispose of a mineral property interest pursuant to the terms of an option agreement. As such options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded at the time of the agreement. Option payments are recorded as property costs or recoveries when the payments are made or received. The amount shown for acquisition costs and deferred exploration expenditures represent costs incurred to date and do not necessarily reflect present or future values.

Capitalized costs will be depleted over the useful lives of the properties upon commencement of commercial production or written off if the properties are abandoned or the applicable mineral rights are allowed to lapse.

Proposed transactions

Although the Company is currently investigating a number of additional property acquisitions, as at the date of this MD&A there are no proposed transactions where the board of directors or senior management have decided to proceed.

Equipment

Equipment is recorded at cost and amortized over their estimated useful lives. Computer hardware and systems software for that equipment is depreciated at a rate of 100% with no half-year rule. Furniture and fixtures is depreciated at a rate of 20%. Additions during the year are amortized at one-half the annual rate.

Stock-based compensation

The Company accounts for stock-based compensation using a fair value based method with respect to all stock-based payments measured and recognized, to directors, employees and non-employees. For directors and employees, the fair value of the option is measured at the date of grant. For non-employees, the fair value of the options is measured on the earlier of the date at which the counterparty performance is complete or the date the performance commitment is reached, or the date at which the equity instruments are granted if they are fully vested and non-forfeitable. For directors, employees and non-employees, the fair value of the options is accrued and charged either to operations or mineral property

interests, with the offset credit to contributed surplus, over the vesting period. If and when the stock options are exercised, the applicable amounts from contributed surplus are transferred to capital stock.

Adoption of new accounting standards and developments

a) Capital disclosures

In February 2007, the CICA issued Handbook Section 1535, “Capital Disclosures”, which requires the disclosure of both qualitative and quantitative information that provides users of financial statements with information to evaluate the entity’s objectives, policies and procedures for managing capital. The new section is effective for the Company for the year beginning on April 1, 2008. Other than the additional disclosure in December 31, 2009, Financial Statements, note 3, the adoption of this section has had no impact on the Company’s financial statements.

b) Going concern

In June 2007, the CICA amended Handbook Section 1400, “General Standards of Financial Statement Presentation”, which requires management to make an assessment of a company’s ability to continue as a going concern. When financial statements are not prepared on a going concern basis that fact shall be disclosed together with the basis on which the financial statements are prepared and the reason why the company is not considered a going concern. The new section is effective for the Company on April 1, 2008. The adoption of this standard has no effect on the Company’s current financial statements.

c) Financial Instruments and comprehensive income

All financial instruments are classified as one of the following: held-to-maturity, loans and receivables, held-for-trading, available-for-sale or other financial liabilities. Financial assets and liabilities held-for-trading are measured at fair value with gains and losses recognized in net income (loss). Financial assets held-to-maturity, loans and receivables, and other financial liabilities are measured at amortized cost using the effective interest method. Available-for-sale instruments are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss) and reported in shareholders’ equity. Any financial instrument may be designated as held-for-trading upon initial recognition.

Transaction costs that are directly attributable to the acquisition or issue of financial instruments that are classified as other than held-for-trading, which are expensed as incurred, are included in the initial carrying value.

Comprehensive income or loss is defined as the change in equity from transactions and other events from sources other than the Company’s shareholders. It is made up of net income and other comprehensive income. Other comprehensive income or loss includes items that are required to be recognized in accordance with Canadian GAAP, but are excluded from net income or loss calculated. The Company has no items of other comprehensive income (loss) in any period presented. Therefore, net loss as presented in the Company’s statement of operations equals comprehensive loss.

d) Goodwill and intangible assets

In February 2008, the CICA issued Handbook Section 3064 “Goodwill and Intangible Assets”, replacing Section 3062 “Goodwill and Other Intangible Assets”, and Section 3450 “Research and Development Costs”. This section 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 new section is effective for the Company beginning April 1, 2008. The adoption of these new sections had no effect on the Company’s financial statements.

As a result of the adoption of these standards, additional disclosures on the risks of certain financial instruments have been included in note 3 of the current financial statements.

Future accounting changes

a) International Financial Reporting Standards (“IFRS”)

On February 13, 2008, Canada’s Accounting Standard Board confirmed January 1, 2011 as the effective date for complete convergence of Canadian GAAP to International Financial Reporting Standards (“IFRS”). The official changeover date will apply for interim and financial statements relating to fiscal years beginning on or after January 1, 2011. The Company has determined that the key elements of this IFRS changeover on the Company will be in the areas of accounting for resource properties’ acquisition and exploration costs, impairment of long-lived assets, accounting for share capital including stock options and warrant valuations and general IFRS disclosure requirements. The Company is currently assessing the specific impact on the Company’s financial reporting and developing an implementation timetable.

b) Business Combinations

In January 2009, the CICA issued Handbook Section 1582, “Business Combinations”, Section 1601, “Consolidations”, and Section 1602, “Non-Controlling Interests”. These sections replace the former Section 1581, “Business Combinations”, and Section 1600, “Consolidated Financial Statements”, and establish a new section for accounting for a non-controlling interest in a subsidiary. Sections 1582 and 1602 will require net assets, non-controlling interests and goodwill acquired in a business combination to be recorded at fair value and non-controlling interests will be reported as a component of equity. In addition, the definition of a business is expanded and is described as an integrated set of activities and assets that are capable of being managed to provide a return to investors or economic benefits to owners. Acquisition costs are not part of the consideration and are to be expensed when incurred. Section 1601 establishes standards for the preparation of consolidated financial statements.

These new sections apply to interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. Earlier adoption of these sections is permitted as of the beginning of a fiscal year. All three sections must be adopted concurrently. The Company is currently evaluating the impact of the adoption of these sections in the Company’s financial statements.

Disclosure of Outstanding Share Capital

1. Authorized and Issued capital stock:

Authorized	Issued	Value
An unlimited number of common shares without par value	18,201,000	\$ 2,452,476

2. Incentive Stock Options Outstanding:

Number	Exercise Price	Expiry Date
300,000	\$0.25	September 19, 2013
950,000	\$0.30	November 25, 2014
250,000	\$0.30	December 9, 2014
1,500,000		

3. Warrants Outstanding:

Number	Exercise Price	Expiry Date
350,000	\$0.25	September 19, 2010
550,000	\$0.20/\$0.40	October 30, 2010/2011
900,000		