

## CENTRAL RESOURCES CORP.

### MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS For the year ended March 31, 2009

The following management's discussion and analysis (MD&A) of the operating results and financial position of Central Resources Corp. (the "Company") should be read in conjunction with the Company's audited financial statements and 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. This discussion is based on information available as at July 15, 2009.

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

#### **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, 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.

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

#### **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. We are an early-stage precious and base metal exploration and development company focused on mineral exploration in British Columbia. We have an interest in one principal property, the Tam Property, on which we have initiated exploration activities. Our strategy is to maximize shareholder value through the successful acquisition, exploration and development of mineral properties. The Company intends to investigate other opportunities including the option or acquisition of other mineral properties worthy of exploration and development.

#### **Tam Property, British Columbia**

On January 11, 2008, the Company entered into an option agreement with Paul S. Reynolds ("Reynolds"). Pursuant to the option agreement (the "**Tam Option Agreement**"), Reynolds granted us the right to earn an undivided 100% interest in the Tam Property, subject to a 2% NSR in favour of Reynolds. We may earn such 100% legal and beneficial interest (the "**Option**") in the Tam Property within a four year period from execution of the Tam Option Agreement (the "**Execution Date**") by

completing, in stages as set out below, the issuance of 1,000,000 Common Shares, cash payments totaling \$250,000 and \$1,500,000 in exploration expenditures.

The Company has paid \$55,000 in cash and issued 400,000 Common Shares to Reynolds. The balance of the \$195,000 in cash due under the Option is payable as follows: an additional \$45,000 on or before the second anniversary date of the Execution Date, an additional \$60,000 on or before the third anniversary date of the Execution Date, and an additional \$90,000 on or before the fourth anniversary date of the Execution Date. The Company has incurred \$108,916 of exploration expenditures in the first year of the option. An additional \$200,000 of exploration expenditures must be incurred and 200,000 Common Shares issued on or before the second anniversary of Execution Date. By the third anniversary of Execution Date, we must incur additional exploration expenditures of \$400,000 and issue 200,000 Common Shares. Within the fourth year of the Execution Date we must issue 200,000 Common Shares and incur \$800,000 of exploration expenditures.

The Tam Property consists of six contiguous mineral claims located approximately 21 kilometres northeast of Lac La Hache, B.C. The claims are accessible by good gravel roads from Lac La Hache and are situated in an area of widespread copper and gold mineralization which is underlain by altered volcanics and alkalic intrusives. The geology is of the same age and lithologies as that which underlies the Mt. Polley and the QR deposits. Mineralization occurring on the property consists predominantly of pyrite, chalcopyrite, malachite and bornite. The copper, gold and silver values occur within Nicola Group volcanic, sedimentary and intrusive rocks. Mineralization on the Tam Property is primarily associated with syenitic intrusives and structures.

Earlier exploration on the property located widespread mineralization on and in the vicinity of the claims. Between 1967 and 1990 a number of copper-gold-silver mineralized occurrences were located and partially tested by trenching, percussion drilling and diamond drilling. Significant copper-gold-silver mineralization is present on the Tam and Mat claims in and adjacent to volcanic-intrusive contacts in propylitic and potassic altered rocks, however, to date this mineralization has not been located in economic amounts.

The combined IP surveys from 2004 and 2008 indicate that there is a linear feature striking 063° with near vertical dip in the south central portion of the grid. This marks the boundary between two zones. The zone to the northwest contains a polarizable anomaly about 300 metres by 500 metres in size. The zone to the southeast is resistive and more defined at depth. The resistive zone has a diameter of 200 metres and extends to the depth extent of the survey. Along the east boundary of the claims, in the vicinity of the Tim 1 showing, a coincident high chargeability linear anomaly and high resistivity anomaly are defined. The feature is 100 to 150 metres wide, trends 300° and strikes over 600 metres long. The structure appears to have good depth continuity within the limitations of the instrumentation. In the north central area of the survey the IP signature indicates an intrusive stock with several discontinuous subparallel northwest lineaments on its west contact with overlying Nicola volcanics. The apparent structural control along this contact is highly prospective for associated economic mineralization.

An independent technical report entitled “Summary Report the Tam and Mat Mineral Claims” dated May 14, 2008 (as revised on June 20, 2008) was prepared for the Company by Calvin Church, B.Sc., P.Geo., in accordance with NI 43-101 (the “**Tam Report**”). In the Tam Report, Mr. Church has recommended further exploration for copper-gold mineralization set out in a two-phased, success-contingent program to further evaluate the Tam Property. The first phase will include GPS surveying, geological mapping, sampling, trenching and diamond drilling. The Phase I program is estimated to cost \$378,950. Contingent upon the success of Phase I, a second phase program of diamond drilling could be warranted with a minimum allowance of \$500,000 for this work.

## *Results of Operations*

### **Summary of Annual Results**

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 we 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 private company. The increase in expenses were mainly due to professional and listing fees related to the preparation of the initial public offering. The significant differences during the current fiscal year compared to the same period a year prior are as follows:

- Accounting fees, increased to \$19,000 during the year ended March 31, 2009, as the Company paid a monthly fee of \$1,000 for general accounting and \$7,000 related to the 2008 year end audit. (2008 - \$Nil).
- Filing fees of \$43,021 were due to the initial public offering and subsequent listing on the Toronto Stock Exchange on September 24, 2008. (2008 - \$Nil).
- Management fees increased to \$31,833 during the year ended March 31, 2009 from the \$Nil incurred during the same period a year prior due to the addition of a monthly fee of \$5,000 paid to the President of the Company, effective September 19, 2008.
- Stock-based compensation expense totalling \$66,809 (a non-cash expense) was incurred during the year ended March 31, 2009, due to the Company Stock Option Plan adopted by the Company upon the close of the initial public offering. (2008 - \$Nil).
- During the year ended March 31, 2009, the Company incurred travel and entertainment costs of \$4,559 for attendance at trade shows, broker presentations and project reviews. (2008 - \$Nil).
- Interest income increased from \$nil in 2008 to \$16,274 during the year ended March 31, 2009 due to the Company completing the public offering and maintaining a higher average daily cash balance during the current fiscal period.

### **Selected Annual Information**

| <b>Year Ended March 31</b> | <b>2009</b> | <b>2008</b> |
|----------------------------|-------------|-------------|
| 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 Company did not complete any work on the Tam Property during the year ended March 31, 2009 due to early snow in the fall and late freeze up in the spring making access to the property cost prohibitive. In the first quarter fiscal 2010 the Company initiated the Phase 1 program by undertaking geological surveying and mapping work.

### Summary of Quarterly Results

|                            | <b>Q4-09</b><br>(Mar 31, 2009) | <b>Q3-09</b><br>(Dec 31, 2008) | <b>Q2-09</b><br>(Sep 30, 2008) | <b>Q1-09</b><br>(Jun 30, 2008) |
|----------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| <b>Interest income</b>     | 12,795                         | 60                             | 3,419                          | Nil                            |
| <b>Revenue</b>             | Nil                            | Nil                            | Nil                            | Nil                            |
| <b>Net loss (\$)</b>       | 38,620                         | 53,202                         | 49,894                         | 59,145                         |
| <b>Loss per share (\$)</b> | 0.00                           | 0.01                           | 0.00                           | 0.01                           |

  

|                            | <b>Q4-08</b><br>(Mar 31, 2008) | <b>Q3-08</b><br>(Dec 31, 2007) | <b>Q2-08</b><br>(Sep 30, 2007) | <b>Q1-08</b><br>(Jun 30, 2007) |
|----------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| <b>Interest income</b>     | Nil                            | Nil                            | Nil                            | Nil                            |
| <b>Revenue</b>             | Nil                            | Nil                            | Nil                            | Nil                            |
| <b>Net loss (\$)</b>       | 13,836                         | 11,191                         | 8,995                          | Nil                            |
| <b>Loss per share (\$)</b> | 0.01                           | 0.00                           | 0.00                           | 0.00                           |

The net loss for the three months ended March 31, 2009 was \$38,620 or \$0.00 per share. The largest areas of expenditure during this period were management fees, filing fees, accounting fees and stock-based compensation.

- Management fees, rent and administrative fees totalling \$21,000 paid to the President & CEO.
- Filing fees were \$6,301 for the quarter due to transfer agent services.
- Accounting fees for the fourth quarter 2009 were \$3,000.
- The Company recorded an adjustment of \$13,175 to stock-based compensation using the Black-Scholes option pricing model which assumed a risk-free interest rate of 3.34%, a dividend yield of nil, an expected volatility of 134.90% and an average expected life of 5 years.

### Liquidity and Capital Resources

Central Resources is an exploration stage enterprise and therefore generates negative cash flow from operations. Our principal source of funds since incorporation has been from the sale of equity capital. As at March 31, 2009, current assets were \$828,795 and current liabilities were \$644, resulting in a working capital of \$828,151 compared to working capital of \$302,664 as at March 31, 2008. As at March 31, 2009 and 2008, we had no long-term debt. There are no known trends affecting liquidity or capital resources.

As at March 31, 2009, the Company had total assets of \$1,025,712. Our principal assets are cash and cash equivalents of \$810,062, GST receivable of \$18,733 and our mineral exploration property interests with deferred expenditures of \$196,917 for the Tam Property.

As of March 31, 2009, our share capital was \$1,143,642 with 10,430,001 Common Shares issued and outstanding. In addition, there are 300,000 incentive stock options outstanding with exercise prices of \$0.25. At year end there was an accumulated deficit of \$234,883.

### Available Funds and Future Operations

With the completion of our initial public offering, our working capital available was sufficient to meet our general and administrative costs for at least twelve months and to carry out the recommended Phase 1

exploration program on the Tam Property. Any unallocated working capital may be used, depending on the results of the Phase 1 exploration program, to commence a Phase 2 exploration program on the Tam Property.

The Company does not have sufficient funds to carry out phase II exploration work on the Tam Property, if warranted, and may have to obtain other financing or raise additional funds in order to do so. Although we have been successful in the past in obtaining financing through the sale of equity securities, there can be no assurance that we 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 our properties

Our ability to continue as a going concern is dependent upon our ability to achieve profitability and fund any additional losses we may incur. Our financial statements were prepared on a going concern basis, which implies that we will realize our assets and discharge our 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**

During the year ended March 31, 2009, a private company controlled by Tim McNulty, a director and CEO of the Company charged a total of \$36,000, of which \$24,000 were for administrative fees and \$12,000 were for office rent.

During the year ended March 31, 2009, the Company incurred fees of \$39,371 to its CEO and CFO. These amounts were incurred in the ordinary course of business.

### **Risk and Uncertainties**

There are significant risks that might affect our further development. These include but are not limited to: exploration programs that may not result in a commercial mining operation; negative cash flow from operations; our ability to raise financing in the future for ongoing operations; market fluctuations in metal prices; government regulations; and other conditions that may be out of our control.

### **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.

### **Commitments and Contingencies**

The Company is not aware of any contingencies or pending legal proceedings as of July 15, 2009.

Upon completion of the initial public offering, the Company entered into an agreement with a director and officer of the Company, pursuant to which the Company will pay him a sum of \$5,000 per month for his services as the President and Chief Executive Officer of the Company.

## **Off Balance Sheet Arrangements**

The Corporation has no off Balance Sheet arrangements

## **Critical Accounting Policies and Estimates, Newly Adopted Accounting Policies and New Accounting Pronouncements**

### 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 records mineral property interests, which consist of the right to explore for mineral deposits, at cost. The Company records deferred exploration costs, which consist of costs attributable to the exploration of mineral property interests, at cost. All direct and indirect costs relating to the acquisition and exploration of these mineral property interests are capitalized on the basis of specific claim blocks until the mineral property interests to which they relate are placed into production, the mineral property interests are disposed of through sale or where management has determined there to be an impairment. If a mineral property interest is abandoned, the mineral property interests and deferred exploration costs will be written off to operations in the period of abandonment.

On an ongoing basis, the capitalized costs are reviewed on a property-by-property basis to consider if there is any impairment on the subject property. Management's determination for impairment is based on: 1) whether the Company's exploration programs on the mineral property interests have significantly changed, such that previously identified resource targets are no longer being pursued; 2) whether exploration results to date are promising and whether additional exploration work is being planned in the foreseeable future; or 3) whether remaining lease terms are insufficient to conduct necessary studies or exploration work.

The recorded cost of mineral property interests is based on cash paid and the assigned value of share consideration issued (where shares are issued) for mineral property interest acquisitions and exploration costs incurred. The recorded amount may not reflect recoverable value, as this will be dependent on future development programs, the nature of the mineral deposit, commodity prices, adequate funding and the ability of the Company to bring its projects into production.

### Stock-based Compensation Expense

The Company follows the accounting standards issued by the CICA Handbook Section 3870, "Stock-based compensation and other stock-based payments", which recommends the fair-value based method for measuring compensation costs. Under this method, compensation expense for stock options granted to employees, officers, and directors is measured at fair value at the date of the grant using the Black-Scholes valuation model and is expressed in the statements of operations over the vesting period of the options granted. The fair value of stock options granted to consultants is measured at the performance commitment date or the date that the service is delivered using the Black-Scholes valuation method. Forfeitures are accounted for as they occur.

Upon the exercise of the stock option, consideration received and the related amount transferred from contributed surplus are recorded as share capital.

#### General Standards of Financial Statement Presentation

Effective April 1, 2008, the Company adopted the requirements of the CICA Handbook Section 1400 - General Standards of Financial Statement Presentation which includes an assessment by management of the Company's ability to continue as a going concern. When management is aware, in making its assessment, of material uncertainties related to events or conditions that may cast doubt upon the Company's ability to continue as a going concern, these uncertainties should be disclosed. The disclosures required by this standard are provided in Note 2.

#### Recently Issued Accounting Pronouncements

On April 1, 2009, the Company will be required to adopt CICA Section 3064, Goodwill and Intangible Assets. This new standard provides guidance on the recognition, measurement, presentation and disclosure of goodwill and other intangible assets. The adoption of this standard is not expected to have any material impact on the Company's financial statements.

In January 2009, the CICA issued Section 1582 "Business Combinations" to replace Section 1581. Prospective application of the standard is effective January 1, 2011, with early adoption permitted. This new standard effectively harmonizes the business combinations standard under Canadian GAAP with International Financial Reporting Standards ("IFRS"). The new standard revises guidance on the determination of the carrying amount of the assets acquired and liabilities assumed, goodwill and accounting for non-controlling interests at the time of a business combination.

The CICA concurrently issued Section 1601 "Consolidated Financial Statements" and Section 1602 "Non-Controlling Interests" which replace Section 1600 "Consolidated Financial Statements. Section 1601 provides revised guidance on the preparation of consolidated financial statements and Section 1602 addresses accounting for non-controlling interests in consolidated financial statements subsequent to a business combination. These standards are effective January 1, 2011, unless they are early adopted at the same time as Section 1582 "Business Combinations".

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.

The Company intends to adopt these requirements as set by the AcSB and other regulatory bodies. Although the Company has not completed development of its IFRS changeover plan, when finalized it will include an analysis of key GAAP differences and a plan to assess accounting policies under IFRS as well as potential IFRS exemptions. The Company anticipates completing its development and changeover plan by the third quarter of fiscal 2010. The Company cannot reasonably estimate the effect of adopting these requirements on the Company's financial statements at this time.

The Company will also continue to monitor standards development as issued by the IASB and the AcSB as well as regulatory developments as issued by the Canadian Securities Administrators, which may affect the timing, nature or disclosure of its adoption of IFRS.

*Other MD&A Requirements*

**Additional Disclosure for Venture Issuers Without Significant Revenue**

As the Company has not had significant revenue from operations in its last two financial years, the following is a breakdown of the material costs incurred:

|                                       | March 31, 2009 | March 31, 2008 |
|---------------------------------------|----------------|----------------|
| Capitalized Exploration Costs         | \$108,917      | \$99,064       |
| General and Administration Expenses   | \$217,135      | \$34,022       |
| Gain on sale of marketable securities | Nil            | Nil            |
| Gain on sale of mineral properties    | Nil            | Nil            |

**Disclosure of Outstanding Share Capital**

The Company is authorized to issue an unlimited number of common shares. At the date of this MD&A, the Company has 10,430,001 common shares, 300,000 stock options and 350,000 warrants for a total of 11,080,001 fully diluted common shares outstanding.