**Form 51-102F1**

# MANAGEMENT DISCUSSION AND ANALYSIS FOR HELIO RESOURCE CORP.

## INTRODUCTION

Prepared on June 25, 2010 for the year ended March 31, 2010 ("fiscal 2010"), this Management, Discussion and Analysis ("MD&A") supplements, but does not form part of the audited consolidated financial statements of Helio Resource Corp. (the "Company"). This MD&A should be read in conjunction with the accompanying audited consolidated financial statements for the year ended March 31, 2010 and the related notes which have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP").

Additional information, including annual audited consolidated financial statements and more detail on specific mineral properties discussed in this MD&A can be found on the Company's page at www.sedar.com or on its website, www.helioresource.com.

Monetary amounts in the following discussion are in Canadian dollars unless otherwise noted.

## FORWARD-LOOKING INFORMATION

This MD&A contains certain forward-looking information as defined in the Securities Act (Ontario). Forward-looking information can be identified by the use of words such as “plans”, “expects” or “does not expect”, “is expected”, “budget”, “scheduled”, “is estimated”, “forecasts”, “anticipates” or “does not anticipate”, or “believes”, or variation of such words and phrases or by statements that certain actions, events or results “may”, “could”, “should”, “would”, “might” or “will” be taken, occur or be achieved.

Forward-looking information involves 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 expressed or implied by the forward-looking information. This forward-looking information includes estimates, forecasts, and statements as to management’s expectations concerning the future development and costs of the Company’s exploration projects. Forward-looking information is necessarily based on a number of assumptions, including, among others, assumptions regarding general business and economic conditions, interest rates, changes to legislation, market competition, and receipt of necessary approvals. The foregoing list of assumptions is not exhaustive. This forward-looking information involves numerous assumptions, risks and uncertainties. Events or circumstances could cause actual results to vary materially.

Factors that may cause actual results to vary include, but are not limited to: business and economic conditions in the mining industry generally, the global and local supply and demand for labour and other project inputs, changes in commodity prices, changes in interest and currency exchange rates, inaccurate geological and engineering assumptions, unanticipated future operational difficulties (including cost escalation, unavailability of materials and equipment, government action or delays in the receipt of government approvals, industrial disturbances or other job action, and unanticipated events related to health, safety and environmental matters), political risk (including the risk that the rights to mine the properties explored may be rescinded by the governments or otherwise lost), social unrest, changes in general economic conditions or conditions in the financial markets and other risk factors as detailed from time to time in the Company’s reports filed with the Canadian securities administrators. Certain of these risks are described in more detail in the annual information form of the Company and in its public filings with the Canadian securities administrators. The Company does not assume the obligation to revise or update forward-looking information after the date of this document nor to make revisions to reflect the occurrence of future unanticipated events, except as may be required under applicable securities laws.

## BUSINESS OF THE COMPANY

The principal business of the Company is the exploration and development of the SMP Gold Project in Tanzania.

The Company also holds title to seven exploration licences in Namibia, five of which are subject to a joint venture agreement with Desert Minerals (UK) Ltd, a private exploration company.

The Company is a reporting issuer in British Columbia and Alberta, and trades on the TSX Venture Exchange under the symbol HRC.

## OUTLOOK

The Company completed fiscal 2010 with no debt and with working capital[1] of $5,670,853 largely held as redeemable GICs. The bulk of the funds currently available are being utilised in a multi-rig drill programme at the SMP Gold Project in Tanzania, with the objective of publishing a NI 43-101 compliant resource estimate before the end of calendar 2010.

The current drill programme is using a combination of diamond and reverse circulation drilling to expand on the resource potential of the Porcupine and Kenge Targets, as well as to drill-test the resource potential of numerous new targets generated in late 2009 from a property-wide high resolution airborne magnetic survey.

The Company believes it currently has sufficient cash resources in order to carry out its planned exploration programmes and meet its contractual obligations to March 31, 2011.

## HIGHLIGHTS FOR THE YEAR ENDED MARCH 31, 2010

### Financing Activity

On April 8, 2009, the Company completed a brokered and non-brokered private placement totalling $5,250,000. The placements were priced at 35c per unit, each unit comprising a common share and a half share purchase warrant, with each full share purchase warrant exercisable into a common share at a price of 50c for a period of 2 years. As a result of the financing Macquarie Bank became a 10.7% shareholder in the Company at that time.

On February 5, 2010 the Company closed a $6,210,000 non-brokered private placement with IFC, a member of the World Bank. This placement was priced at 54c per unit, each unit comprising a common share and a half share purchase warrant with each full share purchase warrant exercisable into a common share at a price of 81c for a period of 3 years. As a result of this financing IFC became the second largest shareholder in the Company, owning approximately 14% of the issued and outstanding share capital.

[1] Working capital, a non-GAAP-measure is defined as current assets net of current liabilities.

These financings allowed the Company to restart and continue drilling activities at the SMP Project after the difficulties of the 2008 capital markets.

**Diamond Drilling – Porcupine and Kenge Targets**

The remaining diamond drill results from the 2008 drill programme at the Kenge Target were released on April 22, 2009, which included notable intercepts of 6.5m at 9.9g/t Au and 19.2m at 3.1g/t Au.

The 2009 diamond drilling programme commenced on May 12, completing three holes on the Porcupine Main Zone and three holes on the newly discovered Quill Zone, located approximately 250m north of Porcupine Main Zone.

At the Porcupine Main Zone, GPD42 intersected 42m grading 2.3g/t Au and GPD44 intersected 45m grading 2.1g/t Au (news July 13, 2009). These holes were significant as they demonstrated the continuity of good grade mineralisation between 120m and 200m vertical depth and suggested that mineralisation was open along strike to the east and west.

On October 14, 2009, the Company announced the results from three diamond drill holes drilled at the east end of the Porcupine Target. GPD48 intersected 92m grading 0.9g/t Au (the widest zone of gold mineralisation to date at Porcupine), GPD49 intersected 28m grading 5.1g/t Au (indicating the potential for deeper, higher grade resources), and GPD51 intersected 53m grading 2.9g/t Au (confirming the potential to extend mineralisation to the east along strike). On November 24, the Company announced results from 5 diamond drill holes at the Porcupine target with intercepts ranging up to 38m at 1.5g/t Au.

**Metallurgical Testwork**

On May 26, 2009 the Company announced that heap leach amenability testwork carried out on material remaining from the Kenge Target indicated recoveries of 70% were possible.

On September 9, 2009, the Company released the first metallurgical test results from the Porcupine Target. The results were very positive, with gold recoveries ranging from 90% - 95% through a variety of conventional milling and flotation and / or cyanidation processes.

The metallurgical testwork conducted to date has been very positive for the project. Recoveries are in the 90-96% range, with gold predominantly occurring as free gold.

**Reconnaissance Exploration**

Soil sampling was completed over the entire project area resulting in the discovery of three extensive gold-in-soil geochemical anomalies, namely Dubwana and Chui (to the north of Porcupine) (reported on May 14 2009), and Cheche West (the western extension of the Saza Mine 1 Shaft) (reported on June 16, 2009).

On October 14, 2009, the Company announced the results from diamond drill testing of the Dubwana and Chui Targets. The best intercept was 1m grading 67g/t Au. Less than

15% of the Dubwana Target has been tested, and increasing artisanal mining activity in the vicinity is providing new information into the controls and extents of mineralisation in the area.

On December 1, 2009, the Company announced that a property-wide high-resolution (50m line spacing) helicopter-borne magnetic-radiometric survey was completed. The Company has proceeded to test a number of new targets generated from this survey.

After completion of the IFC financing, the 2010 reconnaissance RC drill programme commenced on March 4, 2010. On March 22, 2010, the Company announced the discovery of the Tumbili Target where gold mineralisation (up to 16m grading 1.9g/t Au) was intersected on two north-south drill fences located 1km apart. The Tumbili Target is a coincident gold-in-soil and magnetic anomaly that appears to have strike length potential in excess of 2km.

**Corporate Update**

On October 18, 2009, the Company granted 2,325,000 incentive stock options to certain directors and employees of the Company. The stock options have an exercise price of $0.61 per share and will vest on October 18, 2010. The stock options will expire on October 18, 2014.

On November 23, 2009, the Company announced the successful completion of the earn-in on the Saza licence.

## EVENTS SUBSEQUENT TO THE YEAR ENDED MARCH 31, 2010

The Company released additional drill results from the Porcupine Target on April 19, May 4, and June 2, 2010. These drill holes were drilled in different orientations to test new structural controls on mineralisation and to test if the new drill direction could result in a grade increase within the known areas of mineralisation.

Four drill holes were completed on an east-west orientation drilling across the east plunging higher grade core of the Porcupine Main Zone. Grades increased to depth, with the shallowest intercept recording 52m grading 1.7g/t Au (GPD63) and the deepest intercept being 52m at 3.7g/t Au (GPD65). In addition, GPD65 intercepted a new zone of gold mineralisation, 10m grading 5.8g/t Au, in the footwall of the main zone.

One drill hole (GPD66) was drilled on an azimuth of 220 degrees and intersected 79m grading 3.1g/t Au (true thickness estimated at 40m), including 38m grading 5.0g/t Au.

Finally, GPD67 was drilled beneath the Main Zone and intersected a new, northwest trending mineralised structure (56m grading 0.6g/t Au), that appears to link up with the Quill Zone 250m to the northwest of Porcupine.

## DISCUSSION OF OPERATIONS AND FINANCIAL CONDITION

*Selected Annual Information*

The following summary of the Company's selected annual information has been prepared in accordance with Canadian GAAP:

| | **March 31, 2010** $ | **March 31, 2009** $ | **March 31, 2008** $ |
|---|---|---|---|
| Loss from Operations and Net Loss | 7,974,972 | 9,305,396 | 5,270,456 |
| Basic and Diluted Loss per Share | (0.12) | (0.19) | (0.14) |
| Total Assets | 8,839,942 | 3,476,108 | 6,723,363 |

The net loss has decreased in line with the moderate decrease in the Company's exploration activities.

*Results of Operations*

At present, the Company has no mineral-producing properties and therefore has no revenue from any mineral properties.

*Year Ended March 31, 2010*

The loss for the year ended March 31, 2010 decreased to $7,974,972 as compared to a loss of $9,305,396 for the year ended March 31, 2009 ("fiscal 2009"). The decreased loss was driven primarily by the decrease of $1,083,391 in exploration costs.

Exploration costs of $6,216,305 (2009 - $7,299,696) decreased moderately but significantly versus the preceding year due to lower average staffing levels and less drilling conducted on the Company's SMP Gold Project in Tanzania. In fiscal 2010 a maximum of three drills were actively drilling at a given time. This compares with up to five drills drilling in fiscal 2009. In addition, exploration costs in Namibia were reduced significantly in fiscal 2010.

Professional fees have decreased by $97,218 from $270,218 in fiscal 2009 to $173,000 in fiscal 2010. This has been as a result of a concerted effort to reduce reliance on external consultants for administrative work.

Stock based compensation expense has increased from $332,048 for the year ended March 31, 2009 to $417,189 for the year ended March 31, 2010. This is related to the timing of vesting of option grants, the number of options granted to geological or non-geological recipients, cancellations or forfeitures prior to vesting, and the value attributed to each grant. 2,325,000 options were granted in fiscal 2010, and 1,150,000 options were granted in fiscal 2009.

Interest income has decreased relative to the prior period due to the record low interest rates experienced during the year ended March 31, 2010.

The foreign exchange loss has decreased due to an effort made by the Company in fiscal 2010 to approximately match foreign payables balances by holding cash in foreign currencies.

*Summary of Quarterly Results*

The following table sets out selected unaudited quarterly financial information of the Company and is derived from unaudited quarterly consolidated financial statements prepared by management. The Company's interim consolidated financial statements are prepared in accordance with Canadian GAAP and are expressed in Canadian dollars.

| Period | Revenues | Loss from Operations and Net Loss | Basic and Diluted Loss per Share from Operations and Net Loss per Share |
|---|---|---|---|
| March 31, 2010 | Nil | (2,181,817) | (0.03) |
| December 31, 2009 | Nil | (2,120,178) | (0.03) |
| September 30, 2009 | Nil | (2,475,125) | (0.04) |
| June 30, 2009 | Nil | (1,197,852) | (0.02) |
| March 31, 2009 | Nil | (725,991) | (0.01) |
| December 31, 2008 | Nil | (2,489,191) | (0.05) |
| September 30, 2008 | Nil | (4,381,841) | (0.09) |
| June 30, 2008 | Nil | (1,708,373) | (0.04) |

The variation in the Company's quarterly net loss over the past eight quarters is largely due to the variation in exploration activity on the Company's properties. Drilling rates peaked in the September 30, 2008 quarter. The quarter ended December 31, 2008 was characterized by a steady and controlled reduction in activity. Finally, the quarter ended March 31, 2009 was characterized by maintaining the reduced level of spending. After a return to drilling in the first quarter, drilling in fiscal 2010 has been relatively steady.

*Three months ended March 31, 2010*

The quarter ended March 31, 2010 ("Q410") was comparable to the two previous quarters in fiscal 2010, but reflects significantly increased exploration when compared to the quarter ended March 31, 2009.

The loss for the three months ended March 31, 2010 was $2,181,817, similar in amount to the loss for the three months ended December 31, 2009 of $2,120,178 but significantly higher than the loss for the three months ended March 31, 2009 ("Q409") of $725,991. These fluctuations reflect the exploration activity of the Company during the quarters, particularly in regards to the amount of drilling conducted in each quarter.

Exploration costs of $1,633,418 (2009 - $391,032) increased versus the equivalent quarter of the preceding year due to the increase in drilling in Q410 as compared with the lack of drilling in Q409.

Stock based compensation expense has increased from $80,302 in Q409 to $173,694 in Q410. This is related to the timing of vesting of option grants, the number of options granted to geological or non-geological recipients, cancellations or forfeitures prior to vesting, and the value attributed to each grant.

Professional fees have decreased by $64,663 over Q409 as a result of reducing reliance on external consultants, primarily overseas.

A foreign exchange gain of $27,859 was realized in Q410 as compared with a loss of 11,735 realized in Q409. While the Company attempts to minimize exposure to foreign exchange fluctuations, foreign exchange rates were particularly volatile in Q410, and provided some opportunity to make purchases of foreign currency below the month-average exchange rates.

A recovery of $27,700 of the allowance for doubtful accounts was recorded in Q410 as management adjusted their estimate of the likelihood of recovery of a receivable. This compares to a recovery of $115,598 in Q409.

Finally no loss on sale of investments was realized or recorded in Q410, as compared with the loss of $31,965 recorded in Q409. No marketable securities were sold in Q410, while marketable securities were sold in Q409.

*Liquidity, Capital Resources and Cash Flow Analysis*

The Company's primary sources of funding have been from the issuance of common shares and warrants with additional funds coming from joint venture agreements. Management is optimistic that additional funding can be realised if the current strength in the gold price and the apparent institutional appetite for equity financings continues.

The decrease in cash and short-term deposits reflects a decrease in liquidity. The Company's short-term deposits are held as fixed-rate cashable Guaranteed Investment Certificates (GIC's) issued by Canadian chartered banks and credit unions covered by deposit insurance (CDIC or CUDIC). The initial term of these instruments is one year. Upon the request of the Company the investments may be partially or fully redeemed before the maturity date without penalty.

A private placement was completed in April 2009, from which the Company raised gross proceeds of $5,250,000 by issuing 15,000,000 common shares and 7,500,000 share purchase warrants exercisable at $0.50 for the first year and $0.60 for the second year. In addition, 690,000 broker's warrants were issued, exercisable at $0.35 for two years. Proceeds from the financing were invested in short-term deposits and were subsequently spent on exploration.

Another private placement was completed in February 5, 2010, from which the Company raised gross proceeds of $6,210,000 by issuing 11,500,000 common shares and 5,750,000 share purchase warrants exercisable at $0.81 for three years. No finder's fees, broker's warrants or commissions were issued or paid in connection with the financing. Proceeds from the financing were invested in short-term deposits and remain largely available for the Company's needs.

In order to maintain its Tanzanian property option agreements in good standing, the Company must issue 125,000 shares, make one payment of $675,000 either in cash or shares prior to March 31, 2011. No additional exploration spending is required in fiscal 2011 in order to maintain the Company's Tanzanian property option agreements.

The Company believes it currently has sufficient cash resources to carry out its planned exploration programs and meet its contractual obligations to March 31, 2011.

*Financial Instruments*

The Company's financial instruments consist of cash and cash equivalents, short-term deposits, marketable securities, receivables, security deposits, accounts payable and accrued liabilities and amounts due to/from related parties. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from the financial instruments. Interest risk and credit risk are managed for short-term deposits by maintaining them in redeemable GIC's issued by a major Canadian bank or credit union. The Company manages its currency risk by periodically adjusting the principal foreign currency cash balances to approximately match budgeted foreign currency spending. This exposes the Company to gains and losses as a result of fluctuations in foreign exchange markets, but ensures the Company's purchasing power in foreign currencies will remain more stable. Interest on short-term deposits is classified as interest income on the Consolidated Statements of Loss and Comprehensive Loss. There are no gains, losses or expenses associated with this financial instrument. The Company does not engage in any hedging activities. Other financial instruments do not generally expose the Company to risk that is significant enough to warrant reducing. Further discussion of these risks is made available in Note 5 of the audited consolidated financial statements for the year ended March 31, 2010.

## ADDITIONAL DISCLOSURE FOR VENTURE ISSUERS WITHOUT SIGNIFICANT REVENUE

The Company has provided a breakdown of expensed exploration costs in the *Consolidated Schedule of Exploration Costs*, a schedule to the audited consolidated financial statements for the years ended March 31, 2010 and 2009.

In addition, significant components of general and administrative expenses are shown separately on the *Consolidated Statements of Loss and Comprehensive Loss,* also part of the audited consolidated financial statements for the years ended March 31, 2010 and 2009.

## RISK FACTORS

*Exploration Risk*

Mineral exploration and development involve a high degree of risk and few projects are ultimately developed into producing mines. There is no assurance that the Company's future exploration and development activities will result in the definition of a body of commercial ore. Whether an ore body will be commercially viable depends on a number of factors including the particular attributes of the deposit such as size, grade and proximity to infrastructure, as well as mineral prices and government regulations, including environmental regulations.

*Financial Capability and Additional Financing*

The Company has limited financial resources, has no source of operating income and has no assurance that additional funding will be available to it for further exploration and development of its projects. Although the Company has been successful in the past in financing its activities through the issuance of equity securities, there can be no assurance that it will be able to obtain sufficient financing in the future to execute its business plan. A discussion of risk factors particular to financial instruments is presented in Note 5.b of the audited consolidated financial statements for the period ended March 31, 2010.

*Commodity Prices*

The mineral industry varies with the price of metals. The price of gold and other commodities has fluctuated widely in recent years and is affected by factors beyond the control of the Company including, but not limited to, international economic and political trends, currency exchange fluctuations, economic inflation and expectations for the level of economic inflation in the consuming economies, interest rates, global and local economic health and trends, speculative activities and changes in the supply of gold due to new mine developments, mine closures as well as advances in various production and use technologies of gold. All of these factors will have impacts on the viability of the Company's exploration projects that are impossible to predict with certainty.

*Environment*

Both the exploration and any future production phases of the Company's operations will be subject to environmental protection regulations in the jurisdictions in which it operates. Globally, environmental legislation is evolving towards stricter standards and enforcement, more stringent environmental impact assessments of new mining projects and increasing liability exposure for companies and their directors and officers. There is no assurance that future environmental regulations will not adversely affect the Company's operations.

*Financial Instrument Risk*

As a result of its use of financial instruments, the Company is subject to credit risk, interest rate risk, currency risk, liquidity risk and other price risk. These risks are discussed comprehensively in Note 5b of the audited consolidated financial statements for the year ended March 31, 2010.

## RECENT ACCOUNTING PRONOUNCEMENTS

### Changes in Accounting Standards

On April 1, 2009, the Company adopted the following new and revised accounting standards that were issued by the Canadian Institute of Chartered Accountants:

Handbook Section 1582, *Business Combinations*;
Handbook Section 1601, *Consolidated Financial Statements*;
Handbook Section 1602, *Non-controlling Interests*;
Handbook Section 3064, *Goodwill and Intangible Assets*;
Handbook Section 3862, *Financial Instruments - disclosures*;
EIC 173, *Credit Risk and the Fair Value of Financial Assets and Liabilities*; and
EIC 174, *Mining Exploration Costs;*

These standards have been applied prospectively; accordingly, comparative amounts for prior periods have not been restated.

### International Financial Reporting Standards ("IFRS")

The Canadian Accounting Standards Board has announced their plan to converge Canadian GAAP with International Financial Reporting Standards over a transition period. Canadian GAAP and IFRS will be fully converged for fiscal years commencing on or after January 1, 2011. The Company has developed an IFRS changeover plan to identify and implement the changes necessary to report under the new standards. The plan includes assessing the impact of IFRS on financial reporting systems, accounting policies, disclosure controls and procedures, business activities, internal control over financial reporting, tax planning, and the knowledge of key personnel. The Company has completed an initial high level assessment to identify the required accounting policy changes on adoption of IFRS, but has not yet quantified the impact of the transition on its consolidated financial condition. The Company is completing a more detailed assessment to assist in the full adoption of IFRS.

The Company's initial high level assessment identified significant differences between existing Canadian GAAP and IFRS but has determined that no significant changes will be required to financial reporting systems, business activities, internal control over financial reporting, or tax planning. Some disclosure controls and procedures will, however, need to be changed, for example, to address reporting of first time adoption as well as ongoing new IFRS reporting requirements. These changes will require training of key personnel. There will also be both optional and required changes made to certain accounting policies upon adoption of IFRS. These changes may result in material changes to financial results or financial position. Additionally, it is expected that the amount of required financial statement disclosure will increase substantially. The certifying officers plan to complete the design and initially evaluate the effectiveness of these controls in the third quarter of fiscal 2011 in order to prepare for certification under IFRS in 2011.

In the latter half of 2010, the Company will quantify the impact of the transition to IFRS on its financial statements and systems, if any. The implementation and transition phase to IFRS are currently planned for the third quarter of fiscal 2011 in order to meet the expected adoption date of April 1, 2011.

Fortunately, due to the jurisdictions in which the Company operates, some staff working for subsidiary companies are already accustomed to reporting under IFRS. Training of other Company personnel, where required, has started and will continue through 2010. This training is being conducted via attendance at seminars specifically designed for Canadian companies going through the transition to IFRS. The Audit Committee members will continue to receive quarterly IFRS presentations and project status updates from management.

As the Company has no debt covenants, executive compensation arrangements or other contracts that depend on financial information, there will be no changes required to business activities as a result of the change to IFRS.

Areas of potential differences between Canadian GAAP and IFRS that have been identified to date include the following:

*Foreign currency translation*

Canadian GAAP uses the concept of integrated and self-sustaining foreign operations in order to determine how to translate financial information denominated in foreign currencies.

- IFRS uses the functional currency concept. Under this method, the currency of the primary economic environment in which the entity operates is used to determine the method of measuring foreign currency translation.

*Property, plant and equipment*

The Company's property, plant and equipment are recorded at cost under Canadian GAAP.

- IFRS 1 allows companies to elect fair value as the deemed cost of an individual asset at the date of transition.

- IFRS requires a componentization approach, separately identifying and measuring significant individual components of assets which have different useful lives. Significant components will be depreciated based on their individual useful lives.

*Asset retirement obligations*

The Company's future obligations for reclamation of exploration sites are currently recorded as a liability at fair value at the time the future obligation is created. The fair value determination is based on estimated future cash flows. The value of asset retirement obligations (if any) is evaluated on an annual basis or as new information becomes available regarding the expected amounts and timing of cash flows required to discharge the liability. The obligation is then accreted to full value over time through periodic charges to earnings. Any change to the full value of the liability is recorded in the period in which it is identified and when costs can be reasonably quantified. The liability is capitalized as part of the asset's carrying value and amortized over the asset's estimated useful life. Differences under IFRS include:

- IFRS defines site restoration and environmental provisions as legal or constructive obligations; Canadian GAAP limits the definition to legal obligations.
- IFRS requires provisions to be updated at each balance sheet date using a current pre-tax discount rate (which reflects current market assessment of the time value of money and the risk specific to the liability). Canadian GAAP requires the use of a current credit-adjusted, risk-free rate for upward adjustments, and the original credit-adjusted, risk-free rate for downward revisions.
- Accretion expense is recorded as a finance cost under IFRS rather than as an element of operating cost.

*Impairment of long-lived assets*

In evaluating the Company's long-lived assets for recoverability, undiscounted future cash flows are used to perform the test. Recoverability is evaluated whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. An impairment charge is recorded if the undiscounted future net cash flows are less than the carrying amount. Reductions in the carrying value, with a corresponding charge to operations, are recorded to the extent that the estimated discounted future net cash flows are less than the carrying value.

- IFRS requires the use of a one-step impairment test (impairment testing is performed using discounted cash flows) rather than the two-step test under Canadian GAAP (using undiscounted cash flow as a trigger to identify potential impairment loss).
- IFRS requires reversal of impairment losses where previous adverse circumstances have changed; this is prohibited under Canadian GAAP.
- Impairment testing should be performed at the asset level for long-lived assets and intangible assets. Where the recoverable amount cannot be estimated for individual assets, it should be estimated as a part of a Cash Generating Unit.
- Impairment testing under IFRS is performed using two new valuation methods – value in use and fair value less cost to sell.

## OFF-BALANCE SHEET ARRANGEMENTS

The Company is not a party to any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future material effect on the Company's financial condition, changes in financial condition, revenues, expenses, results of operations, liquidity, capital expenditures or capital resources.

## RELATED PARTY TRANSACTIONS

During the year ended March 31, 2010, the Company received legal services in the amount of $117,000 (March 31, 2009 -$86,000) from a law firm, in which the Corporate Secretary of the Company is a partner.

The amounts charged to the Company for the services provided have been determined by negotiation among the parties. These transactions were in the normal course of operations and were measured at the exchange value, which is the amount of consideration established and agreed to by the related parties.

## OUTSTANDING SHARE DATA

The following section updates the Outstanding Share Data provided in the audited consolidated financial statements for the year ended March 31, 2010.

| | |
|---|---|
| Common Shares: | |
| Shares outstanding at March 31, 2010 | 77,830,599 |
| Warrants exercised at $0.50 | 675,000 |
| Shares outstanding at June 29, 2010 | 78,505,599 |
| Stock Options: | |
| Options outstanding at March 31, 2010 and June 29, 2010 | 4,645,000 |
| Warrants: | |
| Warrants outstanding at March 31, 2010 | 17,268,610 |
| Warrants expired ($0.85 & $1.25) | (3,540,000) |
| Warrants exercised at $0.50 | (675,000) |
| Balance as at June 29, 2010 | 13,053,610 |

## APPROVAL

The Board of Directors of the Company has approved the disclosure contained in this MD&A.

## ADDITIONAL INFORMATION

Additional information relating to the Company is on SEDAR at www.sedar.com