



**FINANCIAL REVIEW**

**First Quarter Ended February 28, 2010**



INTERIM CONSOLIDATED FINANCIAL STATEMENTS

THREE MONTHS ENDED FEBRUARY 28, 2010

(Unaudited – Prepared by Management)

(Stated in Canadian Dollars)

**UNAUDITED FINANCIAL STATEMENTS:** In accordance with National Instrument 51-102 of the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed the unaudited consolidated financial statements for the three month period ended February 28, 2010.

**FOCUS VENTURES LTD.**  
**INTERIM CONSOLIDATED BALANCE SHEETS**  
(Unaudited – Prepared by Management)  
(Stated in Canadian Dollars)

	February 28, 2010	November 30, 2009
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash	\$ 5,899,568	\$ 6,185,153
Prepaid expenses and deposits	64,588	13,162
GST and VAT taxes receivable	4,335	18,941
Other receivables	6,633	-
	5,944,622	6,217,256
<b>DUE FROM RELATED PARTIES</b> (Note 9(d))	364	7,975
<b>PROPERTY &amp; EQUIPMENT</b> (Note 5)	53,080	10,217
<b>MINERAL PROPERTIES</b> (Note 6)	250,774	244,114
	\$ 6,279,342	\$ 6,479,562
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Accounts payable and accrued liabilities (Note 9(g))	\$ 280,329	\$ 64,944
Due to related parties (Note 9(e))	33,246	27,964
	313,575	92,908
<b>SHAREHOLDERS' EQUITY</b>		
<b>SHARE CAPITAL</b> (Note 8)	17,206,142	16,965,377
<b>SHARE SUBSCRIPTIONS RECEIVABLE</b>	-	(168,750)
<b>CONTRIBUTED SURPLUS</b>	1,627,970	1,576,650
<b>DEFICIT</b>	(12,868,345)	(11,986,623)
	5,965,767	6,386,654
	\$ 6,279,342	\$ 6,479,562

Nature of Operations and Going Concern – (Note 1)  
Subsequent Events – (Note 10)

**APPROVED BY THE DIRECTORS:**

“David Cass”, Director  
David Cass

“Mario Szotlender”, Director  
Mario Szotlender

SEE ACCOMPANYING NOTES

**FOCUS VENTURES LTD.****INTERIM CONSOLIDATED STATEMENTS OF LOSS, COMPREHENSIVE LOSS AND DEFICIT**  
(Unaudited – Prepared by Management)  
(Stated in Canadian Dollars)

	<b>Three Month Period Ended February 28,</b>	
	<b>2010</b>	<b>2009</b>
<b>EXPLORATION EXPENDITURES</b> (Note 7)	\$ 638,048	\$ 141,306
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>		
Accounting and legal	11,152	81
Amortization	1,620	-
Bank charges and interest	874	53
Consulting fees	10,368	-
Management fees (Note 9(a))	31,500	10,000
Office and miscellaneous	10,261	2,709
Regulatory and stock exchange fees	14,318	4,255
Rent and utilities	7,623	5,243
Salaries and wages	49,132	13,319
Shareholder communication	20,154	561
Stock-based compensation	54,490	-
Travel and accommodation	42,273	7,927
	253,765	44,148
<b>LOSS BEFORE OTHER ITEMS</b>	(891,813)	(185,454)
<b>OTHER ITEMS</b>		
Interest and other income	6,911	656
Foreign exchange gain (loss)	3,180	(1,264)
<b>NET LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD</b>	(881,722)	(186,062)
Deficit, beginning of period	(11,986,623)	(8,836,458)
<b>Deficit, end of period</b>	\$ (12,868,345)	\$ (9,022,520)
<b>Basic and diluted loss per share</b>	\$(0.03)	\$(0.02)
<b>WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING</b>	28,410,567	8,821,194

SEE ACCOMPANYING NOTES

**FOCUS VENTURES LTD.**  
**INTERIM CONSOLIDATED STATEMENTS OF CASH FLOW**  
(Unaudited – Prepared by Management)  
(Stated in Canadian Dollars)

	<b>Three Month Period Ended February 28,</b>	
	<b>2010</b>	<b>2009</b>
<b>OPERATING ACTIVITIES</b>		
Net loss for the period	\$ (881,722)	\$ (186,062)
Items not involving cash:		
Amortization	1,620	-
Stock-based compensation	54,490	-
	(825,612)	(186,062)
Changes in non-cash working capital items related to operations:		
GST and VAT taxes receivable	14,606	(1,359)
Prepaid expenses and deposits	(51,426)	(26,355)
Other receivables	(6,633)	-
Accounts payable and accrued liabilities	215,385	14,658
	(653,680)	(199,118)
<b>FINANCING ACTIVITIES</b>		
Due to (from) related parties	5,282	(5,150)
Net proceeds from issuance of capital stock	237,595	474,294
Share subscriptions received	168,750	-
	411,627	469,144
<b>INVESTING ACTIVITIES</b>		
Due from related parties	7,611	246
Purchase of property and equipment	(44,483)	-
Mineral property acquisitions	(6,660)	(4,736)
	(43,532)	(4,490)
<b>INCREASE (DECREASE) IN CASH</b>	(285,585)	265,536
Cash, beginning of period	6,185,153	3,566
<b>CASH, END OF PERIOD</b>	\$ 5,899,568	\$ 269,102

SEE ACCOMPANYING NOTES

**FOCUS VENTURES LTD.**  
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**1. Nature of Operations and Going Concern**

The Company was incorporated in British Columbia and its common shares were publicly traded on the NEX Board of the TSX Venture Exchange (“TSX-V”) until September 24, 2009 when its listing was graduated to Tier 2 of the TSX-V. The Company is engaged in the acquisition and exploration of mineral properties located primarily in Peru.

These consolidated financial statements have been prepared in accordance with generally accepted accounting principles applicable to a going concern, which assumes that the Company will be able to meet its obligations and continue its operations for its next fiscal year. Realization values may be substantially different from carrying values as shown and these financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. At February 28, 2010, the Company had not yet achieved profitable operations, has accumulated losses of \$12,868,345 since its inception and expects to incur further losses in the development of its business, all of which casts substantial doubt about the Company’s ability to continue as a going concern. The Company’s ability to continue as a going concern is dependent upon its ability to generate future profitable operations and/or to obtain the necessary financing to meet its obligations and repay its liabilities arising from normal business operations when they come due.

**2. Significant Accounting Policies**

Basis of presentation

These unaudited interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. They include the accounts of the Company and its wholly-owned Peruvian subsidiary, Minera Focus S.A.C. that was incorporated on August 13, 2009. All significant intercompany transactions and balances have been eliminated. The Company charges exploration expenditures net of recoveries to operations as incurred.

Operating results for the three month period ended February 28, 2010 are not necessarily indicative of the results that may be expected for the year ending November 30, 2010. These interim consolidated financial statements do not contain all of the information required by generally accepted accounting principles for annual financial statements and therefore should be read in conjunction with the audited financial statements and accompanying notes thereto for the year ended November 30, 2009.

Future accounting changes

*International Financial Reporting Standards (“IFRS”)*

In 2006, the Canadian Accounting Standards Board (“AcSB”) published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with International Financial Reporting Standards (“IFRS”) over an expected five year transitional period. In February 2008 the AcSB announced that 2011 is the changeover date for the publicly-listed companies to use IFRS, replacing Canada’s own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended November 30, 2011. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS has not yet been determined.

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**2. Significant Accounting Policies – (cont'd)**

Future accounting changes – (cont'd)

*Business Combinations, Consolidated Financial Statements and Non-Controlling Interest*

In January 2009, the CICA issued CICA 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. Section 1582 establishes standards for the accounting for a business combination, and states that all assets and liabilities of an acquired business will be recorded at fair value. Obligations for contingent consideration and contingencies will also be recorded at fair value at the acquisition date. The standard also states that acquisition-related costs will be expensed as incurred and that restructuring charges will be expensed in the periods after the acquisition date. It provides the Canadian equivalent to IFRS 3, Business Combinations (January 2008). The section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011.

Section 1601 establishes standards for the preparation of consolidated financial statements.

Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in the preparation of consolidated financial statements subsequent to a business combination. It is equivalent to the corresponding provisions of IFRS International Accounting Standards (“IAS”) 27, Consolidated and Separate Financial Statements (January 2008).

Sections 1601 and 1602 apply to interim and annual consolidated 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.

**3. Capital Management**

The Company’s objectives when managing capital are to safeguard the Company’s ability to continue as a going concern in order to explore new mineral property opportunities. In order to facilitate the management of its capital requirements, the Company prepares periodic budgets that are updated as necessary. The Company manages its capital structure and makes adjustments to it to effectively support the acquisition and exploration of mineral properties. The properties in which the Company currently has an interest are in the exploration stage; as such the Company is dependent on external financing to fund any future activities. In order to pay for general administrative costs, the Company will use its existing working capital and raise additional amounts as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

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**3. Capital Management – (cont'd)**

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the period ended February 28, 2010. The Company's investment policy is to hold cash in interest bearing bank accounts, which pay comparable interest rates to highly liquid short-term interest bearing investments with maturities of one year or less and which can be liquidated at any time without penalties. The Company is not subject to externally imposed capital requirements and does not have exposure to asset-backed commercial paper or similar products. The Company's capital resources as of February 28, 2010 are sufficient to carry out its exploration programs and operating costs for the next twelve months. The Company believes it will be able to raise additional equity capital as required, but recognizes the uncertainty attached thereto.

**4. Financial Instruments and Risk Management**

As at February 28, 2010, the Company's financial instruments are comprised of cash, amounts due from and to related parties and accounts payable and accrued liabilities. The fair value of cash, amounts due from and to related parties and accounts payable and accrued liabilities approximate their carrying value due to their short-term maturity. The Company's financial instruments are exposed to certain financial risks, including currency risk, credit risk, liquidity risk and interest rate risk.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company is exposed to fluctuations in foreign currencies through its operations in a foreign country. The Company monitors this exposure, but has no hedge positions. As at February 28, 2010, the Company had cash totalling \$368,092 (November 30, 2009: \$273,506) held in US dollars \$3,058 (November 30, 2009: \$1,359) in Peruvian Soles, and an accounts payable amount of \$207,055 (November 30, 2009: \$10,596) owed in US dollars.

Based on the above net exposure as at February 28, 2010, and assuming that all other variables remain constant, a 10% depreciation or appreciation of the Canadian dollar against the US dollar would result in a an increase/decrease of approximately \$57,515 in the Company's loss.

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its cash. The Company limits exposure to credit risk by maintaining its cash with large financial institutions. The Company does not have cash that is invested in asset based commercial paper.

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company ensures there is sufficient capital in order to meet short term business requirements, after taking into account the Company's holdings of cash and potential equity financing opportunities. The Company believes that these sources will be sufficient to cover the known short and long-term requirements at this time.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. As the Company's cash is currently held in an interest bearing bank account, management considers the interest rate risk to be limited.

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**5. Property and Equipment**

	February 28, 2010		
	Cost	Accumulated Amortization	Net Book Value
Vehicles	\$ 34,545	\$ 576	\$ 33,969
Computer equipment	11,047	1,612	9,435
Furniture and equipment	6,359	221	6,138
Website	4,500	962	3,538
	<b>\$ 56,451</b>	<b>\$ 3,371</b>	<b>\$ 53,080</b>

	November 30, 2009		
	Cost	Accumulated Amortization	Net Book Value
Computer equipment	\$ 6,222	\$ 933	\$ 5,289
Furniture and equipment	1,226	123	1,103
Website	4,500	675	3,825
	<b>\$ 11,948</b>	<b>\$ 1,731</b>	<b>\$ 10,217</b>

**6. Mineral Properties**

The Company has capitalized the following acquisition costs on its mineral properties as at February 28, 2010:

	Nueva California Property (Peru)	Minas Chanca Property (Peru)	Other Properties (Peru)	Total
Balance, November 30, 2008	\$ -	\$ -	\$ -	\$ -
Acquisition costs - cash	232,946	11,168	-	244,114
Balance, November 30, 2009	232,946	11,168	-	244,114
Acquisition costs - cash	-	-	6,660	6,660
Balance, February 28, 2010	<b>\$ 232,946</b>	<b>\$ 11,168</b>	<b>\$ 6,660</b>	<b>\$ 250,774</b>

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**6. Mineral Properties – (cont'd)**

*Nueva California Property*

The Nueva California property comprises 900 hectares and is located in the north-central Peru.

In March 2009, the Company entered into an agreement with Radius Gold Inc. (“Radius”) whereby Radius agreed to assign to the Company Radius’s option (the “Option”) to earn a 100% interest in the Nueva California Property. The terms of the option, which were amended July 6 and November 27, 2009, require exploration expenditures on the Property of US\$3 million and cash payments to the property owner (a Peruvian private company) totaling US\$3 million, over a period of 4 years as follows:

<u>Deadline</u>	Minimum Cumulative Exploration Expenditures US\$	Cash Payments to the Owner US\$	Paid CDN\$
On signing of the Option (paid by Radius)	N/A	50,000	53,415
6 months after the March 20, 2009 registration of the Option with the Peru authorities (“Registration”) (paid)	N/A	50,000	53,860
12 months after Registration (expended / subsequently paid)	200,000	50,000	-
18 months after Registration	N/A	50,000	-
24 months after Registration	1,000,000	150,000	-
36 months after Registration	2,000,000	150,000	-
48 months after Registration (paid US\$50,000 in July 2009 and US\$50,000 in November 2009)	3,000,000	2,500,000	109,035
		<u>3,000,000</u>	<u>216,310</u>

Upon exercise of the Option, the Company is to pay to the owner of the Property US\$4 per ounce of gold defined in the reserve category as determined by a bankable feasibility study on the Property, and US\$4 per ounce of gold produced during a 6-year period thereafter that is over and above the number of ounces defined in such a study, up to a maximum of 2.5 million ounces, or US\$10 million.

On September 22, 2009 Company assumed all of Radius’s obligations under the Option, issued to Radius 1,000,000 common shares in the capital of the Company, paid to Radius US\$50,000 cash, and granted to Radius a 1.5% net smelter return royalty on the Property. Radius and the Company have common directors and officers. The fair value of the 1,000,000 shares issued to Radius was \$660,000, based on the Company’s closing share price of \$0.66 on September 22, 2009. This transaction was accounted for in accordance with CICA Handbook Section 3840 whereby the excess amount paid over Radius’ carrying value of US\$50,000 has been reflected as an adjustment to the deficit account.

In 2009, the Company applied for an additional 13 claims to be included in the Nueva California Property at a cost of \$16,636.

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**6. Mineral Properties – (cont'd)**

*Minas Chanca Property*

The Company's owns a 100% interest in the Minas Chanca Property which consists of two concessions covering 1,200 hectares in central Peru.

**7. Exploration Expenditures**

During the three months ended February 28, 2010, the Company incurred the following exploration expenditures which were expensed as incurred:

	Peru		Total
	Nueva California	General	
Assaying	\$ 9,408	\$ 213	\$ 9,621
Communications	360	1,322	1,682
Community relations	2,110	-	2,110
Drilling	294,872	-	294,872
Geological and other consulting	68,646	35,689	104,335
Geological expenses	19,843	3,337	23,180
Legal and accounting	44	5,772	5,816
Office and administration	4,826	7,934	12,760
Salaries	56,610	26,517	83,127
Travel	16,642	23,769	40,411
Value added tax	4,532	55,602	60,134
	<b>\$ 477,893</b>	<b>\$ 160,155</b>	<b>\$ 638,048</b>

During the three months ended February 28, 2009, the Company incurred the following exploration expenditures which were expensed as incurred:

	Peru General
Assaying	\$ 4,093
Communications	1,886
Field expenses	2,139
Geological and other consulting	92,310
Geological expenses	867
Legal and accounting	3,266
Office and administration	24,262
Salaries	4,699
Travel	7,784
	<b>\$ 141,306</b>

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**8. Capital Stock**

a) Authorized:

Unlimited number of common shares without par value

b) Issued:

	Number of Shares	Amount	Contributed Surplus
Balance, November 30, 2008	6,821,746	\$ 8,716,662	\$ 3,750
Shares issued for private placements	15,483,330	7,537,500	-
Shares issued for finders' fees	488,110	318,902	-
Shares issued for debt settlement	500,000	75,000	-
Shares issued for warrant exercises	3,356,662	503,500	-
Shares issued for option exercises	65,000	12,350	-
Shares issued for property acquisition	1,000,000	660,000	-
Share issuance costs	-	(868,839)	416,880
Transfer of contributed surplus on exercise of options	-	10,302	(10,302)
Stock-based compensation	-	-	1,166,322
Balance, November 30, 2009	27,714,848	16,965,377	1,576,650
Shares issued for warrant exercises	1,223,634	233,795	-
Shares issued for option exercises	20,000	3,800	-
Transfer of contributed surplus on exercise of options	-	3,170	(3,170)
Stock-based compensation	-	-	54,490
Balance, February 28, 2010	28,958,482	\$ 17,206,142	\$ 1,627,970

During the three month period ended February 28, 2010, there were 1,223,634 share purchase warrants exercised for gross proceeds of \$233,795.

During three month period ended February 28, 2010, there were 20,000 stock options exercised for gross proceeds of \$3,800. The Company reallocated the fair value of these options previously recorded in the amount of \$3,170 from contributed surplus to capital stock.

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**8. Capital Stock – (cont'd)**

c) Stock options

The Company has a stock option plan that was ratified and approved by the shareholders of the Company in fiscal 2009 (the "Plan"). The Plan allows the Board of Directors to grant incentive stock options to the Company's officers, directors, employees and consultants. The exercise price of stock options granted is determined by the Board of Directors at the time of the grant in accordance with the terms of the Plan and the policies of the TSX-V. Options vest on the date of granting unless stated otherwise. Options granted to investor relations consultants vest in accordance with TSX-V regulation. The options are for a maximum term of ten years.

A summary of stock option activity is as follows:

	<b>Number of Options</b>	<b>Weighted Average Exercise Price</b>
Outstanding at November 30, 2008	-	\$ -
Granted	2,685,000	\$0.62
Exercised	(65,000)	\$0.19
Forfeited	(75,000)	\$0.19
Outstanding at November 30, 2009	2,545,000	\$0.64
Granted	25,000	\$0.94
Exercised	(20,000)	\$0.19
Outstanding at February 28, 2010	2,550,000	\$0.65
Exercisable at February 28, 2010	2,062,500	\$0.61

Details of stock options outstanding as of February 28, 2010 are:

<b>Number of Options</b>	<b>Exercise Price</b>	<b>Expiry Date</b>	<b>Average Remaining Contractual Life in Years</b>
890,000	\$0.19	January 14, 2019	8.88
100,000	\$0.71	September 24, 2019	9.58
1,535,000	\$0.90	November 8, 2019	9.70
25,000	\$0.94	February 8, 2020	9.95
2,550,000			9.41

On February 9, 2010, the Company granted 25,000 stock options to a consultant of the Company at an exercise price of \$0.94 per share, vested immediately and expiring on February 8, 2020. The Company calculated the fair value of the options to be \$0.63 per share and recognized the associated stock-based compensation expense of \$15,800 in connection with the granting of these stock options with the offsetting amount credited to contributed surplus.

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**8. Capital Stock – (cont'd)**

c) Stock options

The fair value of the stock options granted during the period were estimated using the Black-Scholes option pricing model with the following assumptions: risk-free interest rate of 2.45%, dividend yield of 0%, expected life of 5 years and a volatility factor of 90.84%.

Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options.

d) Share purchase warrants

A summary of share purchase warrants activity is as follows:

	<b>Number of Warrants</b>	<b>Weighted Average Exercise Price</b>
Balance, November 28, 2008	-	\$ -
Issued	13,149,541	\$0.50
Exercised	(3,356,662)	\$0.15
Balance, November 30, 2009	9,792,879	\$0.15
Exercised	(1,223,634)	\$0.19
Balance, February 28, 2010	8,569,245	\$0.15

As at February 28, 2010, the following warrants were outstanding:

<b>Expiry Date</b>	<b>Number of Warrants</b>	<b>Exercise Price</b>
September 21, 2011	3,815,000	\$0.30
November 25, 2011	4,754,245	\$1.00
	8,569,245	

**9. Related Party Transactions**

Related party transactions for the three month period ended February 28, 2010 comprise the following:

- a) The Company was charged management fees of \$31,500 (2009: \$10,000) and geological consulting fees of \$8,500 (2009: \$14,500) by an officer and director of the Company. These charges were measured by the exchange amount, which is the amount agreed upon by the transacting parties.

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**9. Related Party Transactions – (cont'd)**

- b) The Company settled \$75,000 of debt in the first quarter of 2009 previously reported in accounts payable and accrued liabilities and owing to a director of the Company for unpaid management fees by issuing 500,000 units (Note 8(b)). The fair value of the warrants attached to the units was \$38,460 and was recorded as a finance fee in the fourth quarter of 2009.
- c) The Company was charged \$79,181 (2009: \$46,869) in office, administration and personnel costs by a company with common directors and officers. This company is reimbursed by the Company for shared office and administrative charges.
- d) Amount due from related parties consists of \$315 (November 30, 2009: \$315) owed from an officer and director of the Company and \$49 (November 30, 2009: \$7,660) owed from three companies with common directors for their companies' portion of shared expenses. These amounts are unsecured, non-interest bearing and are due on demand.
- e) Amounts due to related parties of \$33,246 (November 30, 2009: \$27,964) are amounts owing to a company and a subsidiary of that company with common directors for shared administration costs and exploration expenses paid on behalf of the Company. These amounts are unsecured, non-interest bearing and are payable on demand.
- f) Prepaid expenses and deposits includes \$707 (November 30, 2009: \$5,996) paid to a company with common directors for shared general and administrative charges.
- g) Accounts payable and accrued liabilities includes \$11,625 (November 30, 2009: \$10,596) owing to an officer of the Company for geological consulting fees, \$14,438 (November 30, 2009: \$Nil) owing to an officer of the Company for management fees, and \$3,513 (November 30, 2009: \$Nil) owing to a director of the Company for expense reimbursements.

**10. Subsequent Events**

Subsequent to February 28, 2010, the following transactions occurred:

- a) There were 189,000 share purchase warrants at \$0.30 exercised for total proceeds of \$56,700.
- b) The Company has optioned the Chúcaro gold-silver project located in north-central Peru.

Pursuant to an option agreement dated March 18, 2010 between Focus and the property owner, a private Peruvian company, the Company can acquire up to 90% of the Chúcaro property. To earn an initial 70%, the Company must make cash payments of US\$4 million over a period of 4 years and pay US\$0.5 million in shares in the Company over a period of 3 years, including US\$80,000 cash (paid) and US\$20,000 in shares on signing of the option agreement (issued 19,552 common shares). The Company can earn an additional 10% (for a total of 80% of the property) by paying a further US\$3.5 million by the fifth anniversary. By the sixth anniversary, the Company can increase its ownership to 85% by paying US\$5 million, and to 90% by paying the owner US\$2.50 per ounce of gold defined as Reserves (proven and probable) as defined by NI43-101.

**FOCUS VENTURES LTD.**  
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
Three month period ended February 28, 2010  
(Unaudited – Prepared by Management)  
(Stated in Canadian Dollars)

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**10. Subsequent Events – (cont'd)**

- c) The Company has optioned its Minas Chanca claims in Peru to Compañía de Minas Buenaventura (“Buenaventura”).

Pursuant to an agreement dated April 21, 2010, the Company has granted to Buenaventura the option to acquire up to a 75% interest in the Company’s Minas Chanca claims in Peru by spending US\$3 million in exploration and development over a period of 3.5 years from the issuance of the necessary permits. Buenaventura has committed to earning a 50% interest in the property by spending not less than US\$1 million in exploration within 18 months, which will include a total of 3,000 metres of drilling. To earn an additional 25% interest (total 75%), Buenaventura has the option to complete a total of US\$3 million in exploration and development expenditures within 3.5 years.

Buenaventura will also have the option to acquire the remaining 25% participating interest of the Company. The purchase price will be defined based on resources outlined in a NI-43-101 compliant technical report made after Buenaventura has invested the US\$3 million. A formula for the calculation of sale price and for any resources defined during any future production will be negotiated and detailed in a definitive agreement.



(the “Company”)

## **MANAGEMENT’S DISCUSSION AND ANALYSIS** **First Quarter Report – February 28, 2010**

### **General**

This Management’s Discussion and Analysis (“MD&A”) supplements, but does not form part of, the unaudited interim consolidated financial statements of the Company for the three months ended February 28, 2010. The following information, prepared as of April 29, 2010, should be read in conjunction with the February 28, 2010 consolidated financial statements, which have been prepared in accordance with Canadian generally accepted accounting principles. All amounts are expressed in Canadian dollars unless otherwise indicated. The February 28, 2010 consolidated financial statements have not been reviewed by the Company’s auditors.

### **Business of the Company**

After evaluating various prospective mineral properties for potential acquisition by the Company, an agreement was signed in March 2009 whereby the Company was granted the right to acquire a 100% interest in the Nueva California gold property located in north-central Peru.

The property option and a concurrent financing were completed on September 22, 2009 and as a result, the Company’s application to graduate from the NEX Board to Tier 2 of the TSX Venture Exchange (“TSXV”) was approved. Trading on Tier 2 under the Company’s new symbol “FCV” commenced on September 24, 2009.

### **Nueva California Property**

The Nueva California property comprises 900 hectares and is located in the Cordillera Blanca, north-central Peru, 35 kilometers north of the Pierina Gold Mine.

The Company’s current exploration program is targeting a multi-million ounce bulk tonnage gold-silver deposit at Nueva California. Management believes that the mine, which has never been drilled or systematically explored, has potential to host bulk-tonnage gold-silver mineralization within intensely altered granodiorite wallrocks and high grade gold mineralization in sheared argillites.

Underground and open pit mining over the last 26 years has defined a mineralized zone some 700 m wide, 250 m along strike and open, and to depths of up to 100m. Apart from a small portion in the center of the deposit, the existing mine is exploiting mineralization that is concealed by gravel overburden which is estimated to be over 60 m thick in places.

In 2009, the Company completed a full digital compilation of all available historic mine data including over 750 mine plans and assay data from approximately 7,500 sample points. This information has been compiled for the very first time into a 3-dimensional model which provides a unique perspective on the geology of the underground workings, and a much clearer understanding of the historical gold grade distribution.

The results of the work, combined with geological and structural mapping, indicate that the Nueva California is a robust and long-lived hydrothermal system that formed a range of mineralization and alteration styles within strongly altered intrusive and sedimentary host rocks.

In October 2009, the Company completed a 4-hole, 405 meter diamond drill program, the results of which have verified the high grades mined historically and confirmed the lower grade, near surface, bulk tonnage potential of the property. All holes intersected epithermal style gold mineralization, with higher grades (>5 g/t Au) associated with silicified and hydrothermally brecciated sediments.

In April 2010, the Company announced the results from its second phase drill program which totaled 14 holes (3,548 metres). The grid drilling program at Nueva California was designed to test for a near surface, bulk tonnage deposit. Results to date have shown significant and potentially economic intercepts in several holes. However, due to the complex structural geology, the mineralization is generally inconsistent and grades erratic between holes from the lower to the upper levels of the mine. As a result, the potential for the project to host a >1Moz Au deposit within the area of the current mine workings has been significantly reduced.

The most recent drilling however has shown that viable drill targets exist to the south of the mine area. Further geological interpretation is ongoing and a decision will be made in due course regarding additional drilling to test the targets defined by the recent work. As these targets are outside the mine area, permissions from the local landholders must first be obtained. Management is also considering looking for a joint venture partner to continue the exploration of Nueva California.

#### *The Nueva California Option*

In September 2009, the Company acquired the option to earn a 100% interest in the Project by incurring exploration expenditures on the property of US\$3 million and making cash payments to the property owner (a Peruvian private company) totaling US\$3 million, over a period of 4 years.

To complete the exercise of the option, Focus must pay the owner US\$4 per ounce of gold defined in the reserve category as determined by a bankable feasibility study, and for the number of ounces of gold produced during a 6-year period thereafter that is over and above the number of ounces defined in such a study, up to a maximum of 2.5 million ounces, or US\$10 million.

#### Chúcara Project

In March 2010, the Company made its second acquisition of an advanced-stage project by optioning the Chúcara gold-silver project in north-central Peru, within the La Libertad gold mining district 45 km southeast of Barrick's Lagunas Norte Mine. The Chúcara Project is approximately 120 km north of the Nueva California Project, within the same geological belt and host rocks.

The 700 hectare project area covers the majority of the historic Chuvilca Ag-Au (Pb-Zn) mine workings and the south-eastern extension of the mineralization, which forms a north-northwest trending corridor at least 2 kilometres in length. The style of mineralization seen at Chúcara is characteristic of a robust, high-grade, Au-Ag intermediate sulphidation epithermal system hosted by sedimentary rocks. High-grade gold and silver is associated with an array of veins, mantos and mineralized faults that occur within a northwest trending structural corridor dominated by conjugate vein sets developed between two regional structures, the Chuvilca and David faults.

Digitizing and compilation by the Company of historic mine plans, historical underground sample assays and soil sampling, trenching and rock chip geochemistry undertaken by the mine and other companies subsequent to the mine closure in 1982 has highlighted the continuation of the trend to the southeast, with many additional veins and structures showing consistently high grade gold and silver values distributed over a mineralized corridor approximately 2 kilometres long and 250m wide.

Compilation of a total of 1,211 surface and underground samples from across the property (channel, panel and grab samples) of both vein and host rock gave an average gold grade of 2.1 g/t, with gold values ranging from trace to 38.8 g/t Au. Similarly the average of 1060 samples analysed for silver was 103 g/t, with grades ranging from trace to 1,930 g/t Ag. A sub-set of 269 samples taken from only veins and mineralized structures (where descriptions were available) averaged 6.1 g/t Au and 330 g/t Ag, with over 50% of these samples grading higher than 4.1 g/t and 219

g/t Ag, and 20% grading over 10.3 g/t Au and 587 g/t Ag. Sampling by the Company included 17.1 g/t Au and 1,245 g/t Ag over 0.6m (Veta Maria).

The samples collected in the south-eastern most part of the corridor (Esperanza, Confianza, Chip-Chip areas) returned significantly higher silver grades than those reported from the historic workings located further northwest.

Chúcara is hosted by folded Cretaceous-aged shales and sandstones of the Chicama formation. Host rocks have been intruded by a series of Tertiary-aged felsic dykes and sills locally associated with the mineralized structures. It resides roughly in the same NNW - SSE corridor as the porphyry-skarn deposits at Magistral and Antamina.

The old Chivilca mine is estimated to have produced roughly 176,000 short tons grading 4 oz/t Ag and 6% combined lead and zinc between 1974 and 1981. When the mine closed, the *in situ* resources were estimated from ore block and grade plans to be 465,000 tons grading 8.7 oz/t Ag, 3.7% Pb and 2.5% Zn, with the down dip and NNW extensions of the veins remaining open (*the reader is cautioned that this resource was prepared before NI43-101 and as such it cannot be relied upon. The Company has not yet completed sufficient work to confirm the resource*). These historic resource figures are based entirely on sampling of underground tunnels by the mine, the majority of which were from the San Juan, Consuzo, Maria and Wenses veins which are the most northerly. Approximately 80% of these historic resources occur on the Chúcara property.

A total of 83 samples of coarse reject material from the historical sampling that assayed >100 g/t Ag have been retrieved by the Company from storage and re-submitted for analysis in order to determine the exact quantity of silver and confirm the previous assays for gold. The samples were collected by previous operators of the project from veins, mantos and wallrocks over a 1.4km strike length of the property.

The 83 samples averaged 7.3 g/t Au and 314 g/t Ag and confirm the high grade Au and Ag values from the historical sampling and the reproducibility of the historic assays. The minimum and maximum sample widths were 0.2m and 5.3m respectively, with an average sample width of 1.43m. *The reader is cautioned that as these samples are a selection of the highest grade samples collected to date, they do not adequately represent the average grade of the mineralization.*

*Summary of Assay Results (83 samples)*

	Gold (g/t)	Silver (g/t)	Lead (%)	Zinc (%)
Average Grade	7.3	314	2.95	1.0
Minimum Value	0.6	106	0.37	trace
Maximum Value	27.0	1,480	13.5	9.0

In late April 2010, field work has started, to consist of geological mapping, aerial photography, mineral mapping, surface and underground sampling. Focus is also permitting a drill program planned for August 2010, consulting with local communities, and working on an environmental base line study required for the drill permit. The Company is targeting high-grade gold and silver mineralization in veins, mantos and faults that will be tested for multi-million ounce bulk mineable potential. Additional targets include structurally-controlled massive sulphide lenses, porphyry-related replacement bodies and disseminated Au-Cu mineralization.

*The Chúcara Option*

Pursuant to an agreement dated March 18, 2010 with a private Peruvian company, the Company was granted the option to acquire up to 90% of the Chúcara property, Peru. To earn an initial 70% interest, the Company must make cash payments of US\$4 million over a period of 4 years and pay US\$0.5 million in shares in the Company over a period of 3 years, including US\$80,000 cash (paid) and US\$20,000 in shares on signing of the option agreement (issued 19,552 common shares). The Company can earn an additional 10% (for a total of 80% of the property) by paying a further US\$3.5 million by the fifth anniversary. By the sixth anniversary, the Company can increase its ownership to 85% by paying US\$5 million, and to 90% by paying the owner US\$2.50 per ounce of gold defined as Reserves (proven and probable) as defined by NI43-101.

### Minas Chanca Project

The Minas Chanca Project consists of two concessions totalling 1,200 hectares covering an historic mine, which were staked in early 2009. The claims are prospective for silver, gold and base metals. Pursuant to an agreement dated April 21, 2010, the Company has granted to Compañía de Minas Buenaventura (“Buenaventura”) the option to acquire up to a 75% interest in the Minas Chanca claims by spending US\$3 million in exploration and development over a period of 3.5 years from the issuance of the necessary permits. Buenaventura has committed to earning a 50% interest in the property by spending not less than US\$1 million in exploration within 18 months, which will include a total of 3,000 metres of drilling. To earn an additional 25% interest (total 75%), Buenaventura has the option to complete a total of US\$3 million in exploration and development expenditures within 3.5 years.

Buenaventura will also have the option to acquire the remaining 25% participating interest of the Company. The purchase price will be defined based on resources outlined in a NI-43-101 compliant technical report made after Buenaventura has invested the US\$3 million. A formula for the calculation of sale price and for any resources defined during any future production will be negotiated and detailed in a definitive agreement.

### Other Concessions

A total of 5,900 hectares were applied for in February 2010 over several different project areas in Peru after the government announced them open for staking. The majority of these applications were also applied for by other mining companies and the claims will enter a bidding process.

*Qualified Person: Mr. David Cass, the Company’s President, who is a member of the Association of Professional Engineers and Geoscientists of British Columbia and the Company’s Qualified Person as defined by National Instrument 43-101, is responsible for the accuracy of the technical information in this MD&A.*

### Quarterly Information

The following table provides information for the eight fiscal quarters ended February 28, 2010:

	<b>First Quarter ended Feb. 28, 2010 (\$)</b>	<b>Fourth Quarter ended Nov. 30, 2009 (\$)</b>	<b>Third Quarter ended Aug. 31, 2009 (\$)</b>	<b>Second Quarter ended May 31, 2009 (\$)</b>	<b>First Quarter ended Feb. 28, 2009 (\$)</b>	<b>Fourth Quarter ended Nov. 30, 2008 (\$)</b>	<b>Third Quarter ended Aug. 31, 2008 (\$)</b>	<b>Second Quarter ended May 31, 2008 (\$)</b>
Total interest income	6,911	3,235	722	404	656	38	63	103
Exploration expenditures	638,048	285,545	254,594	179,955	141,306	4,676	-	-
Net income (loss)	(881,722)	(1,680,790)	(358,158)	(265,155)	(186,062)	622	(13,481)	(17,224)
Basic and diluted income (loss) per share	(0.031)	(0.090)	(0.026)	(0.025)	(0.021)	0.000	(0.002)	(0.003)

For the two quarters up to and including August 31, 2008, the net loss was fairly consistent due the Company being relatively inactive. Since that quarter, the Company has been conducting exploration activities in Peru and as a result, exploration expenditures which have been expensed have steadily increased, and therefore, increasing the net loss. The quarter ended November 30, 2008 shows a net income instead of a loss because of a \$27,820 write-off of accounts payable and accrued liabilities recorded in that period. The net loss for the quarter ended November 30, 2009 was significantly larger due to a stock-based compensation charge of \$1,166,322. Exploration costs were significantly higher in the most recent quarter due to a drilling program on the Nueva California property.

## **Results of Operations**

For the three month period ended February 28, 2010, the Company had a net loss of \$881,722 compared to a net loss of \$186,062 for the three month period ended February 28, 2009, an increase of \$695,660. The current period shows a significantly higher net loss compared to the 2009 first quarter as the Company's exploration and corporate activities were much greater. Exploration costs for the current quarter were \$638,048 compared to \$141,306 for the comparative quarter, an increase of \$496,742. This increase is primarily due to costs incurred from a drilling program on the Nueva California property during the current quarter. As well, exploration costs on the Nueva California property were not being incurred yet in the comparative quarter.

General and administrative expenses during the current quarterly period were \$253,765 compared to \$44,148 for the comparative period, an increase of \$209,617. The increase is due to the Company increasing its portion of shared office, personnel and administrative costs with another company and other management related, regulatory and promotional costs associated with increased activity. The current period also recorded a stock-based compensation cost of \$54,490 compared to no such cost being recorded in the comparative quarter. Excluding stock-based compensation, the most significant increases in the current period were in salaries and wages, travel and accommodation, management fees, and shareholder communication.

## **Mineral Property Expenditures**

During the three month period ended February 28, 2010, the Company incurred property investigation and exploration costs totalling \$638,048 in Peru, including \$477,893 on the Nueva California property. Most significant costs overall are \$294,872 for drilling, \$104,335 for geological and other consulting fees, \$83,127 for salaries, \$40,411 for travel, and \$23,180 for geological expenses. The Company also incurred \$6,660 in acquisition costs with respect to applications submitted for two concessions in Peru.

## **Liquidity and Capital Resources**

The Company's cash resources decreased from \$6.19 million at November 30, 2009 to \$5.90 million as of February 28, 2010. The Company had working capital of \$5.63 million at February 28, 2010 compared to working capital of \$6.12 million at November 30, 2009. During the three month period ended February 28, 2010, the Company received \$233,795 from the exercise of share purchase warrants, and \$3,800 through the exercise of stock options. A further \$52,200 was received subsequent to February 28, 2010 from the exercise of share purchase warrants. Cash on hand will be used for exploration expenditures and for general working capital for the Company.

Management expects that the Company will have sufficient working capital to meet its corporate commitments over the next twelve months. Actual funding requirements may vary from those planned due to a number of factors, including the progress of property acquisition and exploration activity. Management believes it will be able to raise equity capital as required, but recognizes the uncertainty attached thereto.

## **Capital Management**

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to explore new mineral property opportunities. In order to facilitate the management of its capital requirements, the Company prepares periodic budgets that are updated as necessary. The Company manages its capital structure and makes adjustments to it to effectively support the acquisition and exploration of mineral properties. The properties in which the Company currently has an interest are in the exploration stage; as such the Company is dependent on external financing to fund any future activities. In order to pay for general administrative costs, the Company will use its existing working capital and raise additional amounts as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the period ended February 28, 2010. The Company's investment policy is to hold cash in

interest bearing bank accounts, which pay comparable interest rates to highly liquid short-term interest bearing investments with maturities of one year or less and which can be liquidated at any time without penalties. The Company is not subject to externally imposed capital requirements and does not have exposure to asset-backed commercial paper or similar products. The Company's capital resources as of February 28, 2010 are sufficient to carry out its exploration programs and operating costs for the next twelve months. The Company believes it will be able to raise additional equity capital as required, but recognizes the uncertainty attached thereto.

### **Financial Instruments and Risk Management**

All financial instruments are classified into one of five categories: held-for-trading, held-to-maturity investments, loans and receivables, available-for-sale financial assets, or other financial liabilities. All financial instruments and derivatives are measured on the trade date at fair value upon initial recognition. Subsequent measurement depends on the initial classification of the instrument. Held-for-trading financial assets are measured at fair value, with changes in fair value recorded in net income. Available-for-sale financial assets are measured at fair value, with changes in fair value recorded in other comprehensive income until the instrument is derecognized or impaired. Loans and receivables, held-to-maturity investments and other financial liabilities are measured at amortized cost. All derivative instruments, including embedded derivatives, are recorded on the balance sheet at fair value unless they qualify for the normal sales and purchases exemption. Changes in the fair value of derivatives that are not exempt are recorded in the statement of operations. Transaction costs on the acquisition of financial assets and liabilities that are classified as other than held-for trading are expensed.

The Company has made the following designations of its financial instruments: cash as held-for-trading; other receivables and due from related party as loans and receivables; and accounts payable and accrued liabilities, due to related party as other financial liabilities.

#### Financial Risk Management

As at February 28, 2010, the Company's financial instruments are comprised of cash, amounts due from and to related parties and accounts payable and accrued liabilities. The fair value of cash, amounts due from and to related parties and accounts payable and accrued liabilities approximate their carrying value due to their short-term maturity. The Company's financial instruments are exposed to certain financial risks, including currency risk, credit risk, liquidity risk and interest rate risk.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company is exposed to fluctuations in foreign currencies through its operations in a foreign country. The Company monitors this exposure, but has no hedge positions. As at February 28, 2010, the Company had cash totalling \$368,092 (November 30, 2009: \$273,506) held in US dollars \$3,058 (November 30, 2009: \$1,359) in Peruvian Soles, and an accounts payable amount of \$207,055 (November 30, 2009: \$10,596) owed in US dollars.

Based on the above net exposure as at February 28, 2010, and assuming that all other variables remain constant, a 10% depreciation or appreciation of the Canadian dollar against the US dollar would result in an increase/decrease of approximately \$57,515 in the Company's loss.

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its cash. The Company limits exposure to credit risk by maintaining its cash with large financial institutions. The Company does not have cash that is invested in asset based commercial paper.

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company ensures there is sufficient capital in order to meet short term business requirements, after taking into account the Company's holdings of cash and potential equity financing opportunities. The Company believes that these sources will be sufficient to cover the known short and long-term requirements at this time.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. As the Company's cash is currently held in an interest bearing bank account, management considers the interest rate risk to be limited.

### **Related Party Transactions**

Related party transactions for the three month period ended February 28, 2010 comprise the following:

- a) The Company was charged management fees of \$31,500 (2009: \$10,000) and geological consulting fees of \$8,500 (2009: \$14,500) by an officer and director of the Company. These charges were measured by the exchange amount, which is the amount agreed upon by the transacting parties.
- b) The Company settled \$75,000 of debt in the first quarter of 2009 previously reported in accounts payable and accrued liabilities and owing to a director of the Company for unpaid management fees by issuing 500,000 units. The fair value of the warrants attached to the units was \$38,460 and was recorded as a finance fee in the fourth quarter of 2009.
- c) The Company was charged \$79,181 (2009: \$46,869) in office, administration and personnel costs by a company with common directors and officers. This company is reimbursed by the Company for shared office and administrative charges.
- d) Amount due from related parties consists of \$315 (November 30, 2009: \$315) owed from an officer and director of the Company and \$49 (November 30, 2009: \$7,660) owed from three companies with common directors for their companies' portion of shared expenses. These amounts are unsecured, non-interest bearing and are due on demand.
- e) Amounts due to related parties of \$33,246 (November 30, 2009: \$27,964) are amounts owing to a company and a subsidiary of that company with common directors for shared administration costs and exploration expenses paid on behalf of the Company. These amounts are unsecured, non-interest bearing and are payable on demand.
- f) Prepaid expenses and deposits includes \$707 (November 30, 2009: \$5,996) paid to a company with common directors for shared general and administrative charges.
- g) Accounts payable and accrued liabilities includes \$11,625 (November 30, 2009: \$10,596) owing to an officer of the Company for geological consulting fees, \$14,438 (November 30, 2009: \$Nil) owing to an officer of the Company for management fees, and \$3,513 (November 30, 2009: \$Nil) owing to a director of the Company for expense reimbursements.

### **Other Data**

Additional information related to the Company is available for viewing at [www.sedar.com](http://www.sedar.com).

### **Share Position and Outstanding Warrants and Options**

The Company's outstanding share position as at April 29, 2010 is 29,167,034 common shares and the following share purchase warrants and incentive stock options are currently outstanding:

<u>No. of Warrants</u>	<u>WARRANTS</u>	
	<u>Exercise Price</u>	<u>Expiry Date</u>
3,626,000	\$0.30	September 21, 2011
<u>4,754,245</u>	\$1.00	November 25, 2011
8,380,245		

<b><u>STOCK OPTIONS</u></b>		
<u>No. of Options</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
890,000	\$0.19	January 14, 2019
100,000	\$0.71	September 24, 2019
1,535,000	\$0.90	November 8, 2019
<u>25,000</u>	\$0.94	February 8, 2020
2,550,000		

### **Critical Accounting Estimates**

The preparation of financial statements requires the Company to select from possible alternative accounting principles, and to make estimates and assumptions that determine the reported amounts of assets and liabilities at the balance sheet date and reported costs and expenditures during the reporting period. Estimates and assumptions may be revised as new information is obtained, and are subject to change. The Company's accounting policies and estimates used in preparation of the consolidated financial statements are consistent with those set forth in note 2 of the consolidated financial statements for the year ended November 30, 2009. They are considered appropriate in the circumstances, but are subject to judgments and uncertainties inherent in the financial reporting process.

### **Future Accounting and Reporting Changes**

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

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with International Financial Reporting Standards ("IFRS") over an expected five year transitional period. In February 2008 the AcSB announced that 2011 is the changeover date for the publicly-listed companies to use IFRS, replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended November 30, 2011.

In response to these requirements, the Company has developed an IFRS transition project plan. The Company's plan includes three phases: Scoping and Diagnostics, Analysis and Development, and Implementation and Review. The Company, with assistance of external advisors, is currently beginning an initial scoping and diagnostic assessment. The project timeline anticipates completing the first two stages prior to the end of fiscal 2010. At this point in the project, the Company is not able to reasonably estimate the financial reporting impact of the transition to IFRS.

#### *Business Combinations, Consolidated Financial Statements and Non-Controlling Interest*

In January 2009, the CICA issued CICA 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. Section 1582 establishes standards for the accounting for a business combination, and states that all assets and liabilities of an acquired business will be recorded at fair value. Obligations for contingent consideration and contingencies will also be recorded at fair value at the acquisition date. The standard also states that acquisition-related costs will be expensed as incurred and that restructuring charges will be expensed in the periods after the acquisition date. It provides the Canadian equivalent to IFRS 3, Business Combinations (January 2008). The section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011.

Section 1601 establishes standards for the preparation of consolidated financial statements.

Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in the preparation of consolidated financial statements subsequent to a business combination. It is equivalent to the corresponding provisions of IFRS International Accounting Standards (“IAS”) 27, Consolidated and Separate Financial Statements (January 2008).

Sections 1601 and 1602 apply to interim and annual consolidated 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.

### **Forward Looking Information**

Certain statements contained in this MD&A and elsewhere constitute forward-looking statements. Such forward-looking statements involve a number of known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to materially differ from any future results, performance or achievements expressed or implied by such forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date the statements were made, and readers are advised to consider such forward-looking statements in light of the risks set forth below.

### **Risks and Uncertainties**

The business of mineral exploration and extraction involves a high degree of risk. Few properties that are explored ultimately become producing mines. At present, none of the Company’s properties has a known commercial ore deposit. The Company’s mineral properties are also located in emerging nations and consequently may be subject to a higher level of risk compared to developed countries. Operations, the status of mineral property rights, title to the properties and the recoverability of amounts shown for mineral properties in emerging nations can be affected by changing economic, regulatory and political situations. Other risks facing the mineral exploration industry include competition, environmental and insurance risks, fluctuations in metal prices, share price volatility and uncertainty of additional financing.