# Pebble Creek Mining Ltd.

(An Exploration Stage Company)

Consolidated Financial Statements
Years Ended March 31, 2010 and 2009

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# AUDITORS' REPORT

To the Shareholders of
Pebble Creek Mining Ltd.

We have audited the consolidated balance sheets of Pebble Creek Mining Ltd. as at March 31, 2010 and 2009 and the consolidated statements of loss and deficit, cash flows and mineral property expenditures for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2010 and 2009 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Hay + Watson

Chartered Accountants
Vancouver, British Columbia
July 26, 2010

***Pebble Creek Mining Ltd.***

Consolidated Balance Sheets
March 31, 2010 and 2009

| | | 2010 | | 2009 |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **Current** | | | | |
| Cash and cash equivalents | **$** | **327,319** | $ | 61,827 |
| Accounts receivable | | **3,845** | | 3,051 |
| Inventory | | **971** | | 1,295 |
| Prepaid expenses | | **10,543** | | 37,382 |
| | | **342,678** | | 103,555 |
| **Long-term Deposits** | | **50,912** | | 99,740 |
| **Mineral Property Interests (Note 3 and Statement)** | | **5,857,659** | | 5,109,360 |
| **Other Capital Assets (Note 6)** | | **140,573** | | 174,208 |
| | **$** | **6,391,822** | $ | 5,486,863 |
| **LIABILITIES** | | | | |
| **Current** | | | | |
| Accounts payable and accrued liabilities | **$** | **278,120** | $ | 249,886 |
| Payable to officers (Note 10) | | **442,162** | | 196,290 |
| | | **720,282** | | 446,176 |
| **SHAREHOLDERS' EQUITY** | | | | |
| **Share Capital** | | | | |
| Authorized | | | | |
| Unlimited number of preferred shares without par value | | | | |
| Unlimited number of common shares without par value | | | | |
| Issued and fully paid (Note 7) | | **8,172,100** | | 7,291,357 |
| **Contributed Surplus (Note 7)** | | **3,497,110** | | 2,345,440 |
| **Deficit** | | **(5,997,670)** | | (4,596,110) |
| | | **5,671,540** | | 5,040,687 |
| | **$** | **6,391,822** | $ | 5,486,863 |

## APPROVED BY THE BOARD

"Gyan C. Singhai" Director

"Andrew E. Nevin" Director

## *Pebble Creek Mining Ltd.*

Consolidated Statements of Loss and Deficit
Years Ended March 31,

| | | **2010** | | 2009 |
|---|---|---|---|---|
| **EXPENSES** | | | | |
| Amortization | **$** | **8,313** | $ | 5,933 |
| Bank charges and interest | | **5,283** | | 1,004 |
| Corporate development | | **78,905** | | 54,067 |
| Foreign exchange | | **6,750** | | 26,407 |
| Insurance | | **17,652** | | 17,250 |
| Legal and audit | | **128,055** | | 119,737 |
| Management fees | | **242,417** | | 215,460 |
| Office | | **13,271** | | 25,171 |
| Rent | | **28,150** | | 48,667 |
| Salaries | | **1,384** | | 60,528 |
| Share-based compensation | | **161,501** | | 410,406 |
| Shareholder costs | | **47,947** | | 86,072 |
| Travel | | **51,026** | | 42,522 |
| Telephone | | **8,583** | | 15,141 |
| Write-down of mineral properties (Note 3) | | **-** | | 97,911 |
| | | **799,237** | | 1,226,276 |
| Interest income | | **(86)** | | (9,166) |
| **NET LOSS AND COMPREHENSIVE LOSS** | | **799,151** | | 1,217,110 |
| **DEFICIT, Beginning of Year** | | **4,596,110** | | 3,379,000 |
| **Modification of Warrant Terms** (Note 7) | | **602,409** | | - |
| **DEFICIT, End of Year** | **$** | **5,997,670** | $ | 4,596,110 |
| **Loss Per Share – Basic and Fully Diluted** | **$** | **(0.02)** | $ | (0.04) |
| **Weighted Average Number Of Shares Outstanding** | | **41,449,080** | | 30,188,403 |

***Pebble Creek Mining Ltd.***

Consolidated Statements of Cash Flows
Years Ended March 31,

| | | 2010 | | 2009 |
|---|---|---|---|---|
| **Cash Flows From (Used In) Operating Activities** | | | | |
| Interest income | **$** | **86** | $ | 9,166 |
| Cash paid for supplies and services | | **(395,015)** | | (339,762) |
| | | **(394,929)** | | (330,596) |
| **Cash Flows From (Used In) Financing Activities** | | | | |
| Shares issued, net of issue costs | | **1,240,988** | | 244,913 |
| | | **1,235,988** | | 244,913 |
| **Cash Flows From (Used In) Investing Activities** | | | | |
| Long term deposits | | **48,828** | | 87 |
| Mineral property interests | | | | |
| Acquisiton costs | | **(55,737)** | | (73,006) |
| Exploration costs | | **(575,131)** | | (833,752) |
| Sale (purchase) of other capital assets | | **1,473** | | (12,012) |
| | | **(580,567)** | | (918,683) |
| **INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS** | | **265,492** | | (1,004,366) |
| **CASH AND CASH EQUIVALENTS, Beginning of Year** | | **61,827** | | 1,066,193 |
| **CASH AND CASH EQUIVALENTS, End of Year** | **$** | **327,319** | $ | 61,827 |
| **CASH AND CASH EQUIVALENTS COMPOSED OF:** | | | | |
| **Cash** | **$** | **327,319** | $ | 61,827 |
| **Short-term deposits** | | **-** | | - |
| | **$** | **327,319** | $ | 61,827 |
| **Supplemental disclosure of non-cash transactions** | | | | |
| Share-based compensation (Note 7) | **$** | **189,017** | $ | 410,406 |
| Modification of warrant terms (Note 7) | | **602,409** | | - |

## Pebble Creek Mining Ltd.

# Consolidated Statement of Mineral Property Expenditures
Years Ended March 31, 2010 and 2009

| | Askot | Gadarwara | Banda | Other | Total |
|---|---|---|---|---|---|
| Balance, March 31, 2008 | $ 4,175,679 | $ - | $ 56,104 | $ 31,965 | $ 4,263,748 |
| Option proceeds | - | - | - | - | - |
| Acquisition costs | | | | | |
| Geological fees and travel expenses | 52,059 | - | - | 3,901 | 55,960 |
| Consulting engineers fees | 16,873 | - | - | 172 | 17,046 |
| Exploration expenditures | | | | | |
| Geological fees and travel expenses | 123,247 | - | 111 | - | 123,358 |
| Assays | 33,439 | - | - | - | 33,439 |
| Drilling | - | 35,181 | - | - | 35,181 |
| Engineering equipment and supplies | 130 | - | 433 | - | 563 |
| Office | 335,069 | 1,483 | 1,901 | - | 338,453 |
| Professional fees | 5,156 | - | - | - | 5,156 |
| Salaries | 147,395 | - | 883 | - | 148,278 |
| Telephone | 9,366 | - | 121 | - | 9,487 |
| Travel and promotion | 45,182 | - | 1,695 | - | 46,877 |
| Miscellaneous | 7,496 | - | - | - | 7,496 |
| Underground rehabilitation and exploration | 122,231 | - | - | - | 122,231 |
| Property write down | | (36,663) | (61,248) | - | (97,911) |
| Balance, March 31, 2009 | 5,073,322 | - | - | 36,038 | 5,109,360 |
| Option proceeds | - | - | - | - | - |
| Acquisition costs | | | | | |
| Geological fees and travel expenses | 54,519 | - | - | 386 | 54,905 |
| Compliance costs | 831 | - | - | - | 831 |
| Exploration expenditures | - | | | | |
| Geological fees and travel expenses | 88,040 | - | - | - | 88,040 |
| Assays | - | - | - | - | - |
| Drilling | - | - | - | - | - |
| Engineering equipment and supplies | 516 | - | - | - | 516 |
| Office | 321,097 | - | - | - | 321,097 |
| Professional fees | 3,456 | - | - | - | 3,456 |
| Salaries | 143,350 | - | - | - | 143,350 |
| Telephone | 6,777 | - | - | - | 6,777 |
| Travel and promotion | 18,754 | - | - | - | 18,754 |
| Miscellaneous | 449 | - | - | - | 449 |
| Underground rehabilitation and exploration | 110,124 | - | - | - | 110,124 |
| | - | | | | |
| Property write down | | - | - | - | - |
| Balance, March 31, 2010 | $ 5,821,235 | $ - | $ - | $ 36,424 | $ 5,857,659 |

## 1. OPERATIONS AND GOING CONCERN UNCERTAINTY

Pebble Creek Resources Ltd. ("PCR") was incorporated in the Province of British Columbia on April 29, 1993 and to 1996 investigated opportunities in the energy sector under the name Pebble Creek Power Company Ltd. Since that time, PCR has investigated mining prospects for the purposes of the acquisition, exploration, development and mining of gold, copper, silver and other precious and base metals and diamonds. The Company's current minerals properties are all located in India.

PCR incorporated two subsidiary companies in India to acquire rights to the properties under Indian law (Note 3). One of the subsidiary companies, Adi Gold Mining Private Ltd ("Adi"), was incorporated in 1996 for the purposes of acquiring and holding the interests in the Askot Tenure and in the Gadarwara Tenure. A second subsidiary, Hirakund Diamond Exploration Private Ltd. ("Hirakund"), was incorporated in 2003 to acquire the Banda Prospect and certain others.

PCR entered into an agreement with Broadcast Capital Corp. ("Broadcast") dated October 6, 2006 and amended on October 24, 2006, pursuant to which the shareholders of PCR acquired control of Broadcast, a company listed for trading on the TSX Venture Exchange, through a "reverse take over" ("RTO"). PCR and Broadcast completed the plan of arrangement on December 15, 2006, following which Broadcast and PCR were amalgamated under the name Pebble Creek Mining Ltd. (the "Company").

On January 8, 2008 two directors of the Company incorporated an Indian company, Narsinghpur Gold Mining Private Limited ("NGM") and during the year ended March 31, 2010 assigned their shares of NGM to the Company. Concurrently the Company purchased treasury shares in NGM, giving it a controlling interest. The Company expects to use NGM as a vehicle for certain property acquisitions that do not compete with its other subsidiaries.

The Company is in the process of exploring its mineral properties and has not determined whether these properties contain economically recoverable reserves of ore. The Company has not earned any revenues from its mineral properties and is considered to be in the exploration stage.

These financial statements have been prepared on the basis that the Company is a going concern, which presumes that the Company will continue operations for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. The Company has a net loss of $779,151 for the year ended March 31, 2010 and a working capital deficiency of $357,604 at March 31, 2010. The ability of the Company to continue as a going concern is in substantial doubt and is dependent upon the continued support from its directors and its ability to continue to raise adequate financing. Management is currently seeking equity financing and joint venture opportunities, the outcome of which cannot be predicted at this time. These financial statements do not reflect the adjustments or reclassifications which would be necessary if the Company were unable to continue as a going concern.

## 2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"), and reflect the following significant policies:

### Basis of Consolidation

These consolidated financial statements include the accounts of Pebble Creek Mining Ltd. and its wholly-owned subsidiaries, Adi Gold Mining Private Ltd., Hirakund Diamond Exploration Private Ltd., and Narsinghpur Gold Mining Private Ltd. (individually and collectively referred to as the "Company").

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Adoption of New Accounting Standards

**Financial Instruments – Disclosures – Section 3862**

In June 2009, the Canadian Institute of Chartered Accountants ("CICA") amended Handbook Section 3862, *Financial Instruments – Disclosures* to provide the Canadian equivalent to amendments made to International Financial Reporting Standards ("IFRS") 7, *Financial Instruments: Disclosures*. The amendments require enhanced disclosure requirements, which include:

- reconciling beginning balances to ending balances for Level 3 measurements (inputs for fair value measurements that are not based on observable market data
- identifying and explaining movements between levels of the fair value measurement hierarchy
- providing a maturity analysis for derivative financial liabilities based on how the entity manages liquidity risk, and
- disclosing the remaining expected maturities of non-derivative financial liabilities if liquidity risk is managed on that basis.

**Financial Instruments – Recognition and Measurement – Section 3855**

In August 2009, the CICA amended Handbook Section 3855, *Financial Instruments — Recognition and Measurement*, bringing greater consistency between Canadian GAAP, IFRSs and US GAAP on the timing of impairment recognition for debt instruments. Companies that have classified financial assets as held-to-maturity investments are now required to assess those financial assets using the impairment requirements of Handbook Section 3025, *Impaired Loans*. Section 3025 was consequentially amended to accommodate the changes to Section 3855. The amendments allow more debt instruments to be classified as loans and receivables. This allows those instruments to be evaluated for impairment using Section 3025. In addition, the amendments require reversal of previously recognized impairment losses on available-for-sale financial assets in specified circumstances and require that loans and receivables that an entity intends to sell immediately or in the near term be classified as held for trading.

**Credit Risk and Fair Value of Financial Assets and Financial Liabilities – EIC 173**

In January 2009, the Emerging Issues Committee ("EIC") of the CICA issued EIC Abstract 173, *Credit Risk and the Fair Value of Financial Assets and Financial Liabilities* which provides guidance on the implications of credit risk in determining the fair value of an entity's financial assets and financial liabilities. The guidance clarifies that an entity's own credit risk and the credit risk of counterparties should be taken into account in determining the fair value of financial assets and financial liabilities, including derivative instruments, for presentation and disclosure purposes. The Company's fair value disclosures incorporate this new guidance.

**Goodwill and intangible assets**

In February 2008, the CICA issued Section 3064 *Goodwill and Intangible Assets* replacing the previous Sections 3062 and 3450. The new pronouncement, effective for 2010 and subsequent fiscal years, establishes standards for the recognition, measurement, presentation, and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062.

There were no material changes to these financial statements as a result of the adoption of these policies.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Foreign Currency Translation

Assets and liabilities of integrated foreign subsidiary operations and foreign currency denominated assets and liabilities of Canadian operations are translated into Canadian dollars at exchange rates prevailing at the balance sheet date for monetary items and at exchange rates prevailing at the transaction date for non-monetary items. Foreign currency denominated revenues and expenses are translated at the average exchange rate for the reporting period. Gains or losses on translation are reported in operations for the period.

### Cash and Cash Equivalents

Cash and cash equivalents include cash and highly-liquid term deposits that can be converted to cash on demand.

### Mineral Property Interests

The Company's mineral property interests are composed of rights to explore for, develop and mine minerals under permit and licences from or leases with governments in India. These agreements require fees, rentals, deposits and work commitments. The Company's rights to mineral properties are described in Note 3.

The Company accounts for its mineral property interests whereby costs relative to the acquisition, exploration and development of these properties are capitalized by property. All sales and option proceeds received are first credited against the costs of the related property, with any excess credited to operations. No gains or losses are recognized on the partial sale or dispositions of properties except in circumstances which result in significant dispositions of reserves. Once commercial production commences, these net costs will be charged to future operations using the unit-of-production method based on estimated recoverable reserves by property. The net costs related to abandoned properties are charged to operations.

The Company is currently in the exploration stage.

The amounts shown for mineral property interests represent acquisition, holding and exploration costs, and do not necessarily represent present or future recoverable values. The recoverability of these amounts is dependent upon the confirmation of economically recoverable reserves, the ability of the Company to obtain the necessary financing to successfully complete their development and to meet the requirements, from time to time, of lenders who are providing this financing and upon future profitable production.

The Company reviews the carrying values of its mineral property interests whenever events or changes in circumstances indicate that their carrying values may exceed their estimated net recoverable amounts determined by reference to estimated future operating results and undiscounted net cash flows. An impairment loss is recognized when the carrying value of those assets exceeds their fair value.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Other Capital Assets

Other capital assets are recorded at cost. Amortization is provided using the declining balance method and at the following annual rates:

| | |
|---|---|
| Furniture | 20% |
| Computers | 30% |
| Website | 20% |
| Vehicles | 26% |
| Equipment | 14% |

The Company reviews the carrying values of its other capital assets whenever events or changes in circumstances indicate that their carrying values may exceed their estimated net recoverable amounts determined by reference to estimated future operating results and undiscounted net cash flows. An impairment loss is recognized when the carrying value of those assets exceeds their fair value.

### Asset Retirement Obligations

The Company recognizes liabilities for statutory, contractual or legal obligations associated with the reclamation of mineral properties, plant and equipment, when those obligations result from the acquisition, construction, development or normal operation of the assets. Initially, a liability for an asset retirement obligation is recognized at its fair value in the period in which it is incurred. Upon initial recognition of the liability, the corresponding asset retirement cost is added to the carrying amount of the related asset and is amortized to operations over the economic life of the asset using either the unit-of-production method or the declining balance or straight-line methods, as appropriate. Following the initial recognition of the asset retirement obligation, the carrying amount of the liability is increased for the passage of time and adjusted for changes to the amount or timing of the underlying cash flows needed to settle the obligation.

### Financial Assets and Financial Liabilities

The Company's financial assets and financial liabilities, other than cash and cash equivalents, are classified as:

- Accounts receivable are classified as "loans and receivables". They are measured at amortized cost. At March 31, 2010 and 2009 the recorded amounts approximate fair value.
- Accounts payable and accounts payable to officers are classified as "other financial liabilities" and are measured at amortized cost. At March 31, 2010 and 2009 the recorded amounts approximate fair value.

The Company classifies and discloses fair value measurements based on a three-level hierarchy:

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

Transaction costs directly attributable to the acquisition or issue of a financial asset or financial liability are added to the carrying amount of the financial asset or financial liability, and are amortized to operations using the effective interest rate method.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Share-based Compensation

The Company uses the fair value method of accounting for options granted under its share-based compensation plan. Options granted are measured at the fair value, which is charged to operations over the applicable vesting period with an offsetting credit to contributed surplus. Cash received on the exercise of share options is recorded in share capital and the related compensation previously included in contributed surplus is transferred to share capital to recognize the total consideration for the shares issued.

### Income Taxes

The Company follows the asset and liability method of accounting for income taxes. Future income tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of assets and liabilities and their respective tax bases, to losses and to other deductions carried forward. Future tax assets and liabilities are measured using enacted or substantively enacted income tax rates expected to apply in the years in which those temporary differences are expected to be recovered or settled. The effect of a change in income tax rates on future tax assets and liabilities is recognized in operations in the year in which the change occurs. A future income tax asset is recorded when the probability of the realization is more likely than not.

### Comprehensive Income

Comprehensive income is composed of the Company's excess of revenue over expenditures and other comprehensive income. Other comprehensive income represents changes in net assets during a period arising from non-owner sources and, for the Company, would principally include unrealized gains and losses on available for sale financial assets. As the Company does not hold any available for sale financial assets, there is no balance of accumulated other comprehensive income and comprehensive loss is equal to net loss.

### Loss Per Share

Basic loss per common share is calculated by dividing the net loss for the period by the weighted average number of common shares that were outstanding in the period. Diluted loss per common share includes the potential dilution from common share equivalents, such as share options and warrants. The treasury stock method is used to calculate potential dilution, whereby the assumed proceeds from the exercise of options or warrants are used for the repurchase of common shares at the average market price during the reporting period. The diluted loss per common share is the same as the basic loss per common share when the effect of all outstanding options and warrants is anti-dilutive.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions about future events that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Significant estimates included in these financial statements include, among others, the recoverability of accounts receivable, share-based compensation, the fair value of warrants issued, and the estimated future operating results and net cash flows from mineral property interests.

### New Accounting Standards

**Business combinations**

The proposed amended recommendations of the CICA for accounting for business combinations in Sections 1582, 1601, 1602 and 1625 will apply to the Company's business combinations, if any, with an acquisition date subsequent to the effective date of January 1, 2011. Whether the Company would be materially affected by the proposed amended recommendations would depend upon the specific facts of the business combinations, if any. Generally, the proposed recommendations will shift from a parent company conceptual view of consolidation theory (which results in the parent company recording the book values attributable to non-controlling interests) to an entity conceptual view (which results in the parent company recording the fair values attributable to non-controlling interests). The adoption of this section is not expected to affect the Company.

**Convergence with International Financial Reporting Standards**

In 2006, the Accounting Standards Board of the CICA ratified a strategic plan that will result in Canadian GAAP, as used by public companies, evolving and being converged with IFRS over a transitional period currently expected to be completed by 2011. The International Accounting Standards Board also has projects currently under way which should result in new pronouncements which will be included in the convergence process.

The Company is conducting a detailed assessment of the requirements of the transition to IFRS, with the intention of identifying the timing of the implementation of the transition, major differences in accounting policies and selecting the policies which are appropriate for the Company, identifying the appropriate disclosure in financial statements prepared under IFRS and refining an implementation plan.

## 3. MINERAL PROPERTY INTERESTS

Mineral property interests for which rights are held by Adi and Hirakund are located in India and are regulated by Indian mining law.

The principal mining legislation of India includes The Mines & Minerals (Development & Regulation) Act, 1957, Mineral Concession Rules, 1960 (amended in 2001), the Mineral Conservation & Development Rules, 1988, and the Forest Act. Under the Mines & Minerals (Development & Regulation) Act, 1957, minerals are vested within the individual states of India, whereas core mining law is regulated by the central government in New Delhi and administered by the states under the central government's regulation.

Three forms of mineral tenure exist under current Indian mining legislation: Reconnaissance Permits ("RPs"), Prospecting Licences ("PLs") and Mining Leases ("MLs"). Tenures are only issued to Indian companies, individuals or partnerships.

The area under an RP cannot exceed 5,000 square kilometers ("km"). Any company and its affiliates are limited to holding a maximum of 10,000 square km in any one state. The term of an RP is three years, with a reduction in area mandatory at the second anniversary. The reduction is to 1,000 square km or 50 percent, whichever is less. The holder of an RP also holds preferential rights to a PL within its boundaries.

The area under a PL is generally limited to 25 square km. Any company and its affiliates are limited to holding a maximum of 25 square km in any one state unless the Indian Ministry of Mines waives these limits in the interest of proper resource exploration and development. The term of a PL is three years and can be renewed for two additional years. The holder of a PL also holds preferential rights to an ML within its boundaries.

The area under an ML is generally limited to 10 square km. Any company and its affiliates are limited to holding a maximum of 10 square km in any one state unless the the Indian Ministry of Mines waives the limit in the interest of proper resource development and extraction. The term of an ML is 20 years or 30 years, and can be renewed in increments of 20 years. The granting or renewal of an ML requires a mining plan approved by the Government of India.

Surface rights are excluded in all forms of tenure. As work progresses, the mineral tenure holder must reach accommodation with the holder of surface rights, viz. the land owner, the Forest Department or another government entity. In the event a land owner is unreasonably intransigent, the government is empowered to act on behalf of the mineral tenure holder.

The Indian Ministry of Mines in March 2010 put forward the last of a series of completely redrafted acts for Cabinet and Parliamentary adoption. The latest is called the "Mines & Minerals (Development & Regulation) Act, 2010". The proposal is to change the "preferential" rights to guaranteed rights of RP holders to acquire one or more PLs within their RP areas, and for PL holders to acquire MLs within their PL areas. The new draft Act also proposes several other revisions to introduce a new "Large Area PL" tenure; to increase the maximum areas of some tenures; to lengthen the terms of some tenures; to put time-bound requirements on state governments to perform their approvals; to set up a central government committee to enforce those time-bound requirements; and other measures.

## Askot Property

In 1996, Adi applied for a Prospecting Licence covering 7.93 square km of the Askot prospect, located in the Pithoragarh district of the state of Uttarakhand. The Prospecting Licence Deed was issued to Adi on June 12, 2000, and was initially valid until June 12, 2003.

The Prospecting Licence was renewed in 2003. The Company subsequently reduced the PL area to 4.84 square km. The PL reached the end of the fixed term on June 12, 2005. Previously, on March 11, 2005, Adi submitted an application for a 30-year Mining Lease covering 3.86 square km within the Prospecting Licence area.

Indian law provides that if a Prospecting Licence holder files a Mining Lease application before 90 days prior to the expiry of the Prospecting Licence, the Prospecting Licence continues uninterrupted until the Mining Lease is granted or otherwise disposed of.

Following June 12, 2005, Adi continued its exploration activities. The State approved the ML application in due course and on September 26, 2007 the Government of India cleared it and returned it to the State for granting. On December 26, 2007 the State issued the Company a formal “Letter of Intent” to grant the Mining Lease. All other permits required for executing the ML Deed and starting commercial production are in hand except one. The Company has held the required public hearing, obtained Pollution Control Board No-Objection Certificate, Good Character Certificate, No Taxes Owing Certificate, and Indian Bureau of Mines approval of Mining Plan.

On June 12, 2009 the Company obtained Environmental Clearance , and posted the terms and conditions on the Company’s web site as required by the Ministry of Environment and Forests. On July 14, 2009 the Company filed the final Stage 2 Forest Clearance application with the authorities. Forest Clearance is the last permit required for commercial production prior to executing the Mining Lease Deed. On the signing of the ML Deed, the Company will be required to make a payment to the authorities, currently estimated as $900,000, for the alienation of forest lands and planting trees elsewhere.

Since 2000 the Company has explored the Askot property by geological, geochemical and geophysical studies; drilling and assaying; and driving a tunnel to install underground drill stations. In August 2008 the Company received a National Instrument 43-101 compliant independent mineral resource estimate, which identified five metals of economic significance on the property and supported further exploration. Work is progressing as of March 31, 2010 and renewed drilling started in June 2010.

The Company has also applied for an RP on 226 square kilometers surrounding the Askot Mining Lease application for continuous nearby exploration. The State has informed the Company of its approval and transmittal of the application to the Government of India for approval.

Cumulative acquisition and exploration expenditures to March 31, 2010 on this property amounted to $5,821,235 (2009 - $5,073,322).

## 3. MINERAL PROPERTY INTERESTS (continued)

### Gadarwara Property

The Company deferred exploration on this property indefinitely when the RP expired on December 24, 2007 and wrote off all expenditures on it. However, the Company applied for a Prospecting Licence on 70 square km on December 26, 2007 which is still pending. In early 2005 the Company had applied for an RP on the surrounding 3,884 square km. A total of 3,504 square km of that area was granted by the State on May 25, 2009. The Company executed that RP Deed on June 28, 2010. The 70-square kilometer PL has been approved by the state government and forwarded to the Union government for approval. The Company is conducting laboratory studies of drill cores and is seeking a joint venture partner for the large RP and the smaller PL when it is granted.

### Other Prospects

In addition to those noted above, the Company has considered many other prospects and has selected 13 in 5 states for additional investigation. They total 14,000 square kilometres in area. Six of these applications are in four forward-thinking states that encourage foreign investment and the Company expects to acquire them in due course.

Cumulative acquisition and exploration expenditures on these prospects to March 31, 2010 amounted to $36,424 (2009 - $36,038).

## 4. MANAGEMENT OF CAPITAL

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the exploration and development of its mineral properties. The Company measures its capital as its shareholders' equity when considering management of capital.

The Company manages and adjusts its capital structure when changes to the risk characteristics of the underlying assets or changes in economic conditions occur. To maintain or adjust the capital structure, the Company may attempt to issue new equity or debt financing or acquire, dispose of or joint venture certain of its assets.

In order to maximize ongoing development efforts, the Company does not pay out dividends. The Company's investment policy is to invest any excess cash in liquid short-term interest-bearing instruments with maturities of 90 days or less. When utilized, these instruments are selected with regard to the expected timing of expenditures for continuing operations.

The Company will have to raise additional capital resources to meet its planned operations and administrative overhead expenses.The future exploration and development of the Company's mineral properties in the near and long term will depend on the Company's ability to obtain additional funding through equity or debt financing or through the joint venture of projects. Actual funding requirements may vary from those planned due to a number of factors, including the progress of exploration and development activities. The Company believes it will be able to raise capital as required in the long term, but recognizes there will be risks involved that may be beyond its control.

## 5. MANAGEMENT OF FINANCIAL RISK

The Company's financial instruments are exposed to certain risks, which include currency risk, credit risk, interest rate risk, liquidity risk and market risk.

### Currency Risk

Currency risk is the risk of a loss due to the fluctuation of foreign exchange rates and the effects of these fluctuations on foreign currency denominated monetary assets and liabilities. The Company currently operates in Canada and India. The Company manages its currency risk through the preparation of short and long term expenditure budgets in different currencies and converting Canadian dollars to Indian rupees whenever exchange rates are favourable.

### Credit risk

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 cash and short term investments are on deposit at major financial institutions. Accounts receivable consist primarily of goods and services tax refunds due from the Government of Canada. As such, the Company considers this risk to be minimal.

### Interest rate risk

Interest rate risk is the risk that the fair value of or future cash flows from a financial instrument will fluctuate because of changes to market interest rates. The Company is exposed from time to time to interest rate risk as a result of holding fixed rate cash equivalent investments of varying maturities. The risk that the Company will realize a loss as a result of a decline in the fair value of these investments is limited as the Company only invests in highly liquid securities with short-term maturities.

### Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure (Note 4).

### Market risk

The Company is exposed to market risk related to the fluctuation in the market price of its investments. The Company minimizes this risk by only investing in highly liquid securities with short term maturities.

## 6. OTHER CAPITAL ASSETS

**March 31, 2010**

| | Cost | Accumulated Amortization | Net Book Value |
|---|---|---|---|
| Furniture | $ 75,120 | $ 29,114 | $ 46,006 |
| Computers | 89,975 | 71,164 | 18,811 |
| Website | 10,800 | 2,646 | 8,154 |
| Vehicles | 71,164 | 49,350 | 21,814 |
| Equipment | 78,051 | 32,263 | 45,788 |
| | $ 325,110 | $ 184,537 | $ 140,573 |

## 6. OTHER CAPITAL ASSETS (continued)

**March 31, 2009**

| | Cost | Accumulated Amortization | Net Book Value |
|---|---|---|---|
| Furniture | $ 74,510 | $ 22,950 | $ 51,560 |
| Computers | 89,975 | 61,220 | 28,755 |
| Website | 10,800 | 540 | 10,260 |
| Vehicles | 71,164 | 42,312 | 28,852 |
| Equipment | 80,134 | 25,353 | 54,781 |
| | $ 326,583 | $ 152,375 | $ 174,208 |

## 7. SHARE CAPITAL

### Share Capital

| Issued and outstanding | Number of Common Shares | Amount |
|---|---|---|
| Balance, March 31, 2008 | 29,171,219 | $ 7,048,434 |
| Issued for cash on private placement, net of share issue costs of $17,857 | 3,221,157 | 191,519 |
| Issued for cash on private placement, net of share issue costs of $8,947 and $1,990 allocated to the issue of warrants | 850,000 | 51,404 |
| Balance, March 31, 2009 | **33,242,376** | **7,291,357** |
| Issued for cash on private placement, net of share issue costs of $6,414 and $453 allocated to the issue of warrants | **269,862** | **8,984** |
| Issued for cash on private placement, net of share issue costs of $118,450 and $418,770 allocated to the issue of warrants | **15,000,000** | **512,780** |
| Issued for cash on exercise of warrants, including transfer from contributed surplus of $58,979 | **2,000,000** | **358,979** |
| Balance, March 31, 2010 | **50,512,238** | **$ 8,172,100** |

### Contributed Surplus

| | |
|---|---|
| Balance, March 31, 2008 | $ 1,933,044 |
| Allocated to warrants on the issue of shares for cash | 1,990 |
| Share-based compensation expense | 410,406 |
| Balance, March 31, 2009 | **2,345,440** |
| Allocated to warrants on the issue of shares for cash | **419,223** |
| Share-based compensation expense | **189,017** |
| Transferred to share capital on the exercise of warrants | **(58,979)** |
| Modification of warrant terms | **602,409** |
| Balance, March 31, 2010 | **$ 3,497,110** |

## 7. SHARE CAPITAL (continued)

Of the issued and outstanding shares of the Company, 2,400,989 were held in escrow at March 31, 2010, to be released upon the approval of regulatory authorities in stages, ranging from 6 months to 6 years from the closing of the RTO (Note 1).

The Company terminated the previous stock option plan implemented on August 13, 2007 and approved a new rolling share purchase option plan which allows the Company to reserve up to 10% of the issued and outstanding shares of the Company for granting share purchase options.The new plan is similar to the previous plan with the exception that is has been updated for the revised TSX Venture policy 4.4 for Tier 2 issuers. The options granted vest immediately for directors, officers, employees and consultants. Options for investor relation firms vest over the course of one year.

The Company has estimated the fair value of options, warrants and broker options using the Black-Scholes option pricing model. The following weighted-average assumptions were used:

| | **2010** | 2009 |
|---|---|---|
| Average risk-free interest rate | **1.42%** | 2.92% |
| Expected share price volatility | **101%** | 111% |
| Expected average period until exercise | **2.4 years** | 4.47 years |
| Expected dividend yield | **$nil** | $nil |

Share purchase option transactions which occurred during the last two fiscal years were:

**Options**

| | **March 31, 2010** | | | March 31, 2009 | | |
|---|---|---|---|---|---|---|
| | **Number of Shares** | | **Weighted Average Exercise Price** | Number of Shares | | Weighted Average Exercise Price |
| Balance, beginning of year | **3,010,000** | **$** | **0.12** | 1,128,340 | $ | 0.59 |
| Granted | **2,355,000** | | **0.12** | 1,990,000 | | 0.24 |
| Exercised | **-** | | **-** | - | | - |
| Expired | **(515,000)** | | **0.14** | (108,340) | | 0.69 |
| Balance, end of year | **4,850,000** | **$** | **0.12** | 3,010,000 | $ | 0.36 |
| Options exercisable, end of year | **4,370,000** | **$** | **0.12** | 2,890,000 | $ | 0.37 |

The contractual weighted average remaining life of the outstanding options at March 31, 2010 was 3.77 years (2009 – 4.09 years).

The following share purchase options are outstanding at March 31, 2010:

| | **Number of Shares** | **Price Per Share** | **Expiry Date** | **Date Granted or Issued** |
|---|---|---|---|---|
| Options | 745,000[1] | $0.12 | August 10, 2012 | August 10, 2007 |
| Options | 25,000[1] | $0.12 | January 18, 2013 | January 18, 2008 |
| Options | 1,625,000[1] | $0.12 | August 25, 2013 | August 25, 2008 |
| Options | 2,355,000 | $0.12 | September 29, 2014 | September 29, 2009 |
| Options | 100,000 | $0.12 | January 29, 2011 | August 25, 2008 |
| | 4,850,000 | | | |

## 7. SHARE CAPITAL (continued)

[1] A total of 2,495,000 outstanding options were re-priced from $0.60 and $0.24 to $0.12 per share on September 29, 2009. The company calculated the incremental fair value of the option re-pricing using the Black-Scholes option pricing model, assuming a risk-free interest rate of 2.02%, expected volatility of 57%, expected life of 3.59 years and a dividend yield of nil%. The increase in fair value of $71,354 due to the modification of these options has been recorded as a charge to share based compensation and a corresponding increase to contributed surplus.

The total share-based compensation expense charged against operations for the year ended March 31, 2010 was $189,017 (2009 - $410,406) of which $27,516 has been allocated to corporate development for investor relations consulting services contracted during the year.

Subsequent to the fiscal year-end on April 8, 2010, a new vice-president was appointed and in connection therewith, he was granted an option to purchase 200,000 common shares at an exercise price of $0.12 for a term of five years. The Company has calculated the fair value of these options to be $20,400 using the Black-Scholes option pricing model, assuming a weighted-average risk-free interest rate of 1.85%, expected volatility of 202%, an expected life of 2.00 years and a dividend yield of 0%.

The following warrants, which entitle the holder to purchase common shares of the Company, were outstanding at March 31, 2010:

**Warrants**

| Number of Shares | Price Per Share | Expiry Date | Date Granted |
|---|---|---|---|
| 425,000 | $0.15 | March 24, 2011 | March 24, 2009 |
| 134,931 | $0.15 | April 9, 2011 | April 9, 2009 |
| 1,575,000 | $0.65 | June 22 and July 13, 2011[1] | June 22 and July 13, 2007 |
| 1,575,000 | $1.00 | June 22 and July 13, 2011[1] | June 22 and July 13, 2007 |
| 1,415,045 | $0.15 | August 28, 2011 | August 28, 2009 |
| 11,584,955 | $0.15 | September 22, 2011 | September 22, 2009 |
| 2,635,000 | $0.75 | December 14, 2011[1, 2] | December 14, 2007 |
| 2,635,000 | $1.50 | December 14, 2011[1] | December 14, 2007 |
| 21,979,931 | | | |

[1] During the year ended March 31, 2010, the Company received approval from the regulatory authorities to modify the original terms of these warrants and extend their expiry dates by two years. All remaining terms and conditions of the warrants remain unchanged. The Company has calculated the incremental fair value of the warrant extensions using the Black-Scholes option pricing model and assuming a weighted-average risk-free interest rate of 1.21%, expected volatility of 192%, an expected life of 2.04 years and a dividend yield of 0%. The resulting increase in fair value of $602,409 has been recorded as a charge to deficit and a corresponding increase to contributed surplus.
[2] If the closing trading price is $1.00 per share or higher for any 20 consecutive trading days, the Company may elect to accelerate the term to expire within 30 days of notice to the holders

## 7. SHARE CAPITAL (continued)

**Warrants**

| Number of Shares Beginning of Year | Granted | Exercised | Expired | End of Year | Price Per Share | Expiry Date |
|---|---|---|---|---|---|---|
| 425,000 | - | - | - | 425,000 | $0.15 | March 24, 2011 |
| - | 134,931 | - | - | 134,931 | $0.15 | April 9, 2011 |
| 1,653,300 | - | - | (78,300) | 1,575,000 | $0.65 | June 22 and July 13, 2011 |
| 1,653,300 | - | - | (78,300) | 1,575,000 | $1.00 | June 22 and July 13, 2011 |
| - | 1,415,045 | - | - | 1,415,045 | $0.15 | August 28, 2011 |
| - | 13,584,955 | (2,000,000) | - | 11,584,955 | $0.15 | September 22, 2011 |
| 2,635,000 | - | - | - | 2,635,000 | $0.75 | December 14, 2011 |
| 2,635,000 | - | - | - | 2,635,000 | $1.50 | December 14, 2011 |
| 9,001,600 | 15,134,931 | (2,000,000) | (156,600) | 21,979,931 | | |

## 8. INCOME TAXES

The Company's net future income tax assets are:

| | **2010** | 2009 |
|---|---|---|
| Future income tax assets | | |
| Other capital assets | **$ 7,621** | $ 7,212 |
| Share issue costs | **48,925** | - |
| Tax loss carry forwards | **914,359** | 1,029,766 |
| Total future income tax assets | **970,905** | 1,036,977 |
| Valuation allowance | **(970,905)** | (1,036,977) |
| Net future income tax assets | **$ -** | $ - |

The reconciliation of the provision for income taxes is:

| | **2010** | 2009 |
|---|---|---|
| Loss before income taxes | **$ 799,151** | $ 1,217,110 |
| Combined statutory income tax rates | **28.5%** | 30.0% |
| Recovery of income taxes based on statutory income tax rates | **227,758** | 365,133 |
| Deduct: | | |
| Net effect of non-deductible items | **(30,234)** | (122,758) |
| Tax effect of current period losses not recognized | **197,524** | 242,375 |
| Provision for income taxes | **$ -** | $ - |

## 8. INCOME TAXES (continued)

As at March 31, 2010, the Company had losses available for deduction against future years' taxable incomes amounting to approximately $3,637,000. The benefit from these losses has not been recorded in these financial statements. If unused, these losses will expire as follows:

| | | |
|---|---|---|
| 2014 | $ | 228,000 |
| 2015 | | 243,000 |
| 2026 | | 263,000 |
| 2027 | | 669,000 |
| 2028 | | 1,072,000 |
| 2029 | | 489,000 |
| 2030 | | 673,000 |

## 9. ENVIRONMENTAL

The Company's exploration activities in India are subject to Indian environmental laws and regulations governing the protection of the environment. Currently, Indian law only requires US $500 for an environmental bond on an exploration property. However, this is expected to increase to an amount more in line with international standards.

The Company conducts its operations so as to protect public health and the environment and believes its operations are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

The ultimate amount of reclamation and other future site restoration costs to be incurred for the Company's existing mineral property interests is currently uncertain.

## 10. RELATED PARTY TRANSACTIONS

The Company paid fees of $79,478 for the year ended March 31, 2010 (2009 - $53,728) for legal expenses and share issue costs to a legal firm in which one of the officers of the Company is a partner. At March 31, 2010 accounts payable included $18,406 payable to this legal firm (2009 - $22,257).

The Company also paid management, accounting and consulting fees of $242,417, included in general and administrative expenses, and geological and engineering fees of $93,583, included in mineral property acquisition and exploration costs, to officers during the year ended March 31, 2010 (2009 - $215,460 and $114,540, respectively). At March 31, 2010, $442,162 is accrued and included in the year-end balance payable to officers (2009 - $196,290).

These transactions have been measured at the exchange amounts agreed to by the parties.

## 11. SEGMENTED INFORMATION

The Company's worldwide operations are all conducted in one industry segment, the exploration and development of mineral property interests.

The Company's assets by geographic segment are:

| | March 31, 2010 | | March 31, 2009 | |
|---|---|---|---|---|
| | **Canada** | **India** | Canada | India |
| Cash and cash equivalents | **$ 254,618** | **$ 72,701** | $ 19,089 | $ 42,738 |
| Mineral property interests | **-** | **5,857,659** | - | 5,109,360 |
| Other capital assets | **25,316** | **115,257** | 32,404 | 141,804 |
| Accounts receivable, inventory, prepaid expenses, and long-term deposits | **7,208** | **59,063** | 12,670 | 128,798 |
| | **$ 287,142** | **$ 6,104,680** | $ 64,163 | $ 5,422,700 |

## 12. PREMISES LEASES

Subsequent to the fiscal year-end, the Company has relocated to a new office in New Westminster, Canada, and entered into a lease agreement expiring April 30, 2011 with an estimiated minimum annual rental payments of $14,700.

The Company has also entered into leases in New Delhi, India, for office premises and staff accommodation, expiring in August 2010, May 2011 and May 2013, which require estimated minimum annual rental payments of:

| | |
|---|---|
| 2011 | $ 169,350 |
| 2012 | 97,904 |
| 2013 | 85,352 |
| 2014 | 14,225 |

## 13. CONTINGENCY

The Company had previously reported that the Government of Uttaranchal (now Uttarakhand) in combination with a government-owned company in Uttar Pradesh may claim an 11% carried interest in the Askot project. This possible claim arose from a Memorandum of Understanding ("MOU") executed between the Company and the government-owned Uttar Pradesh State Mineral Development Corporation ("UPSMDC") in 1997, before the state of Uttaranchal was formed from part of Uttar Pradesh on November 9, 2000. UPSMDC has certain obligations under the MOU in return for its proposed 11% carried interest.

### 13. CONTINGENCY (continued)

After formation of Uttaranchal, Askot was located in the new state. Both the Company and UPSMDC believed that whatever benefits and obligations that would accrue to UPSMDC under the MOU would transfer to Uttaranchal or its government-owned development company. Officers of the Company and UPSMDC jointly met with the Uttaranchal government and its government-owned development corporation on December 6, 2003. Uttaranchal rejected any involvement in the Askot project at that time. That action, and two legal opinions obtained by the Company stating that the MOU gave no other party any rights, resulted in the Company believing that the matter was closed. In addition, UPSMDC never performed any of its duties as described in the MOU. However on April 24, 2008, UPSMDC wrote to the Company requesting that the Company follow up the MOU with an agreement granting UPSMDC an 11% carried interest in the Askot project, and subsequently Uttarakhand joined them in expressing interest in equity.

The Company has engaged legal counsel and responded to the request, citing the “UP Reorganization Act, 2000” and other legal arguments, and believes that this request has no merit. However, after several exchanges with the parties, the Company has made an offer that will satisfy the their objectives and have minimal impact on the Company’s interest. The Company is awaiting UPSMDC’s and Uttarakhand’s responses. At this time the outcome of this request is not determinable and no amount has been accrued in the financial statements.

### 14. COMPARATIVE AMOUNTS

The comparative amounts have been reclassified where necessary to conform with the presentation used in the current year.

# *Pebble Creek Mining Ltd.*

Management Discussion and Analysis of Financial Conditions and Results of Operations
Year ended March 31, 2010

*This Management Discussion and Analysis ("MD&A") is a discussion and analysis of the operations and financial results of Pebble Creek Mining Ltd. (the "Company for the year ended March 31, 2010, with comparisons for the year ended March 31, 2009 and for the year ended March 31, 2008.* ***The following information should be read in conjunction with the audited consolidated financial statements and related notes for the fiscal year ended March 31, 2010.*** *The consolidated financial statements and related notes have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and are filed with various Canadian regulatory authorities in Canadian dollars. The date of this MD&A is July 26, 2010.*

## FORWARD LOOKING STATEMENTS

*Certain information included in this discussion may constitute forward-looking statements. Forward-looking statements generally can be identified by the use of forward-looking terminology such as "may," "will," "expect," "intend," "estimate," "anticipate," "believe," "plan," or "continue" or the negative thereof or variations thereon or similar terminology. Forward-looking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable by management, are inherently subject to significant business, economic and competitive uncertainties and contingencies. There can be no assurance that such statements will prove to be accurate and actual results and future events could differ materially from those anticipated in such statements.*

## SUMMARY

Pebble Creek is solely focused on exploration and mine development in India. Its principal project is the Askot deposit, located in Uttarakhand state in the foothills of the Himalayas. Seventy-four drill holes and 300 metres of drift (tunnel along the deposit) have established a NI 43-101-compliant indicated mineral resource of 1.86 million tonnes containing 2.62% copper, 5.80% zinc, 3.83% lead, 38 grams per tonne silver, and 0.48 gpt gold. However the potential is much greater as the limits of the deposit are not known.

The recent financial crisis dried up sources of financing for continued drilling and led to cost-cutting measures. Now the crisis appears to be waning. In addition base and precious metals prices are considerably stronger than in early 2009 making it easier to assemble capital to continue.

Pebble Creek raised $1,060,000 during the nine months ended December 31, 2009 and $300,000 during the quarter ended March 31, 2010. Additional step-out drilling of the Company's Askot project started in June, 2010 and is continuing with the objective of expanding the mineral resource.

India is an exploration and mine development venue that is known for its bureaucratic barriers to entry. Pebble Creek has been working there for 15 years and has learned how to function within that system; and the system is improving as the government is continuing its deregulation started in 1994 – simplifying procedures, revising laws, and generally trying to attract more foreign direct investment.

## OVERVIEW & OVERALL PERFORMANCE

The "Company" refers to Pebble Creek Mining Ltd. ("PCM"), formed on the amalgamation of Broadcast Capital Corp. ("Broadcast") and Pebble Creek Resources Ltd. ("PCR") on May 30, 2007, and it's wholly owned Indian subsidiaries Adi Gold Mining Private Ltd. ("Adi") and Hirakund Diamond Exploration Private Ltd. ("Hirakund").

PCR entered into an agreement with Broadcast Capital Corp. ("Broadcast") dated October 6, 2006, amended on October 24, 2006 and completed on December 15, 2006, pursuant to which the shareholders of PCR acquired control of Broadcast, a company listed for trading on the TSX Venture Exchange, through a "reverse take over."

Pebble Creek Mining Ltd. started trading as "PEB" on the TSX Venture Exchange as a Tier 2 company on December 29, 2006.

The Company changed its financial year ends from December 31 (Broadcast) and December 31 (PCR) to March 31, effective on March 31, 2007, to harmonize the year ends with those of its two Indian subsidiaries, Adi and Hirakund, which are required by law to report with March 31 year ends.

## FINANCIAL RESULTS

### Selected Quarterly Financial Results

The following selected unaudited quarterly financial information for the last eight quarters is derived from the unaudited interim consolidated financial statements of the Company prepared in accordance with GAAP.

**Three months ended**

| | March 31, 2010 | Dec 31, 2009 | Sept 30, 2009 | June 30, 2009 | March 31, 2009 | Dec 31, 2008 | Sept 30, 2008 | June 30, 2008 |
|---|---|---|---|---|---|---|---|---|
| Interest Income | $ 86 | $ - | $ - | $ 5 | $ 1,179 | $ (644) | $ 2,117 | $ 6,514 |
| Net Loss Basic & Diluted | $ (231,050) | $ (167,777) | $ (305,335) | $ (94,989) | $ (245,597) | $ (137,051) | $ (581,646) | $ (252,816) |
| (Loss) Per Share Basic & Diluted | $ (0.02) | $ (0.01) | $ (0.01) | $ (0.01) | $ (0.04) | $ (0.01) | $ (0.02) | $ (0.01) |
| Weighted Average Shares | 50,512,238 | 48,512,238 | 36,382,409 | 33,485,548 | 33,242,376 | 30,170,988 | 29,171,219 | 29,171,219 |

The Company is an exploration-stage enterprise. Its investigations and expenditures are naturally irregular and vary from task to task, season to season and year to year. Quarter to quarter variations in costs – or losses – occurred for similar reasons.

The first quarter of calendar 2008 (not shown in the above table) produced a significant loss of $811,350 due mainly to the write-off of $509,791 of the expenditures incurred on the Gadarwara property. The second quarter of calendar 2008 includes a further write-off of $35,102 of Gadarwara drilling expenditures incurred during the period. The write-offs were occasioned by the expiry of the Company's Reconnaissance Permit at the end of 2007 and an application for the more senior form of tenement, a Prospecting Licence ("PL") which has still not been granted more than two years later. Although the ultimate granting of the PL is not in doubt, at present the Company cannot legally enter onto the prospect and continue physical work.

The losses in the third quarters of calendar 2008 and 2009 included share-based compensation expenses of $353,373 and $156,411, respectively, incurred for issues of stock options to employees, directors, officers, and consultants. Losses in the fourth quarter of calendar 2008 are representative of ongoing operating costs. The relative increase in the loss in the March 31, 2009 quarter was due in part to delayed billings from a drilling campaign carried out on two prospects in the second half of calendar 2008.

The first quarter of calendar 2009 included a write-off of $61,428 for the Company's exploration expenditures incurred on the Banda diamond prospect, not including those incurred by De Beers during a brief option period. The Company surrendered this Reconnaissance Permit to the State of Uttar Pradesh on March 22, 2009.

The second and third quarters of 2009 included share-based compensation expense of $156,411 and $13,758 and legal and audit costs of $42,227 and 23,536, which contributed to the increased losses in those quarters. Legal and audit costs of $51,471 was the only significant item included in the loss of $231,050 for the March 31, 2010 quarter.

**Selected Annual Information**

The following table shows the financial results derived from the Company's financial statements for each of the three most recently completed fiscal periods.

| | **March 31, 2010** | **March 31, 2009** | **March 31, 2008** |
|---|---|---|---|
| Total Revenue – Interest Income | $ 86 | $ 9,166 | $ 36,543 |
| Net Income (Loss) | $ 799,151 | $ (1,217,110) | $ (1,554,699) |
| | | | |
| Net Income (Loss) per Share | $ (0.02) | $ (0.04) | $ (0.06) |
| Total Assets | $ 6,391,822 | $ 5,486,863 | $ 5,703,452 |
| Shares Outstanding | 50,512,238 | 33,242,376 | 29,171,219 |

The Company is in the exploration stage and has no mineral production yet. Incidental revenue is derived solely from interest earned on term deposits.

**Years ended March 31, 2010 and 2009**

The Company incurred general and administrative expenses of $799,237 during the year ended March 31, 2010 (2009 - $1,128,365). The decline in expenses is primarily due to cost cutting. General and administrative expenses at variance during the year ended March 31, 2010, compared to the year ended March 31, 2009, were:

- foreign exchange loss of $6,750 (2009 - $26,407) – minimally under the Company's control
- office of $13,271 (2009 - $25,171) – cost cutting
- rent of $28,150 (2009 - $48,667) – cost cutting
- share compensation costs of $161,501 (2009 - $410,406) – representing the share compensation which vested in each of the 2010 and 2009 periods
- shareholder costs of $47,947 (2009 - $86,072) – cost cutting

During the year ended March 31, 2010, acquisition and compliance, exploration and underground development costs at Askot were $747,913 (2009 - $897,693).

Total assets increased by $904,959 during the year ended March 31, 2010 (2009 – decrease of $216,589). Of the total assets, $342,678 is represented by current assets, $5,857,659 is invested in the Company's mineral properties, $140,573 is capital equipment, and $50,912 is long-term advances and deposits.

**Years ended March 31, 2009 and 2008**

The Company incurred general and administrative expenses of $1,128,365 during the year ended March 31, 2009 (2008 - $1,081,451). General and administrative expenses at variance during the year ended March 31, 2009, compared to the year ended March 31, 2008, were:

- corporate development costs of $54,067 (2008 - $83,978) – cost cutting
- foreign exchange loss of $26,407 (2008 – gain of $2,088) – minimally under the Company's control
- legal and audit fees of $119,737 (2008 - $89,902) – share issues and the issue and reorganization of options and warrants
- office of $25,171 (2008 - $33,465)
- salaries of $60,528 (2008 - $76,978) – cost cutting
- share compensation costs of $410,406 (2008 - $297,563) – representing the share compensation which vested in each of the 2009 and 2008 periods
- shareholder costs of $86,072 (2008 - $51,083) – increased communication and fund raising
- Travel of $42,522 (2008 - $145,963) – cost cutting
- Telephone of $15,141 (2008 - $23,056) – cost cutting

During the year ended March 31, 2009, acquisition and compliance, exploration and underground development costs at Askot were $897,643 (2008 - $1,920,788). The Company also wrote off costs incurred on the Gadarwara property of $36,663 (2008 - $509,791) and the Banda property of $61,248 (2008 - $nil).

Total assets decreased by $216,589 during the year ended March 31, 2009 (2008 – increase of $2,058,497). Of the total assets, $103,555 is represented by current assets, $5,109,360 is invested in the Company's mineral properties, $174,208 is capital equipment, and $99,740 is long-term advances and deposits.

At March 31, 2010, the Company had cash of $327, 319 as compared to $61,827 at March 31, 2009 and a working capital deficiency of $(377,604) as compared to working capital deficiency of $ (342,621) at March 31, 2009.

## LIQUIDITY AND CAPITAL RESOURCES

### Current Liquidity and Capital Resources

The decline in the entire market from mid-2007 through mid-2009 and the psychology of fear impaired the Company's ability to finance continued work using funds raised from North American and European sources. During the year ended March 31, 2010 the company raised gross proceeds of $1,360,000 from private placements of shares and the exercise of warrants. The Company is currently seeking and/or negotiating additional financing from world-wide sources. Notwithstanding its current financing campaign the Company has no certainty that it will be able to raise the additional funds it requires within the near future or on a cost-effective basis.

### Options and Warrants

As at July 26, 2010, the following options and warrants to purchase shares of the Company were outstanding:

Options

| | Number of Shares | Price Per Share | Expiry Date | Date Granted or Issued |
|---|---|---|---|---|
| Options | 745,000 | $0.12 | August 10, 2012 | August 10, 2007 |
| Options | 25,000 | $0.12 | January 18, 2013 | January 18, 2008 |
| Options | 1,625,000 | $0.12 | August 25, 2013 | August 25, 2008 |
| Options | 2,355,000 | $0.12 | September 29, 2014 | September 29, 2009 |
| Options | 100,000 | $0.12 | January 29, 2011 | August 25, 2008 |
| | 4,850,000 | | | |

A total of 2,495,000 outstanding stock options were re-priced during the nine months ended December 31, 2009 from $0.60 and $0.24 to $0.12 per share. The company calculated the incremental fair value of the option re-pricing using the Black-Scholes option pricing model, assuming a risk-free interest rate of 2.02%, expected volatility of 57%, expected life of 3.59 years and a dividend yield of 0%. The increase in fair value of $71,354 due to the modification of these options has been recorded as a charge to share based compensation and a corresponding increase to contributed surplus.

Warrants

| | Number of Shares | Price Per Share | Expiry Date | Date Granted or Issued |
|---|---|---|---|---|
| | 425,000 | $0.15 | March 24, 2011 | March 24, 2009 |
| | 134,931 | $0.15 | April 9. 2011 | April 9, 2009 |
| A Warrants | 1,575,000 | $0.65 | June 22 and July 13, 2011[1] | June 22 and July 13, 2007 |
| B Warrants | 1,575,000 | $1.00 | June 22 and July 13, 2011[1] | June 22 and July 13, 2007 |
| | 1,415,045 | $0.15 | August 28, 2011 | August 28, 2009 |
| | 11,584,955 | $0.15 | September 22, 2011 | September 22, 2009 |
| A Warrants | 2,635,000 | $0.75 | December 14, 2011[1, 2] | December 14, 2007 |
| B Warrants | 2,635,000 | $1.50 | December 14, 2011[1] | December 14, 2007 |
| | 21,979,931 | | | |

[1] During the year ended March 31, 2010, the Company received approval from the regulatory authorities to modify the original terms of these warrants and extend their expiry dates by two years. All remaining terms and conditions of the warrants remain unchanged. The Company has calculated the incremental fair value of the warrant extensions using the Black-Scholes option pricing model and assuming a weighted-average risk-free interest rate of 1.21%, expected volatility of 192%, an expected life of 2.04 years and a dividend yield of 0%. The resulting increase in fair value of $602,409 has been recorded as a charge to deficit and a corresponding increase to contributed surplus.

[2] If the closing trading price is $1.00 per share or higher for any 20 consecutive trading days, the Company may elect to accelerate the term to expire within 30 days of notice to the holders

**Other Relevant Share Transactions**

Shares Held in Escrow. On March 31, 2009 the balance in escrow was 3,510,019. During the year ended March 31, 2010 an additional 1,109,030 shares were released from escrow leaving a balance of 2,400,989. Subsequent to year end, on June 29, 2010, 400,164 shares were released leaving a balance of 2,000,825 in escrow.

Option Plan. On August 13, 2007 the Company terminated the previous share purchase option plan and implemented a new rolling share purchase option plan which allows the Company to reserve up to 10% of the issued and outstanding common shares of the Company for granting share purchase options. The Company has granted 4,850,000 share purchase options to directors, officers and employees, exercisable for a period of five years under this plan.

The new plan is similar to the previous plan with the exception that it has been updated for the revised TSX Venture policy 4.4 for Tier 2 issuers. The new plan was approved by the shareholders on October 30, 2009. At the same meeting shareholders (with interested parties not voting) approved repricing of previous options. The TSX Venture Exchange approved these actions on November 13, 2009. All outstanding options are under the new plan.

## CONTRACTUAL OBLIGATIONS

On April 15, 2010 the Company relocated to a new office in New Westminster, British Columbia, which has a monthly rental of $1,225.

The Company has also entered into leases in New Delhi, India, for office premises and staff accommodation expiring in May 2013 and May 2011 which require estimated minimum annual rental payments of $156,000. Staff accommodation is in lieu of hotel accommodation for officers and directors visiting from Canada, Askot personnel travelling to and from the mine site on business or on leave, visiting shareholders and prospective investors, specialized Indian or overseas consultants either engaged by the Company or asked by the Company to prepare proposals, and for meetings too large to be held in the office.

The Company engaged a geologist and appointed him Vice President Exploration, to be based at Askot, India, starting April 1, 2010 for a period of one year for a fee of 10,833 Euros per month plus certain reimbursable and travel expenses. The agreement can be terminated without cause by either party with one month notice.

## RELATED PARTY TRANSACTIONS

The Company's policy is that all transactions with related parties must be on terms comparable to terms available in arms-length transactions.

For the year ended March 31, 2010, the Company paid $79,478 (2009 - $53,728) for legal services and share issue costs to a law firm of which the Company's corporate secretary is a partner. The legal services were rendered in connection with the proposed financing and general corporate affairs.

The Company also paid or accrued management, accounting, and consulting fees of $242, 417, included in general and administrative expenses, and geological and engineering fees of $93,583, included in mineral property acquisition costs, to directors and officers during the twelve months ended March 31, 2010 (2009 - $215,460 and $114,540, respectively). At March 31, 2010 $442,162 is accrued and included in payable to directors (2009 - $196,290).

On January 8, 2008 two directors of the Company incorporated an Indian company, Narsinghpur Gold Mining Private Limited ("NGM"), in New Delhi, and each purchased 5,000 common shares of NGM's capital at a par value of 10 Indian rupees per share (approximately $0.22). During the quarter ended March 31, 2010 the Company paid NGM for the purchase of 50,000 common shares at the same par value. At the same time NGM, the Company and First India Resources Ltd. ("FIR") jointly petitioned the Government of India's Finance Ministry for permission to invest in NGM by purchasing common shares under regulations governing Foreign Collaboration Agreements. FIR is a company incorporated under the Canadian Business Corporations Act and wholly owned by an officer of the Company.

Government permission to invest was granted on May 21, 2010, and allows each of the foreign companies to purchase up to 1,995,000 shares of NGM, to a total issued capital of 4,000,000 shares. The two directors of the Company continue to hold their minority share positions in NGM (with the Company and FIR each holding rights to purchase 5,000 of those shares at cost), for the convenience of observing requirements that annual general meetings of shareholders be held in India and at least two shareholders be present in person.

The objectives of NGM are to acquire, explore and develop certain mineral properties that do not compete with the principal objectives of the Company's other subsidiaries; to involve FIR as a vehicle for assembling additional capital; and to mitigate the Company's exposure to risk. To date FIR has not purchased equity in NGM, nor has NGM started to acquire mineral assets.

## EXPLORATION PROGRESS AND RESULTS

### Askot Property, Uttarakhand, India

More than 95 percent of the Company's managerial and technical effort was and continues to be directed to the Askot project, a program of advanced exploration of a massive sulphide deposit of copper, zinc and lead that also contains significant silver and gold.

Mineral Title and Permits. India has been known for density of its bureaucracy and the resultant barriers to entry into the mining business. The Company has the distinction of successfully moving the Askot project through eight major permitting steps, and is the first foreign company in recent years to receive approval of a Mining Lease ("ML") in the non-ferrous metals sector by the Ministry of Mines of the Government of India and the government of the host state. The ML is 386 hectares in area. The ML is surrounded by the Company's 22,600 hectare Reconnaissance Permit application.

The final required permit, Forest Clearance, is in progress. Upon execution of the ML Deed at some point in the future the Company will be required to make a payment to the government, currently estimated as $895,000, for the alienation of certain forest lands and remediation by planting a number of trees elsewhere.

Drilling. During the period August 2006 to December 2007 the Company drilled 4,642 metres in 17 core holes to "twin" and confirm results of a "sample" of 57 holes (total 9,258 metres) drilled 20 to 40 years ago by government entities.

In June 2010, the Company began a program of step-out drilling to test possible extensions of the known mineral deposit. One hole was completed at 570 metres and a second is in progress.

Indicated Mineral Resource. On December 31, 2008 the Company received a National Instrument 43-101 Technical Report with an independent mineral resource estimate on its Askot property from SRK Consulting (India) Pvt. Ltd. ("SRK"). The estimate was prepared using a cut-off grade of US$100 per tonne of ore considering the likely underground mining and milling scenario, metals prices and recovery assumptions reported below.

The mineral resources are reported in accordance with Canadian Securities Administrators' National Instrument 43-101 and have been estimated in conformity with generally accepted CIM "Estimation of Mineral Resource and Mineral Reserves Best Practices" guidelines. Mineral resources are not mineral reserves and do not have demonstrated economic viability. The mineral resource statement is presented in the table below.

**Mineral Resource Statement Askot Massive Sulphide Deposit, India, August 10, 2008**

| Category | Quantity | | | Grade | | |
|---|---|---|---|---|---|---|
| | (Tonnes) | Cu (%) | Zn (%) | Pb (%) | Ag (gpt) | Au (gpt) |
| Indicated | 1,860,000 | 2.62 | 5.80 | 3.83 | 38 | 0.48 |
| Inferred | 149,000 | 1.70 | 4.56 | 1.89 | 29 | 0.44 |

*Reported at a cut-off grade of US$100 per tonne based on metal prices of US$2.00 per pound of copper, US$0.90 per pound of zinc, US$0.65 per pound of lead, US$15.00 per ounce of silver and US$900 per ounce of gold and metallurgical recoveries of 85%, 76%, 78%, 60% and 60%, respectively.*

Geophysical and soil geochemical studies have found anomalies along 3,000 metres of strike length beyond the known deposit, and that it is characteristic of volcanogenic massive sulphide deposits to occur as multiple lenses.

Plans. The Company is continuing local and regional exploration of the area.

Community Relations. The Company has cordial relations with the local people. The Company has a pay scale that is generous, without upsetting local sensitivities; and a hiring protocol that spreads the available jobs fairly throughout the community.

The Company has a policy of sourcing goods and services locally and within the region as much as possible. The Company has taken part in and supported community activities and festivals.

Outside Claim for a Minority Interest in Askot. The Company is in progress of negotiating a resolution to a claim for 11% equity in the Askot project resulting from a long defunct Memorandum of Understanding (MOU) signed by the Company and a former state government in 1997. The Company believes the resolution to this question will not impact the economics of future mining at Askot.

Expenditures to Date. During the year ended March 31, 2010, a total of $747,913 was spent on the Askot project, to bring the total to date to $5,821,235. The costs were related to underground development, compliance, pursuing and acquiring permits, geology, travel, office costs and salaries.

**Gadarwara Property, Madhya Pradesh, India**

Mineral Title and Permits. The Company holds a Prospecting Licence ("PL") application on 70 square kilometres covering a 50-square-km magnetic anomaly near the village of Gadarwara, Narsimhapur District, Madhya Pradesh. This application covers part of a previous RP held by the Company and has been approved by the state government and is being vetted by the Union government.

On June 28, 2010, the Company and the State Government executed a Reconnaissance Permit ("RP") Deed on 3,504 square kilometres contiguous with and surrounding the Gadarwara PL application area. The RP has a term of three years and must be cut to 1,000 square kilometres on the second anniversary.

Renewed Interest. Upon further investigation, the Company believes the ironstone intersected in the drill holes could be evidence of a rock alteration halo at some distance from an iron oxide-copper-gold ("IOCG") type of deposit. IOCG deposits can be enormous. The Company is currently undertaking further studies of the drill core in order to test this idea.

Expenditures on Gadarwara. The Company wrote off $546,454, being the net costs incurred on both Gadarwara Prospect and Gadarwara Extension through March 2008. Renewed work during the year ended March 31, 2010 cost $0.00.

Subsequent to year end the Company paid fees to the government and travel expenses for executing the RP in Bhopal of approximately $5,000.

**Banda Prospect, Uttar Pradesh, India**

Hirakund Diamond Exploration Pvt. Ltd. executed a Reconnaissance Permit in May 2006 on a 2,012 square km tract (measured by the government as 2,190 square km) in the Banda District of Uttar Pradesh.

The Company terminated its RP by notifying the state on March 22, 2009 after deciding that the diamond potential of the prospect would not be worthwhile for continued exploration.

Accordingly the Company wrote off total expenditures to date of $61,248.

**Other Applications for Mineral Concessions**

Including the above listed applications the Company has pending one Prospecting Licence application and 15 Reconnaissance Permit applications covering approximately 15,000 square kilometres in six states. Target commodities are oxide and sulfide copper, gold, zinc, silver, lead and diamonds.

The total spent on scouting, outside exploration and acquisitions to date is $36,424. The amount spent during the year ended March 31, 2010 was $386.

**Qualified Persons**

Andrew E. Nevin, Ph.D., P.Eng., P.Geo. (Idaho) and Gyan C. Singhai, M.Sc., P.Eng., both qualified persons under NI 43-101, supervised work at Askot, Gadarwara, Banda and elsewhere. Each has read and approved the technical information in this MD&A.

**Factors and Trends Affecting the Company's Projects**

Adverse Factors. Some of these are well-known phenomena of our times; others are particular to mineral development in India:

- The global fallout from the credit crisis, which appears to be receding at least in Asia, has made conventional equity financing of advanced exploration difficult until the last few months.
- Tariffs in India are as high as 38% on imported drills, ancillary equipment, spare parts, and including drilling muds, chemicals and down-hole additives.
- The Indian bureaucracy is obsessive about the "process" irrespective of the end result. And it is infamous for vetting permits and licenses at a snail's pace. Coping with those practices requires considerable management and staff time and effort.
- Corruption is endemic within the Indian government system as well and it is reported and criticized sternly in India's press. It requires skill and patience to sidestep numerous overt and implied requests for illegal payments, commonly known as "black money" in India.

Positive Factors. The Company (along with its competitors in India) believes that positive factors outweigh the negative:

- Subsequent to the year ended March 31, 2010 the Government of India executed Memoranda of Understandings with both the Government of Canada and the Province of Ontario to cooperate in various government-to-government and private sector undertakings in the fields of mineral exploration and mine development, earth sciences and related activities.
- Concurrently the Canadian High Commission in India started preparing a brief to the Indian government to reduce import tariffs and other taxes on Canadian drilling, mining and mine safety equipment, consumable supplies and services.
- In March 2010 the Indian Ministry of Mines again revised its draft "Mines & Minerals (Development & Regulation) Act, 2010. The Ministry advises that this will be introduced to the Cabinet and Parliament this year. The Ministry has already advised the states of the new guidelines that are consistent with the anticipated legislation.
- The new policy, when enacted, will speed up the process of acquiring mineral tenements, expand the sizes of some classes of tenement, and provide for more secure title.
- Some states where the Company has mineral tenements (or applications) are taking the lead in streamlining their own procedures and cutting application times down to reasonable levels.
- A national election in May 2009 returned the Congress party to power with a stronger mandate for reform and deregulation. In the time elapsed since that election the government appears to be exercising that mandate.
- The Geological Survey of India (GSI), which has been the main organ for mineral exploration, has charged exorbitant sums to the private sector for purchasing its exploration data. Last year the Government has instructed it to make all exploration data public and post its findings on its web site. This will be implemented over the next few years.

- The world credit crisis has impacted India the least of any major economy. The Reserve Bank of India is handling it well and adjusting interest rates as needed, and the commercial banks are not in jeopardy. The "globalizing" of India has been slow and deliberate. A few years ago it seemed too slow. Now it seems that it has saved the Indian economy considerable grief.
- The Ministry of Mines and the Ministry of Environment and Forests – the two with which the exploration and mining business has the most contact – have become very proactive with reforms in the past few years and that trend is accelerating.
- Mineral-related consulting and contracting services are more readily available than they were just 12 months ago.
- For 15 years the Company has been active in India and three years ago it established a substantial beachhead in India with a senior officer resident there. With this the Company has become a full partner in the Indian business and mining culture and well known to all persons involved.
- India remains one of the least explored countries in the world and its present day non-ferrous metal mining capacity is the weakest of any society living on a mineral-rich Precambrian Shield.
- India is a heavily industrialized country that manufactures many common components needed for a modern mine, some at lower cost than in the West.
- It has a well educated, highly intelligent professional work force.
- It has a hard working and low-cost labor force.
- It has a modern business and commercial infrastructure – banks, insurance companies, transportation and communications networks and so on.
- India's laws are written; written in English; and copies are widely distributed.
- Although quite slow in acting, India's court system is mature and seasoned – unlike some other Asian and Africa countries – and India has a large body of case law.
- India is a pluralistic society and the world's most populous democracy; it is unlikely to suffer from a catastrophic regime change.
- India has libraries and collections of geologic and geophysical data that form the basis for exploration decisions; geologic work has been carried out with British-type discipline, both in colonial days and since Independence in 1947.
- Many analysts are now forecasting firm prices for copper, zinc, lead, silver and gold in the years 2011-2015.

**Outlook**

The Company requires additional capital to pursue development of the Askot project and to pursue its larger goals in India. The Company is in discussion with several investors and funds and is confident that such capital will be assembled in a timely manner.

## CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions about future events that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from these estimates. Significant accounting estimates used in the preparation of the Company's financial statements are:

**Fair value of options and warrants**

The Company has estimated the fair value of options and warrants using the Black-Scholes option pricing model. The following weighted-average assumptions were used:

| | 2010 | 2009 |
|---|---|---|
| Average risk-free interest rate | 1.42% | 2.92% |
| Expected share price volatility | 101% | 111% |
| Expected average period until exercise | 2.4 years | 4.47 years |
| Expected dividend yield | $nil | $nil |

**Carrying value of mineral property interests**

The amounts shown for mineral property interests represent acquisition, holding and exploration costs, and do not necessarily represent present or future recoverable values. The recoverability of these amounts is dependent upon the confirmation of economically recoverable reserves, the ability of the Company to obtain the necessary financing to successfully complete their development and to meet the requirements, from time to time, of lenders, including shareholders, who are providing this financing and upon future profitable production.

The Company reviews the carrying values of its mineral property interests whenever events or changes in circumstances indicate that their carrying values may exceed their estimated net recoverable amounts determined by reference to estimated future operating results and undiscounted net cash flows. An impairment loss is recognized when the carrying value of those assets exceeds their fair value.

**Carrying value of other capital assets**

The Company reviews the carrying values of its other capital assets whenever events or changes in circumstances indicate that their carrying values may exceed their estimated net recoverable amounts determined by reference to estimated future operating results and undiscounted net cash flows. An impairment loss is recognized when the carrying value of those assets exceeds their fair value.

**Asset retirement obligations**

The Company recognizes liabilities for statutory, contractual or legal obligations associated with the reclamation of mineral properties, plant and equipment, when those obligations result from the acquisition, construction, development or normal operation of the assets. Initially, a liability for an asset retirement obligation is recognized at its fair value in the period in which it is incurred. Upon initial recognition of the liability, the corresponding asset retirement cost is added to the carrying amount of the related asset and the cost is amortized as an expense over the economic life of the asset using either the unit-of-production method or the straight-line method, as appropriate. Following the initial recognition of the asset retirement obligation, the carrying amount of the liability is increased for the passage of time and adjusted for changes to the amount or timing of the underlying cash flows needed to settle the obligation.

## CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION

The Company adopted the recommendations of Sections 1535 of the CICA Handbook, Capital Disclosures, during the year ended March 31, 2008**.** This section establishes standards for disclosing information about an entity's capital and how it is managed.

The Company adopted the amended requirements of Section 3862 of the CICA Handbook, Financial Instruments – Disclosures and Section 3863, Financial Instruments - Presentation, during the year ended March 31, 2009**.** These sections require qualitative and quantitative disclosures on the risks, which include currency risk, credit risk, interest rate risk, liquidity risk and market risk, to which the Company's financial instruments are exposed.

Other accounting pronouncements issued by the CICA and which the Company intends to evaluate and, if required, adopt in the preparation of its future financial statements are:

**Convergence with International Financial Reporting Standards**

In 2006, Canada's Accounting Standards Board ratified a strategic plan that will result in Canadian GAAP, as used by public companies, evolving and being converged with International Financial Reporting Standards ("IFRS") over a transitional period currently expected to be completed by 2011. The International Accounting Standards Board also has projects currently under way which should result in new pronouncements which will be included in the convergence process.

The Company is conducting a detailed assessment of the requirements of the transition to IFRS, with the intention of identifying the timing of the implementation of the transition, major differences in accounting policies and selecting the policies which are appropriate for the Company, identifying the appropriate disclosure in financial statements prepared under IFRS and refining an implementation plan.

## FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

The Company's financial instruments include cash and cash equivalents, accounts receivable and accounts payable. They are measured at amortized cost which, as at the end of the fiscal year, approximates their fair values.

The Company incurs certain of its expenses in currencies other than the Canadian dollar. As such, the Company is subject to foreign exchange risk as a result of fluctuations in exchange rates. The Company manages its currency risk through the preparation of short and long term expenditure budgets in different currencies and converting Canadian dollars to Indian rupees whenever exchange rates are favourable.

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist primarily of cash and cash equivalents. To reduce credit risk, cash and cash equivalents are on deposit at major financial institutions.

The Company's financial instruments may include bankers' acceptances and treasury bills. These instruments bear a fixed rate of interest and a fixed maturity date. If the Company is required to liquidate them prior to the maturity date, there is a risk that interest rates will have increased such that the market value of the instrument is less than the expected value. The Company limits this risk by only investing in instruments which can be liquidated immediately.

## DISCLOSURE CONTROLS AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Company's Chief Financial Officer and Chief Executive Officer (the "Certifying Officers") are responsible for establishing and maintaining disclosure controls and procedures ("the Procedures") which provide reasonable assurance that information required to be disclosed by the Company under provincial or territorial securities legislation (the "Required Filings") is reported within the time periods specified. Without limitation, the Procedures are designed to ensure that material information relating to the Company is accumulated and communicated to management, including its Certifying Officers, as appropriate to allow for timely decisions regarding the Required Filings. The Company's Certifying Officers are also responsible for establishing and maintaining internal controls over financial reporting ("Internal Controls") and have designed such Internal Controls, or caused it to be designed under their supervision, which provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the Company's GAAP.

During the year ended March 31, 2010 there were inherent weaknesses in the Company's internal controls which are typical of small companies, which have a limited ability to segregate incompatible functions. The Company expects to remedy these weaknesses by expanding the number of individuals involved in the accounting function as it grows. Effective disclosure controls were achieved, despite the inherent weaknesses in internal control over financial reporting, because of the President and Chief Executive Officer's direct involvement in the disclosure controls and procedures process.

The Certifying Officers evaluate the Company's Internal Controls on a regular basis throughout the year and have certified that there were no changes in the Company's Internal Controls during the Company's most recent interim period that materially affected, or is reasonably likely to materially affect, the Company's Internal Controls.

## RISKS AND UNCERTAINTIES

Country Risk. The principal business of the Company is in the exploration and development of mineral properties in India. The Company is subject to the political risks and bureaucratic delays that might transpire.

Exchange Rates. The Company incurs costs and expenses in foreign currencies other than Canadian dollars. The exchange rates covering such currencies, including the U.S. dollar and the Indian rupee, are subject to fluctuations which give rise to foreign currency exposure, either favorable or unfavorable. The Company does not hedge any currencies against others.

Exploration Risk. Exploration for minerals and development of mining operations involve many risks, many of which are outside the company's control. In addition to the normal risks of exploration and mining, the Askot project is in a remote location that lacks certain elements of infrastructure.

The Company's National Instrument 43-101 compliant indicated mineral resource has not been elevated to measured mineral resource or mineral reserves. Such upgrading may or may not be successfully completed.

Permits and Clearances. The Company requires several permits to perform exploration activities and, as noted above, to enter into commercial production. These are granted by various departments of state and central government. Some departments are ambivalent about mining. There may be delays in acquiring the necessary permits that would be detrimental to the Company's operations.

Price Risks. The Company's proposed principal products – copper, zinc, lead, silver and gold – are priced by world markets and are outside the Company's control. A decline in prices can adversely affect a mining operation; and for an exploration company, access to additional capital.

## APPROVAL

The Board of Directors of Pebble Creek Mining Ltd. has approved the disclosure contained in this MD&A. A copy of this MD&A will be provided to anyone who requests it and can be obtained, along with additional information, on the SEDAR website at www.sedar.com.