

# **Pebble Creek Mining Ltd.**

Management Discussion and Analysis of Financial Conditions and Results of Operations  
Nine Months ended December 31, 2008

*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 nine months ended December 31, 2008, with comparisons for the nine months ended December 31, 2007 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, 2008. 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 February 13, 2009.*

## **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.*

## **OVERVIEW & OVERALL PERFORMANCE**

The “Company” refers to Pebble Creek Mining Ltd. (“PCM”), formerly Broadcast Capital Corp. (“Broadcast”), and its wholly owned Indian subsidiaries Adi Gold Mining Private Ltd. (“Adi”) and Hirakund Diamond Exploration Private Ltd. (“Hirakund”). PCM and its wholly owned subsidiary company, Pebble Creek Resources Ltd. (“PCR”), completed a vertical amalgamation on May 30, 2007 and the newly amalgamated company continued under the name “Pebble Creek Mining Ltd.”

The Company is a mineral exploration company which has been focused on India for the past 12 years. It is one of few foreign mineral exploration and development companies that has developed a business and technical infrastructure and acquired considerable expertise in India.

The Company holds 100 per cent of the mineral rights on two properties and has active applications pending on 14 more covering 17,000 square kilometres in five states, all in India.

The Company’s principal mineral property is the Askot property in Uttarakhand state (called “Uttaranchal” prior to January, 2007). Askot is a high-grade deposit of copper and zinc, with lead, silver and gold, which is the focus of its exploration and development.

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.”

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On completion of the RTO, PCM had a total of 19,137,523 common shares issued and 4,503,330 common shares reserved for issuance for options and warrants. Of the issued shares, 85.6% were held by former holders of PCR's shares and Subscription Receipts and 14.4% were held by existing Broadcast shareholders. Of the options and warrants, 90.0% were held by former holders of PCR's warrants and 10.0% were held by the holders of Broadcast options. In accordance with generally accepted accounting principles, PCR was identified as the acquirer at the completion of the RTO since the shareholders of PCR acquired control of PCM, the legal parent company.

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 September 30 (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 Hirkund, 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.

<b>Three months ended</b>								
	<b>Dec 31, 2008</b>	<b>Sept 30, 2008</b>	<b>June 30, 2008</b>	<b>Mar 31, 2008</b>	<b>Dec 31, 2007</b>	<b>Sept 30, 2007</b>	<b>June 30, 2007</b>	<b>Mar 31, 2007</b>
Interest Income	\$ (644)	\$ 2,117	\$ 6,514	\$ 17,451	\$ 4,529	\$ 5,233	\$ 9,330	\$ 6,862
Net Loss	\$ (137,051)	\$ (581,646)	\$ (252,816)	\$ (811,350)	\$ (156,108)	\$ (367,125)	\$ (220,116)	\$ (321,546)
Basic & Diluted (Loss) Per Share	\$ (0.01)	\$ (0.02)	\$ (0.01)	\$ (0.03)	\$ (0.01)	\$ (0.02)	\$ (0.01)	\$ (0.02)
Basic & Diluted Weighted Average Shares	30,170,988	29,171,219	29,171,219	29,171,219	24,871,980	23,697,384	20,342,020	20,032,375

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 – should not be taken as an indication of anything more than the tools selected to add value to the Company's mineral assets during a particular quarter.

The first quarter of calendar 2008 showed a significant increase in loss to \$811,350 due mainly to the write-off of \$509,791 of the expenditures incurred on the Gadarwara property. The second quarter of

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calendar 2008 includes a further write-off of \$35,102 of Gadarwara drilling expenditures incurred during the period. The increase in loss in the third quarter of calendar 2008 is due mainly to share-based compensation expense of 353,373 incurred for the issue 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 increases in the losses in both of the March 31 quarters were due in part to lagging overhead and indirect costs that resulted from drilling campaigns carried out in the second halves of calendar 2006 and 2007.

As financings progressed, the number of shares increased from 20.063 million at March 31, 2007 to 31.657 million at December 31, 2008.

#### **Nine Months ended December 31, 2008 and 2007**

The Company incurred general and administrative expenses of \$979,500 during the nine months ended December 31, 2008 (2007 - \$762,440). During the 2007 period the Company did considerable expensive physical work such as drilling and earthmoving; during the equivalent 2008 period the work consisted more of administration, engineering, lobbying and compliance. Significant general and administrative expenses incurred by the Company during the nine months ended December 31, 2008, compared to the nine months ended December 31, 2007, were as follows:

- corporate development costs of \$43,453 (2007 - \$43,717, no significant change)
- foreign exchange costs of \$24,939 (2007 - \$30,141, change due to the relative decline in value of the Canadian dollar)
- insurance costs of \$13,259 (2007 - \$13,285, no significant change)
- management fees of \$170,960 (2007 - \$150,180, increased due to increase in activity)
- office expenses of \$16,625 (2007 - \$14,170, no significant change)
- legal and audit fees of \$100,274 (2007 - \$43,446, increased significantly owing to nature and volume of work)
- rent of \$36,131 (2007 - \$34,706, no significant change)
- salaries of \$48,636 (2007 - \$56,164, decreased with less earthmoving work in India)
- share compensation costs of \$369,954 (2007 - \$195,783, increased significantly owing to options granted during the period)
- shareholder costs of \$77,636 (2007 - \$92,706, decreased as promotion declined slightly)
- travel of \$22,552 (2007 - \$60,138, decreased significantly as principals relocated to India)
- telephone costs of \$12,930 (2007 - \$20,717, decreased as principals relocated to India).

During the nine months ended December 31, 2008, acquisition and lobbying, compliance, exploration, drilling and underground development costs at Askot were \$727,248 (2007 - \$1,700,040). As noted, the decrease is due mainly to a major drilling campaign which was carried out in the second half of 2007.

The Company also spent \$36,817, composed of drilling costs which were billed late, on the Gadarwara property during the nine months ended December 31, 2008 (2007 - \$405,974). The Company wrote down the accumulated costs of \$546,608 it had incurred on the Gadarwara property to December 31, 2008 as it does not expect any potential future benefits from these expenditures at this time. However the Company did exercise its sole right to apply for a Prospecting Licence (the next step up from a Reconnaissance Permit) at Gadarwara since the property may hold some value in the future.

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Furniture, equipment, computers and vehicles costing \$16,118 were purchased during the nine months ended December 31, 2008 (2007 - \$94,105). All of that increase was incurred directly or indirectly to support the Askot project.

Other significant costs incurred during the nine months ended December 31, 2008 included share compensation costs of \$369,954 (2007 - \$195,783), representing the fair value of the portion of the share purchase options issued to employees, directors, officers, and consultants which vested during the current period. The fair value was calculated at the grant date using the Black-Scholes option pricing model, using the assumptions described in Note 4 to the consolidated financial statements.

Total assets decreased by \$193,789 during the nine months ended December 31, 2008 compared to an increase of \$2,737,274 during the nine months ended December 31, 2007. Of the total assets, \$220,327 is represented by current assets, \$5,001,765 is invested in the Company's mineral properties and \$187,744 is capital equipment, and \$99,827 is long-term deposits.

At December 31, 2008, the Company had cash of \$148,571 (2007 - \$1,468,834) and a working capital deficit of \$122,358 (2007 - working capital balance of \$1,403,827).

#### **Three Months Ended December 31, 2008 and 2007**

The Company incurred general and administrative expenses of \$136,407 during the three months ended December 31, 2008 (2007 - \$160,638). Significant general and administrative expenses incurred by the Company during the three months ended December 31, 2008, compared to the three months ended December 31, 2007, were as follows:

- corporate development costs of \$23,275 (2007 - \$15,934, increased as additional fundraising activity)
- foreign exchange gain of \$21,724 (2007 - loss of \$11,974, change due to the relative decline in value of the Canadian dollar)
- insurance costs of \$3,992 (2007 - \$4,563, no significant change)
- management fees of \$38,700 (2007 - \$35,580, no significant change)
- office expenses of \$5,190 (2007 - \$2,269, no significant change)
- legal and audit fees of \$25,279 (2007 - \$11,168, increased due to increase in regulatory compliance work)
- rent of \$12,537 (2007 - \$11,852, no significant change)
- salaries of \$13,700 (2007 - \$19,626, decreased due to cost reduction efforts)
- share compensation costs of \$12,215 (2007 - \$3,285, increased due to options granted during the fiscal period)
- shareholder costs of \$5,270 (2007 - \$26,831, decreased due to cost reduction efforts)
- travel of \$9,704 (2007 - \$6,110, increased related to fundraising activities)
- telephone costs of \$5,445 (2007 - \$8,825, decreased as principals relocated to India).

During the three months ended December 31, 2008, acquisition and lobbying, exploration, drilling and underground development costs at Askot were \$247,376 (2007 - \$872,746). The decrease is due mainly to a major drilling campaign which was carried out in the second half of 2007.

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The Company also spent \$822, composed of drilling and associated costs, on the Gadarwara property during the three months ended December 31, 2008 (2007 - \$401,305). The Company wrote down the accumulated costs of \$546,608 it had incurred on the Gadarwara property to December 31, 2008 as it does not expect any potential future benefits from these expenditures at this time.

Furniture, equipment, computers and vehicles costing \$10,912 were purchased during the three months ended December 31, 2008 (2007 - \$15,298). All of that increase was incurred directly or indirectly to support the Askot project.

Total assets increased by \$182,641 during the three months ended December 31, 2008 compared to an increase of \$1,972,810 during the three months ended December 31, 2007. Of the total assets, \$220,327 is represented by current assets, \$5,001,765 is invested in the Company's mineral properties and \$187,744 is capital equipment, and \$99,827 is long-term deposits.

#### **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.

	<b>March 31, 2008</b>	<b>March 31, 2007</b>	<b>December 31, 2005</b>
Total Revenue – Interest Income	\$ 36,543	\$ 33,424	\$ -
Net Income (Loss)	\$ (1,554,699)	\$ (579,728)	\$ (218,653)
Net Income (Loss) per Share	\$ (0.06)	\$ (0.04)	\$ (0.02)
Total Assets	\$ 5,703,452	\$ 3,644,955	\$ 1,458,969
Shares Outstanding	29,171,219	20,062,590	11,412,021

The Company is in the exploration stage and has no mineral production yet. Incidental revenue is derived solely from interest earned on term deposits. \$36,543 was earned during the year ended March 31, 2008, compared to \$33,424 during the fifteen months ended March 31, 2007.

The Company incurred general and administrative expenses of \$1,081,451 during the year ended March 31, 2008, compared to \$613,152 during the fifteen months ended March 31, 2007, reflecting the overall increase in the Company's activities. Significant general and administrative expenses incurred by the Company during year ended March 31, 2008, compared to the fifteen months ended March 31, 2007, were as follows:

- corporate development costs of \$83,978 (2007 - \$94,993, consistent)
- insurance costs of \$14,389 (2007 - \$1,773, expansion of insurance coverage)
- management fees of \$210,960 (2007 - \$179,500, consistent with increased activity)
- office expenses of \$33,465 (2007 - \$54,264, consistent)
- legal and audit fees of \$89,902 (2007 - \$84,451, consistent)
- rent of \$46,608 (2007 - \$27,563, increase in premises in India)
- salaries of \$76,978 (2007 - \$19,367, increased staff in India)

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- share compensation costs of \$297,563 (2007 - \$nil, substantial increase due to options granted during the year)
- shareholder costs of \$51,083 (2007 - \$17,344, increased costs of reporting to shareholders)
- travel of \$145,963 (2007 - \$114,327, increased activity in India)
- telephone costs of \$23,056 (2007 - \$11,815, increased activity in India).

During the year ended March 31, 2008, acquisition and lobbying, exploration, drilling and underground development costs at Askot were \$1,920,788, compared to \$945,505 during the fifteen months ended March 31, 2007.

The Company also spent \$418,338, primarily composed of drilling costs of \$386,298, on the Gadarwara property during the year ended March 31, 2008, compared to \$31,394 during the fifteen months ended March 31, 2007. The Company also wrote down the accumulated costs of \$509,791 it had incurred on the Gadarwara property to March 31, 2008 as it does not expect any immediate benefits from these expenditures.

Furniture, equipment and vehicles costing \$76,404 were purchased during the year ended March 31, 2008, compared to \$159,157 during the fifteen months ended March 31, 2007. Nearly all of those expenditures were incurred directly or indirectly to support the Askot project.

Fixed expenses, also to support the Askot project and incurred in Vancouver, New Delhi or at the project site, grew markedly during the 2007-2008 fiscal year and are a major component of the increased loss for the year ended March 31, 2008.

Other costs incurred during the year ended March 31, 2008 were share compensation costs of \$369,953, compared to \$297,563 for the previous year. Share compensation represents the fair value of the portion of the share purchase options issued to employees, directors, officers, and consultants which vested during the relevant fiscal year. The fair value was calculated using the Black-Scholes option pricing model, using the assumptions described in Note 5 to the consolidated financial statements.

Total assets increased by \$2,058,497 during the year ended March 31, 2008, compared to \$2,185,986 during the fifteen months ended March 31, 2007. This reflects the financings completed during the current fiscal year. Of the total assets, \$1,234,812 is represented by current assets, \$4,263,748 is invested in the Company's mineral properties and \$204,892 is capital equipment.

At March 31, 2008, the Company had cash of \$1,066,193 as compared to \$945,393 at March 31, 2007.

At March 31, 2008, the Company had working capital of \$1,133,838 as compared to \$990,908 at March 31, 2007.

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## **LIQUIDITY AND CAPITAL RESOURCES**

### **Current Liquidity and Capital Resources**

The Company's cash and working capital deficit at December 31, 2008 amounted to, respectively, \$148,571 and \$122,358, compared to cash and working capital balance of, respectively, \$1,066,193 and \$1,049,441 at March 31, 2008. The reduction of cash and working capital during the current period resulted from the use of funds for mineral property operations in India and corporate administration in Canada and the abrupt diminution of financing opportunities as the American banking crisis spread around the world.

The credit crisis that developed in the United States started in August 2007 for the Company, The Company's share price fell precipitously and began a long decline from \$0.54 to the range of \$0.05 to \$0.10 in December 2008 (and subsequently in January and February 2009).

The decline in the entire market and the psychology of fear impaired the Company's ability to finance continued work from Western sources. The Company decided to tap the large pool of indigenous capital in Asia and in India in particular.

On November 7, 2007 the Company and its wholly-owned Indian subsidiary, Adi Gold Mining Pvt. Ltd. ("Adi"), engaged Ernst & Young Pvt. Ltd., of Gurgaon, India, to advise and assist in assembling up to \$10 million of financing for its Askot project, which is held by Adi. Ernst & Young pursued this diligently and generated a number of prospective investors. However for various reasons, including lack of familiarity with non-ferrous metal mining in India, none proceeded to the point of a terms sheet.

In November 2008 by consent the Company and Ernst & Young let the agreement expire, and the Company continued, and is continuing, on its own to secure financing of Adi from Asian sources. The Company is working through a number of brokers and agents, but has not signed any terms sheets or agreements to date.

The intent is to assemble as much as \$15 million by issuing new shares of Adi up to 50% of equity. Those shares would rank *pari passu* with Pebble Creek's shares. Funds would be applied to the next 15 months of exploration, obtaining the final permits required for production, and culminating with a bankable feasibility study for commercial production.

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.

### **Historical Events**

During the 15 months ended March 31, 2007, in anticipation of going public, the Company raised a total of \$2,595,658 after costs, including amounts allocated to the issue of accompanying warrants, broker warrants and broker options.

The largest financing of the 15-month period was a two-tranche brokered private placement that raised net funds of \$1,940,020 in June 2006 and \$376,654 in December 2006. Funds were also realized from the

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exercise of 120,500 warrants, 91,667 options, non-brokered private placements of 405,000 shares and retention of Broadcast's treasury of \$581,830 (before costs of the RTO and costs allocated to assuming Broadcast's options and warrants). Not counting the 2,750,002 shares of Broadcast before the RTO, the Company issued 5,900,567 shares during the fifteen months ended March 31, 2007 on the exchange of Subscription Receipts, private placements of units and the exercise of warrants and options.

During the 15-month period ended March 31, 2007 the Company also issued 2,964,870 new warrants and 1,017,507 options, brokers' warrants, and brokers' options.

In May 2007 the Company initiated a non-brokered private placement in Europe at the prevailing share price at the time of \$0.35. The non-brokered private placement of 3,150,000 units raised an additional \$1,102,500 before costs. The majority of placees were in Europe.

Each unit consists of one common share of the Company; one-half of one Series A common share purchase warrant (an "A Warrant"); and one-half of one Series B common share purchase warrant (a "B Warrant"). Each whole A Warrant is exercisable for one common share of the Company for a period of two years at a price of \$0.65. If the closing trading price of the Company's common shares is \$1.00 per share or higher for any 20 consecutive trading days during the term of the A Warrants, the Company may elect to provide notice of acceleration of the exercise term to holders of the A Warrants and the A Warrants will then expire thirty days after such notice is given. Each whole B Warrant is exercisable for one common share of the Company for a period of two years at a price of \$1.00.

The Company paid certain parties finder's fees of \$16,660 in cash and issued 156,599 units. The Company also paid other cash costs related to its financing of \$27,488.

The TSX Venture Exchange approved the private placement on July 20, 2007.

On December 19, 2007 the Company completed a similar non-brokered private placement (the "Private Placement") of 5,270,000 units ("Units") at \$0.40 per Unit for gross proceeds of \$2,108,000. Each Unit was composed of (a) one common share of the Company, one-half of one Series A common share purchase warrant (an "A Warrant"), and one-half of one Series B common share purchase warrant (a "B Warrant") (the A Warrants and the B Warrants are collectively referred to as the "Warrants").

Each whole A Warrant is exercisable for one common share of the Company for a period of two years at a price of \$0.75. If the closing trading price of the Company's common shares on the TSX Venture Exchange is \$1.50 per share or higher for any 20 consecutive trading days during the term of the A Warrants, the Company may elect to provide notice of acceleration of the exercise term to holders of the A Warrants and the A Warrants will then expire thirty days after such notice is given.

Each whole B Warrant is exercisable for one common share of the Company for a period of two years at a price of \$1.50.

Included in this Private Placement were 5,000,000 Units purchased by India Resources Limited ("India Resources"), representing approximately 17% (at that time) of the issued and outstanding common shares of the Company (or 29% of the issued and outstanding common shares assuming the full exercise by India Resources of all Warrants comprising the Units it has purchased).



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The Company paid certain parties commissions of \$7,040 in cash and also paid other cash costs related to its financing of \$30,623.

As the exercise of warrants by India Resources may result in India Resources holding, in the aggregate, greater than 20% of the issued and outstanding common shares of the Company, shareholder approval was obtained at a Special General Shareholder's Meeting on March 13, 2008 to approve of the possible change of control resulting from India Resources' increased shareholdings on the exercise of the Warrants. The TSX Venture Exchange subsequently gave final approval to the private placement.

On November 24, 2008, the Company completed the first tranche of a non-brokered private placement of 2,485,912 common shares at a price of \$0.065 per common share for gross proceeds of \$161,584. Certain directors of the Company participated in this private placement. The Company paid certain parties commissions of \$1,820 in cash and also paid other cash costs related to its financing of \$17,029.

The common shares issued pursuant to this private placement are subject to a four-month hold period expiring on March 22, 2009.

The second and final tranche of the private placement was completed on January 9, 2009. The Company issued an additional 735,245 shares at a price of \$0.065 for gross proceeds of \$47,791.

The net proceeds from the Private Placements will be used for exploration and development of the Company's projects (particularly the Askot deposit) for acquisitions and for working capital.

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### **Options and Warrants**

As at December 31, 2008, the following options and warrants to purchase shares of the Company were outstanding:

#### **Options**

	<b>Number of Shares</b>	<b>Price Per Share</b>	<b>Expiry Date</b>	<b>Date Granted or Issued</b>
Options	795,000	\$0.60	August 10, 2012	August 10, 2007
Options	225,000	\$0.60	January 18, 2013	January 18, 2008
Options	1,890,000	\$0.24	August 12, 2013	August 12, 2008
	<b>2,910,000</b>			

#### **Warrants**

	<b>Number of Shares</b>	<b>Price Per Share</b>	<b>Expiry Date</b>	<b>Date Granted or Issued</b>
	1,653,300	\$0.65	June 22, 2009 <sup>1</sup>	June 22, 2007
	1,653,300	\$1.00	June 22, 2009	June 22, 2007
	2,635,000	\$0.75	December 14, 2009 <sup>2</sup>	December 14, 2007
	2,635,000	\$1.50	December 14, 2009	December 14, 2007
	<b>8,576,600</b>			

<sup>1</sup> 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

<sup>2</sup> If the closing trading price is \$1.50 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**

**Warrants.** At March 31, 2008 the share purchase warrants outstanding included 458,370 warrants which were issued in 2006 with an exercise price of \$0.75 per share and an expiry date of June 29, 2008. These warrants expired unexercised during the nine months ended December 31, 2008.

**Shares Held in Escrow.** During the nine months ended December 31, 2008, an additional 708,862 shares were released from escrow. On December 31, 2008 the balance in escrow was 3,510,019.

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Option Plan. The Company has implemented a 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. On August 13, 2007, the plan was approved by the TSX Venture Exchange. The Company has granted 2,910,000 share purchase options to directors, officers and employees, exercisable at \$0.60 and \$0.24 per share for a period of five years under this plan of which 2,115,000 were granted during the nine months ended December 31, 2008.

### **Third Subsidiary Formed**

On January 8, 2008 two directors of the Company incorporated an Indian company, Narsinghpur Gold Mining Private Limited (“NGM”). The directors expect to transfer all the outstanding shares of NGM, at cost, to Pebble Creek Mining Ltd. The Company expects to use NGM as a vehicle for certain property acquisitions.

### **CONTRACTUAL OBLIGATIONS**

The Company has entered into premises leases in Vancouver and New Delhi which require minimum annual payments of \$201,000 to August 2009 and \$166,000 to August 2011.

### **OFF BALANCE SHEET OBLIGATIONS**

The Company has not entered into any off-balance sheet obligations other than the leases for premises reported above.

### **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.

During the nine months ended December 31, 2008, the Company paid \$41,686 (2007 - \$77,844) 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 \$170,960, included in general and administrative expenses, and geological and engineering fees of \$76,040, included in mineral property acquisition costs, to directors and officers during the nine months ended December 31, 2008 (2007 - \$150,180 and \$92,820, respectively).

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### **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 and zinc that also contains significant silver, lead and gold.

Mineral Title and Permits. The Company has the distinction of being the first foreign company in many decades to receive approval of a Mining Lease ("ML") application in the non-ferrous metals sector by the Ministry of Mines of the Government of India.

The ML was approved on September 26, 2007 and forwarded to the state of Uttarakhand government for granting.

On December 26, 2007 the Secretary of Industry, Government of Uttarakhand ("UA") sent the Company a formal Letter of Intent ("LOI") that it intended to grant the ML. The LOI also directed the state government survey agency to survey the boundary of the 386 Hectare ML and the Company to submit a Mining Plan to the Indian Bureau of Mines. Those tasks were completed shortly thereafter. The Company also obtained a "No Objection" certificate from the state's Pollution Control Board.

In June 2008 the Company obtained two additional required certificates from the District Magistrate ("DM") and submitted them to the state government: A "Good Character" Certificate and a "No Dues" Certificate (meaning no police record and no taxes owing).

On September 2, 2008 the Indian Bureau of Mines approved the Company's Mining Plan. In October and November the regional and state game wardens verified and signed the Company's regional fauna inventory and map showing that the Mining Lease area is outside the Askot Game Sanctuary. The Company submitted its Environmental Impact Assessment to the Ministry of Environment and Forests and attended a hearing before the "Expert Appraisal Committee" for Environmental Clearance in November 2008, and has responded in writing to certain questions asked by the Committee. During the quarter ended December 2008 the Company began a program to inventory trees to be removed for its proposed surface facilities for the Askot underground mine.

In addition to the Mining Lease the Company has an active Reconnaissance Permit ("RP") application on 230 square kilometres surrounding that area. The Company intends to explore this area for outlying prospects similar to the known Askot deposit. The RP application is nearing its final stages of technical review by the state government.

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

Most of the 17 holes were "twins" of the previous holes or fill-ins between those holes. The previous holes were drilled by three public agencies: the Geological Survey of India, the United Nations Development Programme, and the Uttar Pradesh Directorate of Geology and Mining. That work was done before Canada's National Instrument 43-101 was instituted.

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As presently known the Askot deposit, which strikes northwest and dips steeply northeast, is open at depth and along strike to the northwest. The strata that host the deposit have a total northwest-southeast length of more than 2,000 metres. At the southeast end the strata fold to the south and then west and continue west for another 1,000 metres.

Milestones. The Technical Report by Paul M. Boswell, BSc, FIMMM, CEng, dated November 7, 2006, endorsed a Stage I and II program at a total cost of \$1,682,000. The Company modified the recommended program as work unfolded and completed it, although at higher cost than estimated.

On August 12, 2008 the Company received an independent mineral resource estimate on its Askot property from SRK Consulting (India) Pvt. Ltd. (“SRK”). The estimate identified five metals of economic significance on the property and was prepared using a cut-off grade of US\$100 net smelter return (“NSR”), considering the likely underground mining extraction scenario and metal 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. There is no certainty that all or any part of the mineral resource will be converted into mineral reserve. The mineral resource statement is presented in Table 1.

**Table 1. Mineral Resource Statement\* Askot Polymetallic Sulphide Deposit, India, SRK Consulting, August 10, 2008.**

Category	Quantity		Grade			
	(Tonnes)	Cu (%)	Zn (%)	Pb (%)	Au (gpt)	Ag (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 net smelter return cut-off of US\$100 per tonne based on metal prices of US\$2.00 per pound of copper, US\$0.65 per pound of lead, US\$0.90 per pound of zinc, US\$15.00 per ounce of silver and US\$900 per ounce of gold and metallurgical recoveries of 85%, 78%, 76%, 60% and 60%, respectively. Mineral resources are not mineral reserves and do not have demonstrated economic viability. All figures have been rounded to reflect the relative accuracy of the estimates.

The mineral resources have been estimated using a block modeling approach constrained by three dimensional wireframes. SRK modeled one sulphide-rich zone using information from 74 core boreholes (13,900 metres) and underground chip sampling and mapping information. Assay data were composited to equal 1-meter length and after analysis SRK found it not necessary to cap composite. Copper, lead, zinc, silver and gold grades were estimated into a partial block model in Surpac using an inverse distance squared algorithm with a spherical search

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neighbourhood defined using variography. Two estimation runs were completed at full variogram and double the variogram ranges.

Mineral resources were classified according to the CIM Definition Standards for Mineral Resources and Mineral Reserves (December 2005) into Indicated and Inferred Mineral Resources on the basis of distance from the nearest informing composite and based on variography. All blocks located within 60 metres from the nearest composite and inside the modeled sulphide wireframe were classified as Indicated. Other blocks located within the modeled wireframes and located within 120 metres from the nearest composite were classified as Inferred.

The mineral resources for the Askot polymetallic sulphide deposit are not very sensitive to the selection of the cut-off grade. Table 2 presents the global quantities and metal grades at various US\$NSR cut-off. The reader is cautioned that these figures should not be misconstrued as a mineral resource. The reported quantities and grades are only presented as a sensitivity of the resource model to the selection of cut-off grade.

**Table 2. Global Block Model Quantity and Grade Estimates\* at Various US\$ NSR Cut-off Grades, Askot Polymetallic Sulphide Deposit.**

Cut-off NSR (US\$)	Quantity (MTns)	Grades				
		Cu (%)	Zn (%)	Pb (%)	Ag (gpt)	Au (gpt)
Indicated						
80	1.90	2.59	5.72	3.78	36	0.47
100	1.86	2.62	5.80	3.83	36	0.48
120	1.72	2.72	6.06	3.99	38	0.49
140	1.62	2.80	6.29	4.10	39	0.49
Inferred						
80	0.18	1.56	4.18	1.79	25	0.42
100	0.15	1.70	4.56	1.89	29	0.44
120	0.12	1.83	5.00	1.93	33	0.47
140	0.09	1.99	5.39	2.04	34	0.47

\* The reader is cautioned that the figures presented in this table should not be misconstrued as mineral resource statements. The reported quantities and grades are only presented as a sensitivity of the resource model to the selection of cut-off grade

The Company had previously announced that 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.

Mr. Souvik B Banerjee and Dr. Jean-Francois Couture have visited the property and reviewed the content of the news release. By virtue of his education and relevant experience, Dr. Couture,

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P. Geo (APGO#0197), is an independent qualified person for the purpose of National Instrument 43-101.

Both the initial news release and the final Technical Report are available on the Company's web site at [www.pebcreek.com](http://www.pebcreek.com) and [www.sedar.com](http://www.sedar.com).

Plans. Work on the project is proceeding and a renewed drilling program is being planned from both surface and underground drill platforms. The Company proposes to drill several geophysical and geochemical anomalies from the surface and to drill deeper from underground sites. Two sites are completed and several more are planned. Each program will be designed to seek extensions of the known mineral deposit.

Community Relations. During the period the Company employed an average of 60 local persons on-site, some in skilled office and technical positions. There is little opportunity for employment in the Askot area. Local people cannot find work without leaving the area. The Company has a pay scale that is generous, without upsetting local sensitivities, and not exploitive; 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. The Company's relations with the Askot and regional community are excellent.

During the 9-month period the Company financed the planting of more than 1,000 tree seedlings in the Askot area in cooperation with the State Forest Department and local schools. This was covered favorably in the local press.

Possible Claim for 11% Carried Interest in Askot. In April 2008 the government-owned Uttar Pradesh State Mineral Development Corporation (UPSMDC) reopened a question the Company had thought closed for the past five years. The UPSMDC demanded that the Company convey it 11% carried interest in the Askot project.

The Company's Filing Statement of December 20, 2006 disclosed a risk that the Government of Uttaranchal (now Uttarakhand) might have a claim on an 11% carried interest in the Askot project. This arose from a Memorandum of Understanding (MOU) executed between the Company and UPSMDC in 1997, long before the state of Uttaranchal was formed from part of Uttar Pradesh on November 9, 2000. UPSMDC had certain obligations under the MOU in return for its proposed 11% carried interest.

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 through 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 interest or other involvement in the Askot project. That rejection, along with two separate legal opinions obtained by the

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Company stating that the MOU gave no other party any rights, caused the Company to believe 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 demanding that the Company follow up the MOU with a formal agreement granting UPSMDC an 11% carried interest in the Askot project.

The Company has engaged legal counsel and responded to the demand, citing the “UP Reorganization Act, 2000” and other legal arguments, and believes that this demand has no merit.

Expenditures to Date. During the nine months a total of \$727,248 was spent on the Askot project, to bring the total to date to \$4,902,927. The costs were related to drilling: geology, travel, assays, office costs and salaries.

### **Gadarwara Property, Madhya Pradesh, India**

Mineral Title and Permits. The Reconnaissance Permit (“RP”) on Gadawara expired on December 24, 2007. The Company, as the RP holder, had the preferential right to apply for a Prospecting Licence (“PL”) within a reasonable period after expiry. The Company duly applied on December 27, 2007 for a PL on 69.8 square kilometres covering the 50-square-km magnetic anomaly.

The Company had previously applied for a second RP of net 3,884 square kilometres surrounding the first. The name for this is Gadawara Extension. That RP application was approved by the Indian Ministry of Mines during the three months ended December 31, 2008 and is pending granting by the state government.

Work Performed and Findings. During the period August 24 through November 24, 2007 the Company drilled 1,639 metres in four holes on the main Gadawara property. The first two holes were lost in overburden. The program established that the thickness of the overburden is 300 metres and that the cause of the magnetic anomaly is a banded iron formation (“BIF”).

The formation consists of thinly layered jasper, hematite, quartzite, magnetite, carbonate and metatuff. Traces of pyrite, pyrrhotite and chalcopyrite are present. Jarosite (iron sulphate) and goethite (iron oxide) are prominent as oxidized products of the hematite and magnetite. The layers dip 40 to 50 degrees to the north and some are tightly folded. Geologists experienced in the region consider the formation to be Mahakoshal of early Proterozoic age.

Of the 441 metres of bedrock cored in two holes, the iron content ranges from a few percent to 57%. Copper and gold are at subcommercial levels.

Plans. The Company will reexamine the potential for commercial grade gold in the Gadawara BIF once the PL is granted.

Expenditures on Gadawara. Between April 1, 2007 and March 31, 2008 the Company spent \$418,338 on Gadawara, of which \$386,298 was paid to the drilling contractor. The total spent as of March 31, 2008 is \$509,791.



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During the nine months ended December 31, 2008, late invoices and minor costs associated with the PL application amounted to another \$36,817. In total, the Company wrote off \$546,608, being the net costs of both Gadarwara Prospect and Gadarwara Extension incurred to December 31, 2008. Adi has no right to conduct exploration on either application at the present time, but intends to pursue exploration of both RP and PL for gold, nickel and platinum group metals at such time as the state may grant them.

### **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 entered into an agreement with De Beers India Private Limited (“DBIPL”) on November 6, 2006 pursuant to which De Beers could earn an 85% interest in the Banda prospect in return for managing and funding work on the prospect. De Beers terminated the agreement on September 24, 2007 after conducting indicator mineral studies.

In mid-2007 the Company engaged an independent geologist from South Africa to examine the prospect and review the data. The geologist reported that the level of erosion was so deep that if any kimberlite-type pipes had existed there, they might be worn down to narrow root zones of little commercial interest.

The Company plans to hold the prospect for the remainder of the three-year term and will conduct further exploration if results of work done on adjacent properties by other companies are successful.

Acquisition and exploration expenditures on this prospect by the Company during the nine months ended December 31, 2008 amounted to \$nil, and the total expenditures on the property to that date were \$56,298.

### **Reconnaissance Permit Applications**

Including the above listed applications, the Company has pending 115 Reconnaissance Permit (“RP”) applications and one Prospecting Licence (“PL”) application covering 19,655 square kilometres in six states. Three of these are contiguous with Askot, Gadarwara and Banda. Target commodities in the others are oxide and sulfide copper, gold, zinc, silver, lead and diamonds.

The total spent on scouting, outside exploration and acquisitions to date is \$42,540. The amount spent during the nine months ended December 31, 2008 was \$10,575.

### **Qualified Persons**

Andrew E. Nevin, Ph.D., P.Eng., a qualified person under NI 43-101, supervised work at Askot, and jointly with Gyan C. Singhai, M.Sc., P.Eng., also a qualified person under NI 43-101, supervised work at Gadarwara, Banda and elsewhere. Each has read and approved the technical information in this MD&A.

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## **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 has made conventional equity financing of advanced exploration difficult.
- Askot's probable main products of copper, zinc and lead are trading at low prices at present, and it is unknown when world prices will recover.
- Tariffs in India of 38% on imported drills, ancillary equipment, spare parts, and including drilling muds, chemicals and down-hole additives. Indian-made drill pipe and bits are inferior and do not stand up to performance-oriented drilling. Even drilling muds and special polymers to handle loose and caving rock have to be imported from Australia.
- The Indian bureaucracy is obsessive about the "process" irrespective of the end result. And it is infamous for vetting permits and licences at a snail's pace. Coping with those practices requires considerable management and staff time and effort. Of the applications the Company has filed for mineral rights cited above, most were filed in 2004, 2005 or 2006. Only seven were filed less than one year ago.
- Corruption is endemic within the Indian government system as well, which is reported and criticized sternly in India's press. It requires skill and patience to sidestep numerous overt and implied requests for illegal payments.

Positive Factors. The Company and its competitors in India believe that positive factors outweigh the negative:

- 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.
- Mineral-related consulting and contracting services are more readily available than they were just 12 months ago.
- For thirteen years the Company has been active in India, but only two years ago it established a substantial beachhead in India with a senior officer resident there. This is truly important – to become a full partner in the Indian business and mining culture.
- India remains one of the least explored countries in the world and its 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 nearly every component 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 network and so on.
- India's laws are written; written in English; and copies are widely distributed.
- India's court system is mature and seasoned – unlike some other Asian and Africa countries – and it has a large body of case law.

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- 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.

The central government of India is pushing as hard as politically possible to improve the exploration regime for all participants, and in particular to attract foreign investment into the mineral exploration, development and mining sectors. The New Mining Policy in preparation for three years has been approved by the Indian Cabinet. Informed observers believe it will be enacted into law sometime after the anticipated national election in the spring of 2009 or in early 2010.

### **Outlook**

The Company requires additional capital to pursue development of the Askot project and to pursue its larger goals in India. The Company is confident that such capital will be assembled in a timely manner, if not from Canada, from institutional investors based in Asia and the Middle East.

The Company is also cutting costs as much as possible in all of its facilities in Canada and India.

### **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, warrants and broker options using the Black-Scholes option pricing model. The following weighted-average assumptions were used:

Average risk-free interest rate	3.08%
Expected share price volatility	124.50%
Expected average period until exercise	5 years
Expected dividend yield	\$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

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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 first quarter of the current fiscal year. This section establishes standards for disclosing information about an entity's capital and how it is managed.

The Company also adopted the requirements of Section 3862 of the CICA Handbook, Financial Instruments – Disclosures and Section 3863, Financial Instruments - Presentation, during the first quarter of the current fiscal year. 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.

These three sections apply to fiscal years beginning on or after October 1, 2007.

The Company had adopted the requirements of Sections 1530 and 3655 of the CICA Handbook during the fiscal year ended March 31, 2008. Canadian generally accepted accounting principles require the Company to report comprehensive income separately in interim and annual financial statements

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commencing on or after October 1, 2006. Comprehensive income is defined as the change in equity (net assets) of an enterprise during a period from transactions and other events and circumstances from non-owner sources. Examples of items reported in a statement of comprehensive income would be changes in the market value of available for sale assets of a company, foreign exchange adjustments relating to self sustaining operations of a subsidiary company with transactions denominated in another currency and the changes in fair values of a company's effective cash flow hedging instruments.

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 intends to conduct 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 developing an implementation plan.

### **FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS**

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

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.

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## **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 nine months ended December 31, 2008 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 the Company 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.

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The Company has no mineral resource with a National Instrument 43-101 compliant estimate. It will take time and money to develop such, and even then commercial production may not be feasible.

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.

### **APPROVAL**

Qualified Persons under National Instrument 43-101, Gyan C. Singhai, P.Eng., and Andrew E. Nevin, P.Eng., have reviewed and approved of the technical information in this MD&A.

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](http://www.sedar.com).