# *Pebble Creek Mining Ltd.*

## Annual Report for the Year Ended March 31, 2011

## Audited Financial Statements and Auditor's Report

## And Management's Discussion and Analysis of Financial Statements

*201 – 304 Columbia Street*
*New Westminster, BC, Canada  V3L 1A6*
*Tel. +1 604 696 6101*
*info@pebcreek.com*
*Web site www.pebcreek.com*
*TSX-V Symbol: PEB*

# *Pebble Creek Mining Ltd.*

(An Exploration Stage Company)

Consolidated Financial Statements
Years Ended March 31, 2011 and 2010

HAY & WATSON | Chartered Accountants
1822 West 2nd Avenue, Vancouver, BC, Canada V6J 1H9
P 604 732 1466 F 604 732 3133 E info@hay-watson.bc.ca

# INDEPENDENT AUDITOR'S REPORT

**To the Shareholders of Pebble Creek Mining Ltd.**

We have audited the consolidated financial statements of Pebble Creek Mining Ltd., which comprise the consolidated balance sheets as at March 31, 2011 and 2010 and the consolidated statements of loss and deficit, shareholders' equity, cash flows, and mineral property expenditures for the years then ended, and a summary of significant accounting policies and other explanatory information.

***Management's Responsibility for the Financial Statements***
Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***
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 comply with ethical requirements, and plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Opinion***
In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2011 and 2010, and its financial performance 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 29, 2011

***Pebble Creek Mining Ltd.***

Consolidated Balance Sheets
March 31, 2011 and 2010
(expressed in Canadian Dollars)

| | | **2011** | | 2010 |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **Current** | | | | |
| Cash | **$** | **133,779** | $ | 327,319 |
| Accounts receivable | | **20,898** | | 3,845 |
| Inventory | | **956** | | 971 |
| Prepaid expenses and deposits | | **21,952** | | 10,543 |
| | | **177,585** | | 342,678 |
| **Lease Deposits** | | **21,985** | | 50,912 |
| **Mineral Property Interests (Note 3 and Statement)** | | **7,008,162** | | 5,857,659 |
| **Other Capital Assets (Note 6)** | | **117,618** | | 140,573 |
| | **$** | **7,325,350** | $ | 6,391,822 |
| **LIABILITIES** | | | | |
| **Current** | | | | |
| Accounts payable and accrued liabilities | **$** | **436,017** | $ | 278,120 |
| Payable to officers (Note 11) | | **652,099** | | 442,162 |
| Loans payable to related parties (Note 11) | | **56,805** | | - |
| | | **1,144,921** | | 720,282 |
| **SHAREHOLDERS' EQUITY** | | | | |
| **Share Capital** | | | | |
| Issued and fully paid (Note 7) | | **8,874,634** | | 8,172,100 |
| **Contributed Surplus** | | **4,194,516** | | 3,497,110 |
| **Deficit** | | **(6,888,721)** | | (5,997,670) |
| | | **6,180,429** | | 5,671,540 |
| | **$** | **7,325,350** | $ | 6,391,822 |

Continuing Operations (Note 1)
Contingency (Note 14)

*The accompanying notes are an integral part of these consolidated financial statements*

**APPROVED BY THE BOARD**

"Andrew E. Nevin" Director

"Gyan C. Singhai" Director

**Pebble Creek Mining Ltd.**

Consolidated Statements of Loss and Deficit
Years Ended March 31, 2011 and 2010
(expressed in Canadian Dollars)

| | | 2011 | | 2010 |
|---|---|---|---|---|
| **EXPENSES** | | | | |
| Amortization | $ | 6,570 | $ | 8,313 |
| Bank charges and interest | | 4,685 | | 5,283 |
| Corporate development | | 68,068 | | 78,905 |
| Foreign exchange | | 9,762 | | 6,750 |
| Insurance | | 16,838 | | 17,652 |
| Legal and audit | | 94,470 | | 128,055 |
| Management fees | | 225,425 | | 242,417 |
| Office | | 19,197 | | 14,655 |
| Rent | | 15,982 | | 28,150 |
| Share-based compensation | | 311,383 | | 161,501 |
| Shareholder costs | | 34,384 | | 47,947 |
| Travel | | 35,408 | | 51,026 |
| Telephone | | 10,389 | | 8,583 |
| | | 852,561 | | 799,237 |
| Interest income | | (222) | | (86) |
| Loss on sale of other capital assets | | 2,056 | | - |
| Write-down of mineral property interests | | 36,656 | | - |
| **NET LOSS AND COMPREHENSIVE LOSS** | | 891,051 | | 799,151 |
| **DEFICIT, Beginning of Year** | | 5,997,670 | | 4,596,110 |
| **Modification of Warrant Terms (Note 8)** | | - | | 602,409 |
| **DEFICIT, End of Year** | $ | 6,888,721 | $ | 5,997,670 |
| Loss Per Share – Basic and Fully Diluted | $ | (0.02) | $ | (0.02) |
| **Weighted Average Number Of Shares Outstanding** | | 53,203,575 | | 41,449,080 |

*The accompanying notes are an integral part of these consolidated financial statements*

**_Pebble Creek Mining Ltd._**

Consolidated Statements of Shareholders' Equity
Years Ended March 31, 2011 and 2010
(expressed in Canadian Dollars)

| | Number of Shares | Share Capital | Contributed Surplus | Accumulated Deficit | Total |
|---|---|---|---|---|---|
| **Balance, March 31, 2009** | 33,242,376 | $ 7,291,357 | $ 2,345,440 | $ (4,596,110) | $ 5,040,687 |
| Common shares and warrants issued for cash on private placement | 269,862 | 15,398 | 453 | - | 15,851 |
| Common shares and warrants issued for cash on private placement | 15,000,000 | 631,230 | 418,770 | - | 1,050,000 |
| Share issue costs | - | (124,864) | - | - | (124,864) |
| Common shares issued for cash on exercise of warrants | 2,000,000 | 358,979 | (58,979) | - | 300,000 |
| Modification of warrant terms | - | - | 602,409 | (602,409) | - |
| Share-based compensation | - | - | 189,017 | - | 189,017 |
| Net loss | - | - | - | (799,151) | (799,151) |
| **Balance, March 31, 2010** | 50,512,238 | 8,172,100 | 3,497,110 | (5,997,670) | 5,671,540 |
| Common shares and warrants issued for cash on private placement | **10,000,000** | **724,669** | **375,331** | **-** | **1,100,000** |
| Share issue costs and finders fees | **92,909** | **(89,769)** | **-** | **-** | **(89,769)** |
| Common shares issued for cash on exercise of warrants | **325,000** | **50,272** | **(1,522)** | **-** | **48,750** |
| Common shares issued for cash on exercise of options | **100,000** | **17,362** | **(5,362)** | **-** | **12,000** |
| Share-based compensation | **-** | **-** | **328,959** | **-** | **328,959** |
| Net loss | **-** | **-** | **-** | **(891,051)** | **(891,051)** |
| **Balance, March 31, 2011** | **61,030,147** | **$ 8,874,634** | **$ 4,194,516** | **$ (6,888,721)** | **$ 6,180,429** |

*The accompanying notes are an integral part of these consolidated financial statements*

***Pebble Creek Mining Ltd.***

Consolidated Statements of Cash Flows
Years Ended March 31, 2011 and 2010
(expressed in Canadian Dollars)

| | **2011** | 2010 |
|---|---|---|
| **Cash Flows From (Used In) Operating Activities** | | |
| Interest income | **$ 222** | $ 86 |
| Cash paid for supplies and services | **(271,209)** | (388,993) |
| | **(270,987)** | (388,907) |
| **Cash Flows From (Used In) Financing Activities** | | |
| Loans from related parties | **75,000** | - |
| Loans repaid to related parties | **(20,000)** | - |
| Shares issued, net of issue costs | **1,070,982** | 1,240,988 |
| | **1,125,982** | 1,235,988 |
| **Cash Flows From (Used In) Investing Activities** | | |
| Deposits and advances | **28,927** | 48,828 |
| Mineral property interests | | |
| Acquisiton costs | **(112,734)** | (55,737) |
| Exploration costs | **(949,774)** | (575,131) |
| (Purchase) disposal of other capital assets | **(3,036)** | 1,473 |
| | **(1,036,617)** | (580,567) |
| **(DECREASE) INCREASE IN CASH** | **(181,622)** | 271,514 |
| **CASH, Beginning of Year** | **327,319** | 61,827 |
| **Effect of foreign exchange rate changes on cash** | **(11,918)** | (6,022) |
| **CASH, End of Year** | **$ 133,779** | $ 327,319 |
| **Supplemental disclosure of non-cash transactions** | | |
| Share-based compensation (Note 8) | **$ 328,959** | $ 189,017 |
| Modification of warrant terms (Note 8) | **-** | 602,409 |
| Shares issued as finders fees | **6,733** | - |

*The accompanying notes are an integral part of these consolidated financial statements*

***Pebble Creek Mining Ltd.***

Consolidated Statement of Mineral Property Expenditures
Years Ended March 31, 2011 and 2010

| | Askot | Other | Total |
|---|---|---|---|
| Balance, March 31, 2009 | $ 5,073,321 | $ 36,038 | $ 5,109,359 |
| 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 |
| Drilling | 48,215 | - | 48,215 |
| Engineering equipment and supplies | 715 | - | 715 |
| Office and depreciation | 191,130 | - | 191,130 |
| Premises leases | 107,422 | | 107,422 |
| Professional fees | 3,456 | - | 3,456 |
| Salaries | 149,792 | - | 149,792 |
| Telephone | 6,777 | - | 6,777 |
| Travel and promotion | 18,827 | - | 18,827 |
| Vehicle running and maintenance | 16,478 | - | 16,478 |
| Underground rehabilitation and exploration | 61,712 | - | 61,712 |
| Balance, March 31, 2010 | 5,821,235 | 36,424 | 5,857,659 |
| **Acquisition costs** | | | |
| **Geological fees and travel expenses** | **112,071** | **232** | **112,303** |
| **Compliance costs** | **431** | **-** | **431** |
| **Exploration expenditures** | | | |
| **Geological fees and travel expenses** | **125,414** | **-** | **125,414** |
| **Drilling** | **456,577** | **-** | **456,577** |
| **Engineering equipment and supplies** | **13,436** | **-** | **13,436** |
| **Office and depreciation** | **143,764** | **-** | **143,764** |
| **Premises leases** | **78,090** | **-** | **78,090** |
| **Professional fees** | **3,805** | **-** | **3,805** |
| **Salaries and benefits** | **156,496** | **-** | **156,496** |
| **Telephone** | **5,632** | **-** | **5,632** |
| **Travel and promotion** | **28,153** | **-** | **28,153** |
| **Vehicle running and maintenance** | **17,386** | **-** | **17,386** |
| **Underground rehabilitation and exploration** | **45,673** | **-** | **45,673** |
| **Property write down** | **-** | **(36,656)** | **(36,656)** |
| **Balance, March 31, 2011** | **$ 7,008,162** | **$ -** | **$ 7,008,162** |

## 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, 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". 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 property interests 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 had a net loss of $891,051 for the year ended March 31, 2011 (2010 – $799,151) and a working capital deficiency of $967,336 at March 31, 2011. The ability of the Company to continue as a going concern is currently not assured and is dependent upon the continued support from its directors and officers and its ability to continue to raise adequate additional financing. There is a risk that additional financing will not be available on a timely basis or on terms acceptable to the Company. 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 operations.

## 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

**Convergence with International Financial Reporting Standards**

On February 13, 2008, the Canadian Accounting Standards Board of the Canadian Institute of Chartered Accountants (the "CICA") confirmed the mandatory changeover date of January 1, 2011 to International Financial Reporting Standards ("IFRS") for Canadian profit-oriented publicly accountable entities.

The Company's management has assessed the impact of the adoption of IFRS and has completed its transition and training activities. The Company will adopt IFRS and will commence reporting under these standards for the period beginning April 1, 2011, with an April 1, 2010, date of transition. Comparative amounts for fiscal 2011 will also be restated under IFRS. The Company's first financial statements prepared under IFRS will be for the three months ended June 30, 2011.

**Section 1582 Business Combinations, Section 1601 Consolidated Financial Statements and Section 1602 Non-controlling Interests**

These sections replace the CICA Handbook Section 1581, Business Combinations and Section 1600, Consolidated Financial Statements, and establish a new section for accounting for a non-controlling interest in a subsidiary. Section 1582 is effective for business combinations for which the acquisition date is on or after January 1, 2011. Section 1601 and Section 1602 apply to interim and annual consolidated financial statements relating to years beginning on or after January 1, 2011. The adoption of these standards is not expected to have a material impact on the Company's results of operations or its financial position.

**Section 1625 Comprehensive Revaluation of Assets and Liabilities**

In August 2009, the CICA amended Section 1625, Comprehensive revaluation of assets and liabilities which apply prospectively to comprehensive revaluations of assets and liabilities occurring in fiscal years beginning on or after January 1, 2011. The adoption of this standard is not expected to have a material impact on the Company's results of operations or its financial position.

### 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 readily converted to cash on demand.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Mineral Property Interests

The Company's mineral property interests are comprised of rights to explore, 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 property interests 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.

### 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.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Asset Retirement Obligations

The Company recognizes liabilities for statutory, contractual or legal obligations associated with the reclamation of mineral properties and other capital assets 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 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. The Company does not have any asset retirement obligations as at March 31, 2011 and 2010.

### Financial Assets and Financial Liabilities

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

- Accounts receivable are classified as "loans and receivables". They are measured at amortized cost and at March 31, 2011 and 2010 the recorded amounts approximate fair value.
- Accounts payable, accounts payable to officers and loans payable to related parties are classified as "other financial liabilities". They are measured at amortized cost and at March 31, 2011 and 2010 the recorded amounts approximate fair value.

The Company, where applicable, 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.

### 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.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Income Taxes

The Company uses 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, and to losses and 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 its realization is more likely than not.

### Comprehensive Income (Loss)

Comprehensive income (loss) is composed of the Company's net income or loss and other comprehensive income or loss. Other comprehensive income or loss 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 or loss and the 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.

### 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 and other capital assets.

## 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. A 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 other government entity. In the event a land owner is unreasonably intransigent, the government is empowered to act on behalf of the mineral tenure holder.

This year, after seven years of study and revisions, the Indian Ministry of Mines 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, 2011". 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. These Acts (which have not been finalized) also propose several other revisions, which are 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.

## 3. MINERAL PROPERTY INTERESTS (continued)

### Askot Property

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

The PL 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 PL holder files a Mining Lease application before 90 days prior to the expiry of the PL, the PL 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 the one noted below. 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. During the year ended March 31, 2011 the Company completed an additional drilling program and announced an updated NI 43-101 compliant Inferred mineral resource estimate on February 14, 2011.

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.

Acquisition and exploration expenditures in the year ended March 31, 2011 on this property amounted to $1,186,927 (2010 - $747,913).

## 3. MINERAL PROPERTY INTERESTS (continued)

### Gadarwara Property

The Company suspended its activities on this property indefinitely when the RP expired on December 24, 2007 and wrote off all accumulated expenditures. 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. An RP for 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 states that encourage foreign investment and the Company expects to acquire them in due course.

The cumulative acquisition and exploration expenditures of $36,656 on these prospects to March 31, 2011 were written off at the end of the year.

## 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 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 shares or debt, 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 which are convertible to cash on demand. 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 of 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 is 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 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 minimizes the risk of fluctuation in the market prices of its investments by only investing in highly liquid securities with short term maturities. The Company is not currently exposed to market risk.

## 6. OTHER CAPITAL ASSETS

**March 31, 2011**

| | Cost | Accumulated Amortization | Net Book Value |
|---|---|---|---|
| Furniture | $ 75,202 | $ 34,433 | $ 40,769 |
| Computers | 92,360 | 77,289 | 15,071 |
| Website | 10,800 | 4,276 | 6,524 |
| Vehicles | 71,164 | 54,416 | 16,748 |
| Equipment | 76,563 | 38,057 | 38,506 |
| | $ 326,089 | $ 208,471 | $ 117,618 |

## 6. OTHER CAPITAL ASSETS (continued)

**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 |

## 7. SHARE CAPITAL

**Authorized:** Unlimited number of preferred shares without par value
Unlimited number of common shares without par value

**Issued and Outstanding:** 61,030,147 common shares

Of the issued and outstanding shares of the Company, 1,600,660 were held in escrow at March 31, 2011. to be released upon the approval of regulatory authorities in stages to be completed by December 28, 2012.

## 8. SHARE OPTIONS AND WARRANTS

### Share Option Plan

The Company terminated the previous share 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.

### Black-Scholes Option Pricing Model

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 as inputs:

| | **2011** | **2010** |
|---|---|---|
| Risk-free interest rate | **1.88%** | 1.42% |
| Expected share price volatility | **152%** | 101% |
| Expected average period until exercise | **1.76 years** | 2.4 years |
| Expected dividend yield | **$nil** | $nil |

## 8. SHARE OPTIONS AND WARRANTS (continued)

### Share Purchase Options

| | March 31, 2011 | | | March 31, 2010 | | |
|---|---|---|---|---|---|---|
| | **Number of Shares** | | **Weighted Average Exercise Price** | Number of Shares | | Weighted Average Exercise Price |
| Balance, beginning of year | **4,850,000** | **$** | **0.12** | 3,010,000 | $ | 0.12 |
| Granted | **1,650,000** | | **0.18** | 2,355,000 | | 0.12 |
| Exercised | **(100,000)** | | **(0.12)** | - | | - |
| Expired | **(1,185,000)** | | **(0.12)** | (515,000) | | (0.14) |
| Balance, end of year | **5,215,000** | **$** | **0.12** | 4,850,000 | $ | 0.12 |
| Options exercisable, end of year | **5,215,000** | **$** | **0.14** | 4,370,000 | $ | 0.12 |

The weighted average grant-date fair value of share purchase options granted during the year was $0.19 (2010 - $0.06). The total share-based compensation expense charged against operations for the year ended March 31, 2011 was $328,959 (2010 - $189,017) of which $17,576 (2010 - $27,516) has been allocated to corporate development for investor relations consulting services contracted during the year.

The contractual weighted average remaining life of the outstanding options at March 31, 2011 was 3.26 years (2010 – 3.77 years).

The following share purchase options are outstanding at March 31, 2011:

| Number of Shares | Price Per Share | Expiry Date | Date Granted or Issued |
|---|---|---|---|
| 735,000 | $0.12 | August 10, 2012 | August 10, 2007 |
| 25,000 | $0.12 | January 18, 2013 | January 18, 2008 |
| 1,625,000 | $0.12 | August 25, 2013 | August 25, 2008 |
| 1,180,000 | $0.12 | September 29, 2014 | September 29, 2009 |
| 200,000 | $0.12 | April 8, 2015 | April 8, 2010 |
| 1,450,000 | $0.185 | February 28, 2016 | February 28, 2011 |
| 5,215,000 | | | |

### Share Purchase Warrants

| | March 31, 2011 | | | March 31, 2010 | | |
|---|---|---|---|---|---|---|
| | **Number of Shares** | | **Weighted Average Exercise Price** | Number of Shares | | Weighted Average Exercise Price |
| Balance, beginning of year | **21,979,931** | **$** | **0.48** | 9,001,600 | $ | 0.97 |
| Granted | **5,000,000** | | **0.20** | 15,134,931 | | 0.15 |
| Exercised | **(325,000)** | | **(0.15)** | (2,000,000) | | (0.15) |
| Expired | **(100,000)** | | **(0.15)** | (156,600) | | (0.83) |
| Balance, end of year | **26,554,931** | **$** | **0.43** | 21,979,931 | $ | 0.48 |

The weighted average grant-date fair value of share purchase warrants granted during the year was $0.08 (2010 - $0.03) The contractual weighted average remaining life of the outstanding warrants at March 31, 2011 was 0.54 years (2010 – 1.48 years).

## 8. SHARE OPTIONS AND WARRANTS (continued)

The following warrants, which entitle the holder to purchase common shares of the Company, were outstanding at March 31, 2011:

| Number of Shares | Price Per Share | Expiry Date | Date Granted |
|---|---|---|---|
| 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] | December 14, 2007 |
| 2,635,000 | $1.50 | December 14, 2011[1] | December 14, 2007 |
| 3,567,272 | $0.20 | December 23, 2011 | December 23, 2010 |
| 1,432,728 | $0.20 | December 31, 2011 | December 31, 2010 |
| 26,554,931 | | | |

[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 extended their expiry dates by two years. All remaining terms and conditions of the warrants remain unchanged. The Company had 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 had been recorded as a charge to deficit and a corresponding increase to contributed surplus in the year ended March 31, 2010.

Subsequent to the end of the year, 3,284,931 warrants with a weighted average exercise price of $0.80 expired unexercised.

## 9. INCOME TAXES

The Company's net future income tax assets are:

| | **2011** | 2010 |
|---|---|---|
| Other capital assets | **$ 9,025** | $ 7,621 |
| Share issue costs | **46,194** | 48,925 |
| Tax loss carry forwards | **1,057,550** | 914,359 |
| Total future income tax assets | **1,112,769** | 970,905 |
| Valuation allowance | **(1,112,769)** | (970,905) |
| Net future income tax assets | **$ -** | $ - |

The reconciliation of the provision for income taxes is:

| | **2011** | 2010 |
|---|---|---|
| Loss before income taxes | **$ 891,051** | $ 799,151 |
| Statutory income tax rates | **26.5%** | 28.5% |
| Recovery of income taxes based on statutory income tax rates | **236,129** | 227,758 |
| Effect of higher effective tax rate in foreign jurisdictions | **1,188** | 308 |
| Changes in future statutory income tax rates | **(12,857)** | (27,252) |
| Net effect of non-deductible items | **(64,994)** | (26,521) |
| Tax effect of current period losses not recognized | **(159,466)** | (174,292) |
| Provision for income taxes | **$ -** | $ - |

## 9. INCOME TAXES (continued)

As at March 31, 2011, the Company had losses available for deduction against future years' taxable incomes amounting to approximately $4,320,000. 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 | | 725,000 |
| 2031 | | 631,000 |

## 10. 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.

## 11. RELATED PARTY TRANSACTIONS

The Company incurred fees of $60,738 for the year ended March 31, 2011 (2010 - $79,478) for legal expenses and share issue costs to a legal firm in which one of the officers of the Company is a partner. As at March 31, 2011 accounts payable included $37,612 payable to this legal firm (2010 - $18,406).

The Company also incurred management, accounting and consulting fees of $225,425, included in general and administrative expenses, and geological and engineering fees of $219,880, included in mineral property acquisition and exploration costs, to officers during the year ended March 31, 2011 (2010 - $242,417 and $93,583 respectively). At March 31, 2011 $652,099 is accrued and included in the year-end balance payable to officers (2010 - $442,162).

During the year ended March 31, 2011, an officer of the company and a member of his immediate family loaned the Company $40,000 and $35,000 respectively, of which $20,000 was repaid during the year and $55,000 plus accrued interest of $1,805 is outstanding as at March 31, 2011. The loans accrue interest at 5% per annum, are unsecured and do not have specified terms of repayment.

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

## 12. 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, 2011** | | March 31, 2010 | |
|---|---|---|---|---|
| | **Canada** | **India** | Canada | India |
| Cash | **$ 41,270** | **$ 92,509** | $ 254,618 | $ 72,701 |
| Mineral property interests | **-** | **7,008,162** | - | 5,857,659 |
| Other capital assets | **21,349** | **96,269** | 25,316 | 115,257 |
| Accounts receivable, inventory, prepaid expenses, and lease deposits | **29,766** | **36,025** | 7,208 | 59,063 |
| | **$ 92,385** | **$ 7,232,965** | $ 287,142 | $ 6,104,680 |

## 13. PREMISES LEASES

The Company relocated to a new office in New Westminster, BC, Canada during the year ended March 31, 2011 and entered into a lease agreement expiring April 30, 2011 with an estimated minimum annual rental payment of $14,700.

The Company has also entered into leases in New Delhi, India, for office premises and staff accommodation expiring May 31, 2013, which require estimated minimum annual rental payments of:

| | | |
|---|---|---|
| FY 2012 | $ | 154,224 |
| FY 2013 | | 155,509 |
| FY 2014 | | 25,918 |

## 14. CONTINGENCY

The Company had previously reported that the Government of Uttaranchal (now Uttarakhand) 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 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 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 demanding that the Company follow up the MOU with an agreement granting UPSMDC an 11% carried interest in the Askot project.

## 14. CONTINGENCY (continued)

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. However, after several exchanges with the parties, the Company has offered UPSMDC to gift it 11% of the Company's shares subject to the condition that if a higher authority such as a court or the Government of India orders the transfer of some or all of the gifted shares to Uttarakhand that UPSMDC will willingly comply. The Company is awaiting UPSMDC's response. At this time the outcome of this request and offer is not determinable and no amount has been accrued in the financial statements.

## 15. 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, 2011

*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, 2011, with comparisons for the year ended March 31, 2010.* ***The following information should be read in conjunction with the audited consolidated financial statements and related notes for the fiscal year ended March 31, 2011.*** *The consolidated financial statements and related notes have been prepared in Canadian dollars in accordance with Canadian generally accepted accounting principles ("GAAP") and are filed with various Canadian regulatory authorities. The date of this MD&A is July 29, 2011.*

## FORWARD LOOKING STATEMENTS

This MD&A contains forward-looking statements about the Company's future prospects, and the Company provides no assurance that actual results will meet management's expectations. All statements in this MD&A, other than statements of historical fact, that address exploration drilling, exploitation activities and events or developments that the Company expects to occur in the future, are forward looking statements. Forward looking statements are not guarantees of future performance and actual results may differ materially. Forward-looking statements included or incorporated by reference in this document include, without limitation, statements with respect to:

- The Company's assumptions and estimates used in its drill results, as well as the potential resource estimates and interpretations from those results;
- The progress, potential and uncertainties of the Company's drill programs;
- Expectations regarding the ability to raise capital and to continue its exploration and development plans on its properties; and
- The Company's future adoption of IFRS.

Forward-looking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable by the Company, are inherently subject to significant business, economic and competitive uncertainties and contingencies. Known and unknown factors could cause actual results to differ materially from those projected in the forward-looking statements. Such factors include, but are not limited to:

- fluctuations in the currency markets such as the Canadian dollar and the Indian Rupee
- fluctuations in the prices of minerals and other commodities;
- changes in government legislation, taxation, controls, regulations and political or economic developments in Canada, India or other countries in which the Company carries or may carry on business in the future;
- risks associated with mining activities;
- the speculative nature of exploration, including the risk of obtaining necessary licenses and permits, and quantities or grades of reserves;
- the nature of mineral exploration and mining and the uncertain commercial viability of certain mineral deposits;
- the Company's lack of operating revenues; and
- the Company's ability to obtain necessary financing to fund the development of its mineral properties or the completion of further exploration programs.

This is not an exhaustive list of the factors that may affect the Company's forward-looking statements. Many of these uncertainties and contingencies can affect the Company's actual results and could cause actual results to differ materially from those expressed or implied in any forward-looking statements made by, or on behalf of, the Company. Readers are cautioned that forward-looking statements are not guarantees of future performance.

## 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 lately making it easier to assemble capital to continue.

Pebble Creek raised $1,160,750 during the year ended March 31, 2011 (March 31, 2010 - $1,360,000). Additional step-out drilling of the Company's Askot project started in June, 2010 and continued for four months leading to an increase in the inferred mineral resource of 1.2 million tonnes of lower grade material.

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; 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.

## BACKGROUND

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, 2011 | Dec 31, 2010 | Sept 30, 2010 | June 30, 2010 | March 31, 2010 | Dec 31, 2009 | Sept 30, 2009 | June 30, 2009 |
|---|---|---|---|---|---|---|---|---|
| Interest Income | $ 213 | $ - | $ 9 | $ - | $ 86 | $ - | $ - | $ 5 |
| Net Loss | $ (520,863) | $ (104,672) | $ (136,008) | $ (129,508) | $ (231,050) | $ (167,777) | $ (305,335) | $ (94,989) |
| Basic & Diluted (Loss) Per Share | $ (0.01) | $ (0.01) | $ (0.01) | $ (0.01) | $ (0.02) | $ (0.01) | $ (0.01) | $ (0.01) |
| Basic & Diluted Weighted Average Shares | 60,792,925 | 51,132,633 | 50,512,238 | 50,512,238 | 50,512,238 | 48,512,238 | 36,382,409 | 33,485,548 |

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 second and third quarters of calendar 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.

Losses for the second, third, and fourth quarters of calendar 2010 are representative of ongoing operating costs. Losses in the March 31, 2011 quarter included share-based compensation of $328,959 and professional fees of $50,152 related to legal, audit and accounting costs which contributed to the increased losses in that 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, 2011 | March 31, 2010 | March 31, 2009 |
|---|---|---|---|
| Total Revenue – Interest Income | $ 222 | $ 86 | $ 9,116 |
| Net Loss | $ (891,051) | $ (799,151) | $ ( 1,217,110) |
| Net Loss per Share | $ (0.02) | $ (0.02) | $ (0.04) |
| Total Assets | $ 7,325,350 | $ 6,391,822 | $ 5,486,863 |
| Shares Outstanding | 61,030,147 | 50,512,238 | 33,242,376 |

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, 2011 and 2010**

The Company incurred general and administrative expenses of $891,051 during the year ended March 31, 2011 (2010 - $799,151). The increase in expenses is primarily due share-based compensation expenses as other expenses have generally decreased due to cost cutting measures. General and administrative expenses at variance during the year ended March 31, 2011, compared to the year ended March 31, 2010, were:

- legal and audit of $94,470 (2010 - $128,055) – decrease due to less use of audit and accounting services in 2011
- management fees of $225,425 (2010 - $242,417) – no change in total management fees but the portion of management time spent on operating activities decreased (greater portion capitalized to mineral property costs).
- rent of $15,982 (2010 - $28,150) – cost cutting
- share compensation costs of $311,383 (2010 - $161,501) – increase due to increase in the grant date fair values of the options in 2011
- shareholder costs of $34,384 (2010 - $47,947) – cost cutting
- travel of $35,408 (2010 - $51,026) – cost cutting

During the year ended March 31, 2011, acquisition and compliance, exploration, drilling and underground development costs at Askot were $1,186,927 (2010 - $747,913).

Total assets increased by $933,528 during the year ended March 31, 2011 (2010 – increase of $904,959) due to increased fundraising and mineral property exploration activity. Of the total assets, $177,585 is represented by current assets, $7,008,162 is invested in the Company's mineral properties, $117,618 is capital equipment, and $21,985 is a long-term security deposit.

**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) – decrease due to decrease in the grant date fair values of the options in 2010
- 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) due to increased fundraising and mineral property exploration activity. 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.

## 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, 2011 the company raised gross proceeds of $1,160,750 from private placements of shares and the exercise of warrants (March 31, 2010 - $1,360,000). 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.

As at March 31, 2011 and July 29, 2011 the Company had 61,030,147 issued and outstanding common shares.

### Options and Warrants

As at March 31, 2011, the Company had 5,215,000 share purchase options outstanding with a weighted average exercise price of $0.14 and a weighted average life of 3.26 years. 100,000 options were exercised and 705,000 expired on resignations or contract terminations prior to the end of the year and 25,000 expired on the resignation of an employee after the end of the year.

As at March 31, 2011, the Company had 26,554,931 share purchase warrants outstanding with a weighted average exercise price of $0.43 and a weighted average life of 0.54 years. Subsequent to year end, 3,284,931 warrants expired unexercised. As at July 29, 2011 the Company had 23,270,000 share purchase warrants outstanding.

### Other Relevant Share Transactions

Shares Held in Escrow. On March 31, 2010 the balance in escrow was 2,400,989. During the year ended March 31, 2011 an additional 800,329 shares were released from escrow leaving a balance of 1,600,660. Subsequent to year end, on June 29, 2010, 400,165 shares were released leaving a balance of 1,200,495 in escrow at July 29, 2011.

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 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.

The share purchase options to directors, officers and employees, exercisable for a period of five years under this plan, that were in effect at March 31, 2011 were 5,215,000; subsequent to the year end 25,000 options expired when an employee resigned, leaving 5,190,000 outstanding.

## CONTRACTUAL OBLIGATIONS

On April 15, 2010 the Company relocated to a new office in New Westminster, British Columbia, which has a month to month 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 which require estimated minimum annual rental payments of $155,000. 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 officer was also granted 200,000 share purchase options expiring April 8, 2015 and exercisable at $0.12 per common share. The agreement can be terminated without cause by either party with one month notice. As of October 2010 this officer was paid a retainer fee of 1,000 Euros per month and as of March 2011 is on indefinite leave.

## 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.

The Company incurred fees of $60,738 for the year ended March 31, 2011 (2010 - $79,478) for legal expenses and share issue costs to a legal firm in which one of the officers of the Company is a partner. As at March 31, 2011 accounts payable included $37,612 payable to this legal firm (2010 - $18,406).

The Company also incurred management, accounting and consulting fees of $225,425, included in general and administrative expenses, and geological and engineering fees of $219,880, included in mineral property acquisition and exploration costs, to officers during the year ended March 31, 2011 (2010 - $242,417 and $93,583 respectively). At March 31, 2011 $652,099 is accrued and included in the year-end balance payable to officers (2010 - $442,162).

During the year ended March 31, 2011, an officer of the company and a member of his immediate family loaned the Company $40,000 and $35,000 respectively, of which $20,000 was repaid to the officer during the year and $55,000 is outstanding as at March 31, 2011 (2010 - $Nil). The loans accrue interest at 5% per annum, are unsecured, and do not have specified terms of repayment.

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. Six holes were drilled and added 1.2 million tonnes to the inferred mineral resource.

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 Polymetalic 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$0.90 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%, 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.

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, 2011, a total of $1,186,927 (March 31, 2010 - $747,913) was spent on the Askot project, to bring the total to date to $7,008,162. The costs were related to underground development, drilling, 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.

Planned Work The Company plans no work on either area until the PL is granted and executed.

Expenditures on Gadarwara. The Company wrote off $546,454, being the net costs incurred on both Gadarwara Prospect and Gadarwara Extension through March 2008.

During the year ended the Company paid fees to the government and travel expenses for executing the RP in Bhopal of approximately $5,000 which has been included in operating expenses.

**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 during the year ended March 31, 2011 was $232 (March 31, 2010 - $386). As at March 31, 2011, cumulative capitalized expenditures on other applications and mineral concessions of $36,656 were written down to $Nil.

**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:

- The Canadian High Commission in India is petitioning the Indian government to reduce import tariffs and other taxes on Canadian drilling, mining and mine safety equipment, consumable supplies and services.
- In 2011 the Indian Ministry of Mines again revised its draft "Mines & Minerals (Development & Regulation) Act. As it has many times previously, 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.
- 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. 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 have been.
- 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:

| | **2011** | **2010** |
|---|---|---|
| Average risk-free interest rate | 1.88% | 1.42% |
| Expected share price volatility | 152% | 101% |
| Expected average period until exercise | 1.76 years | 2.4 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.

## ADOPTION OF INTERNATION FINANCIAL REPORTING STANDARDS

In February 2008, the Canadian Accounting Standards Board confirmed that Canadian publicly accountable enterprises will be required to adopt International Financial Reporting Standards (“IFRS”) for financial periods beginning on and after January 1, 2011 replacing Canadian generally accepted accounting principles (“GAAP“). The Company will adopt IFRS and will commence reporting under these standards for the period beginning April 1, 2011, with an April 1, 2010, date of transition. For comparative purposes, the Company will restate amounts reported for the periods comprising the year ended March 31, 2011.

The key elements, timing and status of the Company’s changeover plan are outlined below:

- The Company has developed internal knowledge to manage the changeover, design systems and produce IFRS reports.
- The Company has reviewed IFRS accounting policies, standard changes, and GAAP differences required or optional upon conversion, such as IFRS1, and made choices where necessary. See below for further discussion.
- The Company has reviewed its internal and disclosure control processes and concluded no significant ongoing modifications are needed as a result of the conversion to IFRS. However, the Company will implement additional controls to review changes to the Company’s financial statements resulting from the conversion. These controls include an enhanced review by the Company’s executive, Audit Committee and outside advisors.

- The Company has assessed the impact on IT and data systems and has concluded there will be no significant changes required due to conversion to IFRS.

**Financial Statement Impact on Transition to IFRS**

IFRS employs a conceptual framework that is similar to Canadian GAAP; however significant differences exist in certain matters of recognition, measurement and disclosure. While the adoption of IFRS will not change the cash flows of the Company, the adoption will result in changes to the reported financial position and results of operations of the Company. A summary of the significant accounting policy changes on transition to IFRS and the impact of those changes on the Company's financial statements are provided below.

**IFRS 1 First-Time Adoption of International Financial Reporting Standards**

Under IFRS 1, "First-time Adoption of International Financial Reporting Standards", IFRS is applied retrospectively at the transition date except for the application of certain exemptions either required by IFRS 1 or elected by the Company under IFRS 1. Set forth below are the IFRS 1 elected and mandatory exemptions that will be applied by the Company on conversion.

Share-based payments

IFRS 1 permits the application of IFRS 2 *Share Based Payments* only to equity instruments that had not vested by the date of transition to IFRS. The Company will apply this exemption and will only apply IFRS 2 for equity instruments that had not vested by January 1, 2010.

Business Combinations

IFRS 1 permits the Company's to keep the existing GAAP accounting treatment for business combinations that occurred prior to the date of transition to IFRS. The Company will apply this exemption and will not restate business combinations that occurred before January 1, 2010.

**Other IFRS Differences**

Significant IFRS differences and policy choices applied by the Company are as follows:

Exploration and Evaluation Assets

IFRS 6 *Exploration and Evaluation of Mineral Resources* allows the Company the option to retain its Canadian GAAP policy of capitalizing exploration and evaluation expenses after the Company has obtained the legal rights to explore. The Company has concluded that it is appropriate to continue with this policy and is currently determining whether any amounts currently capitalized to mineral property costs would need to be expensed under IFRS.

Share-Based Payments

IFRS 2 *Share-based payments* requires that share-based payments to employees with different vesting periods be treated as separate awards for the purpose of determining their fair value and vesting schedule.

In addition, IFRS requires that the number of anticipated forfeitures be estimated at the grant date and incorporated into the calculation of share-based compensation expense. Under GAAP, share-based payments with different vesting periods can be treated as a single award and forfeitures recorded as they occur.

The Company expects that these requirements will result in an accelerated recognition of share-based compensation on a prospective basis.

Disclosure and Financial Statement Presentation

In addition to the above noted GAAP differences, there will be additional disclosures and changes in financial statement presentation and format. For example, additional disclosure will be included in future statements for related party transaction, executive compensation and property plant and equipment. Procedures have been implemented to ensure compliant disclosure.

The information provided here on expected GAAP differences, and their estimated impacts are only management's estimates and actual impacts and elections may differ once IFRS compliant financial statements are finalized. The Company expects to be IFRS compliant within the required timelines.

## 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.

## 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.