

## **ASIAN MINERAL RESOURCES LIMITED**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS (Cdn. dollars, in accordance with Canadian GAAP)**

#### **QUARTER ENDED SEPTEMBER 30, 2009**

The following discussion of the operating results and financial position of Asian Mineral Resources Limited should be read in conjunction with the Company's unaudited consolidated financial statements and related notes for the quarter ended September 30, 2009. Amounts are in Canadian dollars unless otherwise stated. References to "the Company", "we", "our" and "us" means Asian Mineral Resources Ltd., its predecessors and consolidated subsidiaries, or any one or more of them, as the context requires.

This section contains forward-looking statements that involve risks and uncertainties. The Company's actual results may differ materially from those discussed in forward-looking statements as a result of various factors, including those described under "Forward-Looking Information" and "Risk Factors."

#### **Forward-Looking Information**

This management discussion and analysis ("**MD&A**") contains certain forward-looking statements and information relating to the Company that are based on the beliefs of its management as well as assumptions made by, and information currently available to, the Company. When used in this document, the words "anticipate", "believe", "estimate", "expect" and similar expressions, as they relate to the Company or its management, are intended to identify forward-looking statements. Such forward-looking statements relate to, among other things, regulatory compliance, the sufficiency of current working capital, the estimated cost and availability of funding for the continued exploration of the Company's exploration property. Such statements reflect the current views of the Company with respect to future events and are subject to certain risks, uncertainties and assumptions. Many factors could cause the actual results, performance or achievement of the Company to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements.

This MD&A has been prepared as of 26, 2009 with reference to National Instrument 51-102 "Continuous Disclosure Obligations" of the Canadian Securities Administrators.

#### **BUSINESS**

The Company was originally incorporated pursuant to the New Zealand Companies Act 1993. Effective December 31, 2004, it was continued as a British Columbia corporation under the British Columbia Business Corporations Act. The Company owns 100% of AMR Nickel Limited ("**AMRN**") and 100% of Asian Nickel Exploration Limited, both of which are incorporated pursuant to the laws of the Cook Islands. Through AMRN, the Company owns 90% of Ban Phuc Nickel Mines LLC ("**BPNM**"), a limited liability company established in 1993 under the laws of the Socialist Republic of Vietnam, pursuant to a Foreign Investment License ("**FIL**") and a related Joint Venture Agreement and Charter whereby AMRN and Mineral Development Company ("**Mideco**"), an agency of the Ministry of Heavy Industry of Vietnam, formed BPNM to jointly explore and develop the 600 km<sup>2</sup> area designated in the FIL in Son La Province in north-west Vietnam. Ownership of BPNM was originally held by AMRN as to 70% and by Mideco as to 30%. Mideco subsequently assigned a 10% interest in BPNM to Son La Mechanical Engineering Company ("**Coxama**"), a company owned by the People's Committee of the Province of Son

La, which was privatized and renamed Son La Mechanical Engineering Joint Stock Company. In mid-2006, AMRN acquired Mideco's 20% interest so as to increase its interest to 90%.

The FIL was replaced in 2006 by an investment certificate issued under a new Law on Enterprises which provides for the establishment, management, organization and operation of various types of business enterprise carrying on business in all economic sectors in Vietnam and an Investment Law which replaced the legislation under which the FIL was granted. Concurrently, the Joint Venture Agreement and Charter were amended to conform with the new legislation and the revised ownership of BPNM.

We have focussed our efforts and resources on the development of the Ban Phuc nickel-copper resource located on a portion of what is now designated in the investment certificate as a 150 km<sup>2</sup> project area. The Ban Phuc resource includes a high grade massive sulphide deposit and a large lower grade disseminated sulphide deposit. Based on a November 2005 study, a decision was made to develop the massive sulphide deposit as a project involving underground mining and processing of 200,000 tonnes per annum of massive sulphide ore to produce an estimated 20,000 tons of nickel over a five-year life of mine. In December 2007, BPNM was granted an 11-year mining license for the Project following which project development activities commenced with the objective of achieving start-up by mid-2009. By September 2008 substantial progress had been made as described in our 2009 AIF and in the MD&A dated April 30, 2009 which are available on SEDAR at [www.sedar.com](http://www.sedar.com).

Total expenditures to achieve this level of project completion were US\$40.2 million. In late September, 2008 the Ban Phuc area received heavy rains associated with typhoon "Hagupit" causing significant mud slides which blocked access to parts of the site and damage to equipment. Subsequently, site access was restored and facilities and equipment were placed in a safe condition.

Effective October 1, 2008, project development activities were suspended. In our press release dated September 26, 2008 announcing the suspension, we stated that we had been unable, as a result of a combination of factors, including current market conditions and uncertainties regarding Vietnamese government policies on nickel concentrate exports, export tariffs, royalties and taxes to obtain commitments to provide the financing required for Project completion so as to permit work to continue as scheduled. We went on to say that the suspension would be implemented in a manner designed to maximize the value of expenditures to date, maximize cash conservation, minimize the costs of Project completion on a delayed basis and provide the Company with a sufficient opportunity to resolve the various Vietnamese issues and to continue discussions and negotiations with potential providers of the required finance, including major shareholders.

Following the decision to suspend development and place the Project on a care and maintenance basis, the mine portals were sealed, the other structures were put into a safe condition and arrangements were made to store the mill and equipment items at the remote locations where they remain.

The restarting of mine development and Project completion are dependent on a number of factors including long term nickel price; the availability of the required financing; the successful resolution of various Vietnamese issues and further improvements in worldwide economic and financial conditions. Because of current uncertainties it is not possible to predict when all of these factors will align themselves in a manner that will permit Project restart and completion. Under these circumstances, we have determined that our best course is to seek the additional equity funding required to maintain the existence of the Company and the care and maintenance status of the Project and to make those expenditures required to continue with those activities essential to be in a position to resume development at the appropriate time.

## THE THIRD QUARTER IN REVIEW

During the third quarter of 2009, the Company's activities were reflective of the fact that the Ban Phuc Project had been placed on a care and maintenance basis and the need to conserve financial resources. Efforts continued on making progress in resolving the various Vietnamese issues referred to above. On September 11, we issued 835,636 common shares at \$0.11 a share to settle \$91,920 of unpaid directors fees accrued at June 30, 2009 after receiving TSX-V approval to do so. During the period discussions continued with shareholders and other potential providers of finance for working capital and project restart purposes.

## SUBSEQUENT EVENTS

Subsequent to September 30, 2009:

- On October 16, we issued a press release regarding the results of a geological mapping and sampling program covering the massive sulphide exposure in the underground access development excavated during 2008 in which we disclosed that channel sampling of the ore-body on the 270m RL level has identified a zone within the massive sulphide mineralisation which exhibited consistent platinum enrichment on both the east (3.62g/t) and west (4.82g/t) walls of the cross cut and that zone also carried elevated nickel and copper values. Complete results are disclosed and are summarized in the press release
- on November 16, 2009 Mr. William Howell became a director of the Company. Mr. Howell is a geologist whose business career includes 14 years with BHP Billiton; three years of exploring and managing gold projects in Vietnam; eight years with Normandy Mining Group based in South East Asia. He is a founding director of Triple Plate Junction plc., an AIM listed entity which holds Vietnamese gold exploration licences
- On November 26, the Company issued a press release indicating its intention to complete a non-brokered private placement of up to 59 million units, with each unit consisting of one common share and one whole warrant to purchase a common share at \$0.15 for 12 months from its issue date. The subscription price of \$0.10 a unit will result in gross proceeds of \$5.9 million. Full exercise of the warrants would produce an additional \$8.9 million of equity funding. Approximately 86.4% of the issue will be purchased by the Malaysia Smelting group and Asian Lion Limited. Finalization of the transaction is subject to definitive documentation, TSX Venture Exchange approval for the private placement and disinterested shareholder approval of the required waiver under the Corporation's Shareholder Rights Plan and the creation of Malaysia Smelting as a new control person for regulatory purposes. To ensure that the Corporation has sufficient working capital pending receipt of the proceeds of the Units Malaysia Smelting has agreed to make available up to \$375,000 of unsecured advances. Application will be made to TSX-V to convert any such advances to Units having an aggregate price, at \$0.10 a Unit, equal to the principal and interest under the debt facility in the event the financing is not completed.

## SELECTED QUARTERLY INFORMATION

The following table sets out selected financial information for and as of the end of the quarterly periods as shown in the table. Information for the quarter ended September 30, 2009 is derived from management-prepared unaudited financial statements of the Company.

### Summary of Quarterly Results

	Sept. 30, 2009	June 30, 2009	March 31 2009	Dec. 31, 2008	Sept 30, 2008	June 30, 2008	March 31, 2008	Dec. 31, 2007
<b>Revenues</b>	\$1,351	\$520	\$2,595	\$20,456	\$161,130	\$100,266	\$181,723	\$94,413
<b>Net Loss</b>	\$1,269,978	\$1,428,839	\$843,560	\$2,999,124	\$2,895,179	\$3,746,972	\$2,931,292	\$1,872,528
<b>Loss per share (non-diluted)</b>	\$0.01	\$0.01	\$0.01	\$0.03	\$0.03	\$0.04	\$0.03	\$0.03
<b>Loss per share (diluted)</b>	\$0.01	\$0.01	\$0.01	\$0.03	\$0.03	\$0.04	\$0.03	\$0.03
<b>Total Assets</b>	\$47,274,023	\$48,886,900	\$50,200,153	\$52,934,869	\$55,443,021	\$56,676,912	\$38,231,823	\$42,896,305

## RESULTS OF OPERATIONS

### Revenues

The Company's only source of revenue is from interest income which was \$1,351 for the period ended September 30, 2009 compared with \$161,130 for the prior period in 2008. The reduction reflects substantially lower cash balances and lower bank interest rates in the 2009 second quarter.

### Expenses

The operating expenses for the quarter ended September 30, 2009 were substantially lower than for the same period last year mainly due to the fact that, since October 2008, the Company's Ban Phuc Project has been on a care and maintenance basis and the Company has been making every effort to conserve its cash resources. Operating expenses (excluding exploration expenditure, stock option expense and depreciation) were \$658,472 for the quarter ended September 30, 2009 compared with \$3.2 million for the same 2008 quarter. Amortization and depreciation of development equipment, vehicles, office furniture and computers increased in the quarter ended September 30, 2009 to \$212,239 (2008: \$159,308), reflecting the increase in fixed assets year over year.

Movements in the US dollar relative to the Canadian dollar result in net gains or losses on translation of the financial statement of our subsidiary, BPNM, whose functional currency is US dollars, into Canadian dollars, the functional currency of the Company. The US: Canadian exchange rate moved from 1.2180 at December 31, 2008 to 1.071 at September 30, 2009. The effect of this on BPNM resulted in foreign exchange translation losses of \$239,958 in the 2009 third quarter as compared to a gain of \$807,247 in the similar 2008 quarter.

### Cash Flows

Cash used in operating activities decreased to \$1.3 million in the quarter ended September 30, 2009 compared with \$10.5 million in the third quarter of 2008, representing rationalization of expenditures due to the reduced activity at Ban Phuc and a reduction in working capital. In particular, during the 2008 quarter \$7 million realted to funds held in trust on the exercise of

warrants, reduced non-cash operating working capital. Cash used in the purchase of property, plant and equipment reduced from \$14.1 million in the quarter ended September 30, 2008 to \$79,980 in the same 2009 quarter, also reflecting the care and maintenance status of the Ban Phuc project during 2009 and the development activities occurring in Vietnam during 2008. Financing activities resulted in the issue of 835,636 shares of the Company in payment of \$91,980 debt to the directors for accrued and unpaid director fees during the third quarter of 2009. The similar 2008 quarter saw cash inflows of \$6.7 million on the private placement of 4,000,000 units comprising common shares and warrants.

**Additional Disclosure for Venture Issuers Without Significant Revenue (all figures relate to the Ban Phuc Property)**

	<b>September 30, 2009</b>	<b>September 30, 2008</b>	<b>December 31, 2008</b>
<b>Expensed exploration and development costs</b>	\$-	\$247,122	\$1,795,107
<b>Expensed research and development costs (net of depreciation)</b>	nil	nil	nil
<b>Building, plant, machinery, motor vehicles (net of depreciation)</b>	\$2,178,146	\$1,891,227	\$2,865,141
<b>Furniture and office equipment, licenses and franchises</b>	\$229,040	\$345,605	\$326,040
<b>Construction in progress</b>	\$38,533,464	\$33,596,543	\$38,058,623
<b>Expensed research and development costs</b>	nil	nil	nil

**LIQUIDITY AND CAPITAL RESOURCES**

At September 30, 2009, the Company had cash and cash equivalents of \$1.2 million (September 30, 2008 - \$5.1 million).

The Company's principal objectives for the remainder of 2009 are:

- to preserve the care and maintenance status of the Ban Phuc Project until such time as a decision can be made to restart it
  - to continue discussions with the Vietnamese government authorities regarding the policy issues critical to successful Project funding and completion
  - to conduct limited exploration activities to the extent there are available funds for this purpose
- to obtain additional equity funding to enable the Company to achieve these objectives

On November 26 the Company announced that it intended to complete a non-brokered private placement of up to 59 million units, with each unit consisting of one common share and one whole warrant to purchase a common share at \$0.15 for 12 months from its issue date. The subscription price of \$0.10 a unit will result in gross proceeds of \$5.9 million. Full exercise of the warrants would produce an additional \$8.9 million of equity funding. Approximately 86.4% of the issue will be purchased by the Malaysia Smelting group and Asian Lion Limited. Finalization of the transaction is subject to definitive documentation, TSX Venture Exchange

approval for the private placement and disinterested shareholder approval of the required waiver under the Corporation's Shareholder Rights Plan and the creation of Malaysia Smelting as a new control person for regulatory purposes. To ensure that the Corporation has sufficient working capital pending receipt of the proceeds of the Units Malaysia Smelting has agreed to make available up to \$375,000 of unsecured advances. Application will be made to TSX-V to convert any such advances to Units having an aggregate price, at \$0.10 a Unit, equal to the principal and interest under the debt facility in the event the financing is not completed.

Additional financing will be required to complete the Ban Phuc Project once a decision is made to restart it. The amount, nature and timing of such financing will depend on a number of variables and there can be no assurance of its availability.

## **SIGNIFICANT ACCOUNTING POLICIES**

### **Basis of presentation**

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("**Canadian GAAP**"). The consolidated financial statements include the accounts of the Company, and its wholly owned subsidiaries, AMR Nickel and Asian Nickel Exploration Limited and its 90% owned BPNM joint venture which is fully consolidated by virtue of its status as a Variable Interest Entity in accordance with Canadian Institute of Chartered Accountants ("**CICA**") Accounting Guideline 15 ("**ACG 15**"), which was adopted effective January 1, 2005.

### **Stock-based compensation**

The Company grants stock options in accordance with TSX-V policies, as described in note 5(d) to the financial statements. Effective January 1, 2004, the Company adopted the fair value method of accounting for all stock-based transactions as required under the recommendations of CICA with respect to stock-based compensation. The Company adopted the fair value method to ensure that, as a TSX-V listed company and Canadian incorporated reporting issuer, it was conforming with Canadian reporting requirements.

Under the fair value method, stock-based payments are measured at the fair value of the consideration received or the fair value of the equity instruments issued, whichever is more reliably measurable and are amortized over the vesting period. The offset to the recorded cost is to contributed surplus. Consideration received on the exercise of stock options is recorded as share capital and the contributed surplus related to the measurement date fair value of options exercised is transferred to share capital. During the third quarter of 2009 the Company issued 1,450,000 options and 1,110,000 options exercisable at \$0.11 and expiring July 1, 2014 and July 30, 2014 respectively. The Company cancelled 500,000 options expiring May 15, 2012 exercisable at \$2.05 per share and 450,000 options expiring November 26, 2012 and exercisable at \$2.00 per share. Stock option expense of \$126,426 (2008: \$206,107) resulting from the vesting of these new and previously issued stock options. No options were exercised in the third quarter of 2008 or 2009.

### **Asset retirement obligations**

The Company recognizes statutory, contractual or other legal obligations related to the retirement of tangible long-lived assets when such obligations are incurred, if a reasonable estimate of fair value can be made. These obligations are measured initially at fair value and the resulting costs are capitalized to the carrying value of the related asset. In subsequent periods, the liability is adjusted for any changes in the

amount or timing and for the discounting of the underlying future cash flows. The capitalized asset retirement cost is amortized to operations over the life of the asset. At September 30, 2009, there is no asset retirement obligation.

### **Exploration costs**

Exploration expenses incurred prior to determination of the feasibility of mining operations and issuance of a mining license are expensed as incurred. Mineral property acquisition costs and exploration and development expenditures incurred subsequent to the determination of the feasibility of mining operations and issuance of a mining license are deferred until the property to which they relate is placed into production, sold, allowed to lapse or abandoned. Mineral property acquisition costs include the cash consideration and the fair market value of common shares, based on the trading price of the shares, issued for mineral property interests, pursuant to the terms of the agreement. These costs will be amortized over the estimated life of the property following commencement of commercial production, or written off if the property is sold, allowed to lapse or abandoned or when an impairment of value has occurred. During the third quarter of 2009 there was \$34,234 exploration expenditure (2008: \$247,122). The reduction in the year or year level represents the decreased activities at the Ban Phuc development project.

### **Off-Balance Sheet Arrangements**

The Company does not have any off-balance sheet arrangements.

### **Changes in accounting policies**

Effective January 1, 2009, the company adopted the following new accounting standard issued by the Canadian Institute of chartered accountants (CICA):

- Goodwill and intangible assets:

CICA Handbook Section 3064, *Goodwill and Intangible Assets* (Section 3064) replaces CICA Handbook Section 3062, *Goodwill and Intangible Assets* and establishes standards for the recognition, measurement and disclosure of goodwill and intangible assets. CICA Handbook Section 1000, *Financial Statement Concepts* is amended to clarify criteria for recognition of an asset. CICA Handbook Section 3450, *Research and Development Costs*, is replaced by guidance in Section 3064. EIC 27 *Revenues and Expenditures During the Pre-Operating Period*, is no longer applicable for entities that have adopted section 3064. A number of other EIC abstracts have consequential amendments. CICA Accounting Guideline 11 *Enterprises in the Development Stage* is also amended to delete references to deferred costs and provide guidance on development costs as intangible assets under CICA 3064. These changes are effective for the company commencing January 1, 2009. The Company is currently assessing the financial reporting impact of these standards.

Future accounting policies:

- Business combinations:

The CICA issued three new accounting standards in January 2009: Section 1582, Business Combinations, Section 1601, Consolidated Financial Statements and Section 1602, Non-Controlling Interests. These new standards will be effective for fiscal years beginning on or after

January 1, 2011. The Company is in the process of evaluating the requirements of the new standards.

Section 1582 replaces Section 1581 and establishes standards for the accounting for a business combination. It provides the Canadian equivalent to International Financial Reporting Standards (“IFRS”) 3 – Business Combinations. This section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. Sections 1601, establishes standards for the preparation of consolidated financial statements. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. It is equivalent to the corresponding provisions of IFRS IAS 27 – Consolidated and Separate Financial Statements and applies to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011.

- **International Financial Reporting Standards (IFRS):**

In 2006, the Canadian Accounting Standards Board (AcSB) published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five-year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly accountable companies to use IFRS, replacing Canadian GAAP. This date is for its interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended December 31, 2010. The Company is currently assessing the financial reporting impact of the transition to IFRS and the changeover date.

## **TRANSACTIONS WITH RELATED PARTIES**

During the quarter ended September 30, 2009 the Company accrued \$29,629 in directors’ fees (2008 - \$58,847) and \$29,100 in consulting fees (2008 - \$40,100). As at September 30, 2009 accrued and unpaid directors compensation totalled \$74,006 (2008 - \$138,433).

## **RISK FACTORS**

Because of the nature of its business, the operations of the Company are subject to a number of risks, including the following, any one or all of which could have a material adverse effect on the Company and its business.

### **Nature of mineral exploration and mining**

At the present time the Company does not hold any interest in a mining property in production. The Company’s viability and potential success lie in its ability to develop, exploit and generate revenue from mineral deposits. The exploration and development of mineral deposits involve significant financial risk over a significant period of time, which even a combination of careful evaluation, experience and knowledge may not eliminate. While discovery of a mine may result in substantial rewards, few properties which are explored are ultimately developed into producing mines. Major expenses may be required to establish reserves by drilling and to construct mining and processing facilities at a site. It is impossible to ensure that the current or proposed exploration programs on exploration properties in which the Company has an interest will result in a profitable commercial mining operation.

The operations of the Company are subject to all of the hazards and risks normally incident to exploration and development of mineral properties, any of which could result in damage to life and property, environmental damage and possible legal liability for any and all damage. The activities of the Company may be subject to prolonged disruptions due to weather conditions depending on the location of the operations in which the Company has interests. Hazards, such as unusual or unexpected formation, rock bursts, pressure, cave-ins, flooding or other conditions may be encountered in the drilling and removal of material. While the Company may obtain insurance against certain risks in such amounts as it considers adequate, the nature of these risks are such that liabilities could exceed policy limits or could be excluded from coverage. There are also risks against which the Company cannot insure or against which it may elect not to insure. The potential costs which could be associated with any liabilities not covered by insurance or in excess of insurance coverage or associated with compliance with applicable laws and regulations may cause substantial delays and require significant capital outlays, adversely affecting the future earnings and competitive position of the Company and, potentially, its financial position.

Whether a mineral deposit will be commercially viable depends on a number of factors, including the particular attributes of the deposit, such as size and grade, proximity to infrastructure, financing costs and governmental regulations, including regulations relating to prices, taxes, royalties, infrastructure, land use, importing and exporting and environmental protection. The effect of these factors cannot be accurately predicted, but in combination they may result in the Company not receiving an adequate return on invested capital.

### **Fluctuating Prices**

Factors beyond the control of the Company may affect the marketability of nickel, copper, cobalt, gold or any other minerals discovered. Commodity prices fluctuate widely and are affected by numerous factors beyond the Company's control whose effect cannot accurately be predicted.

### **Permits and Licenses**

The operations of the Company will require licenses and permits from various governmental authorities, which have been applied for and/or will be applied for at the proper time. There can, however, be no assurance that the Company will be able to obtain all necessary licenses and permits required to carry out exploration, development and mining operations at its projects.

### **Competition**

The mineral exploration and mining business is competitive in all its phases. The Company competes with numerous other companies and individuals, including competitors with greater financial, technical and other resources than the Company, in the search for and acquisition of attractive mineral properties. The ability of the Company to acquire properties in the future will depend not only on its ability to develop its present properties, but also on its ability to select and acquire suitable properties or prospects for mineral exploration. There can be no assurance that the Company will continue to be able to compete successfully with its competitors in acquiring such properties or prospects.

### **Environmental Regulation**

The operations of the Company are subject to environmental regulations promulgated by government agencies from time to time. Environmental legislation provides for restrictions and prohibitions on spills, releases or emissions or various substances produced in association with certain mining industry operations, such as seepage from tailings disposal areas, which would result in environmental pollution. A

breach of such legislation may result in the imposition of fines and penalties. In addition, certain types of operations require the submission and approval of environmental impact assessments. Environmental legislation is evolving in a manner which means stricter standards, and enforcement, fines and penalties for non-compliance are more stringent. Environmental assessments of proposed projects carry a heightened degree of responsibility for companies and their directors, officers and employees. The cost of compliance with changes in governmental regulations has the potential to reduce the profitability of future operations.

### **Estimates of mineral resources may not be realized**

The mineral resource estimates published from time to time by the Company with respect to its properties are estimates only and no assurance can be given that any particular level of recovery of minerals will in fact be realized or that an identified resource will ever qualify as a commercially mineable (or viable) deposit which can be legally and economically exploited. In addition, the grade of mineralization ultimately mined may differ from that indicated by drilling results and such differences could be material. Production can be affected by such factors as permitting regulations and requirements, weather, environmental factors, unforeseen technical difficulties, unusual or unexpected geological formations, inaccurate or incorrect geologic, metallurgical or engineering work, and work interruptions, among other things. Short-term factors, such as the need for orderly development of deposits or the processing of new or different grades, may have an adverse effect on mining operations or the results of operations. There can be no assurance that minerals recovered in small-scale laboratory tests will be duplicated in large-scale tests under on-site conditions or in production scale operations. Material changes in resources, grades, stripping ratios or recovery rates may affect the economic viability of projects. The estimated resources described herein should not be interpreted as assurances of mine life or of the profitability of future operations. The Company has engaged expert independent technical consultants to advise it with respect to mineral resources and project engineering, among other things. The Company believes that those experts are competent and that they have earned out their work in accordance with all internationally recognized industry standards. However, if the work conducted by those experts is ultimately found to be incorrect or inadequate in any material respect, the Company may experience delays and increased costs in developing its properties.

### **Dependence on key personnel**

The Company is dependent on the services of its senior management, including Robert Guest, its President and Chief Executive Officer, who is also General Manager of BPNM, and a small number of other skilled and experienced employees and consultants. The loss of any such individuals could have a material adverse effect on the Company's operations.

### **Limited financial resources**

The existing financial resources of the Company are not sufficient to bring any of its properties into commercial production. In particular, the Company will need to obtain additional financing from external sources in order to fund the completion of the Ban Phuc Nickel Project. There is no assurance that the Company will be able to obtain such financing on favourable terms, or at all. Failure to obtain financing could result in delay or indefinite postponement of further exploration and development of the Company's properties.

### **Health and safety matters**

The Company's development and exploration projects are affected by various laws and regulations, including those which cover health and safety matters. Existing legislation and regulations are subject to change, the impacts of which are difficult to measure. It is the policy of the Company to maintain safe working conditions at all its work sites, comply with health and safety legislation, maintain equipment and premises in safe condition and ensure that all employees are trained and comply with safety procedures.

### **Currency risk**

The Company's revenues are expected to be earned solely in US dollars while a substantial portion of its costs will be incurred in other currencies including Vietnamese dong. Future currency fluctuations may adversely affect the Company's financial position and operating results. The Company currently does not undertake hedging activities.

### **FINANCIAL INSTRUMENTS**

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, and accounts payable and accrued liabilities. The fair values of these financial instruments are not materially different from their carrying values.

It is management's opinion that the Company is not exposed to significant interest or credit risks arising from these financial instruments. The Company mitigates its risk by holding its short-term investments with large financial institutions.

The Company is exposed to the financial risk related to the fluctuation of foreign exchange rates. The Company has offices in Canada and Vietnam and hold cash in Canadian, United States and Vietnamese currencies in line with forecasted expenditures. A significant change in the currency exchange rates between the Canadian dollar relative to the US dollar and Vietnamese dong could have an effect on the Company's results of operations, financial position or cash flows.

With regard to liquidity risk, the Company has in place a planning and budgeting process to aid them in determining the funds required to support normal operating requirement on an ongoing basis, including its capital development and exploration expenditures. This process resulted in the decision in November 2008 to place the Ban Phuc development projects on a care and maintenance basis, until there is improvement realized in market conditions and the Vietnamese government imposes. Discussions about going concern are included in Note 1, Nature of operations and going concern, in the annual financial statements.

### **DISCLOSURE CONTROLS**

In connection with Exemption Orders issued in November 2007 and revised in December 2008 by each of the securities commissions across Canada, the Chief Executive Officer and Chief Financial Officer of the Company will file a Venture Issuer Basic Certificate with respect to the financial information contained in the unaudited interim financial statements and the audited annual financial statements and respective accompanying Management's Discussion and Analysis.

In contrast to the certificates under National Instrument ('NI') 52-109 (Certification of disclosure in an Issuer's Annual and Interim Filings), the Venture Issuer Basic Certification does not include

representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting as defined in NI 52-109.

### **ADDITIONAL INFORMATION**

Additional information relating to the Company is available on SEDAR at [www.sedar.com](http://www.sedar.com).

### **SHARE DATA**

As at November 26, 2009, the Company has 112,734,435 common shares outstanding, as well as options to purchase an aggregate of 4,710,000 common shares expiring at various dates between September 7, 2011 and July 1, 2014 exercisable at prices between \$0.11 and \$2.05 per share. On a fully diluted basis, therefore, the Company has 117,444,435 common shares outstanding.