REMSTAR RESOURCES LTD.

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the six months ended January 31, 2011 and 2010

The Management Discussion and Analysis ("MD&A") of Remstar Resources Ltd. (the "Company" or "Remstar") for the six months ended January 31, 2011 and 2010 has been prepared by management in accordance with the requirements of National Instrument 51-102 as of March 22, 2011 and should be read in conjunction with the interim consolidated financial statements and related notes thereto of the Company as at and for the three and six months ended January 31, 2011 and 2010 and the audited consolidated financial statements and related notes thereto of the Company as at and for the years ended July 31, 2010 and 2009, which were prepared in accordance with Canadian generally accepted accounting principles. The Company is presently a "Venture Issuer", as defined in NI 51-102.

This MD&A may contain "forward-looking statements" which reflect the Company's current expectations regarding the future results of operations, performance and achievements of the Issuer, including potential business or mineral property acquisitions and negotiation and closing of future financings. The Issuer has tried, wherever possible, to identify these forward-looking statements by, among other things, using words such as "anticipate," "believe," "estimate," "expect" and similar expressions. The statements reflect the current beliefs of the management of the Company, and are based on currently available information. Accordingly, these statements are subject to known and unknown risks, uncertainties and other factors, which could cause the actual results, performance, or achievements of the Issuer to differ materially from those expressed in, or implied by, these statements.

The Company undertakes no obligation to publicly update or review the forward-looking statements whether as a result of new information, future events or otherwise, other than as required by applicable law.

Historical results of operations and trends that may be inferred from the following discussions and analysis may not necessarily indicate future results from operations.

Description of Business

The Company is a junior resource exploration company with a focus on the acquisition, exploration and development of precious metals and energy based resource properties.

The Company entered into an option agreement with Zimtu Capital Corp. and 877384 Alberta Ltd. dated November 19, 2010 to acquire a 60% interest in the Snip and Seebach 02-03 properties located in the Carbo area of northeastern British Columbia. Under the terms of the agreement, the Company may earn a 60% interest in the properties by making cash payments of $350,000 and incurring $5,000,000 in exploration expenditures over a period of four years. The vendors will retain a 2% Net Smelter Royalty ("NSR") on the properties and shall be operators until the Company has earned its 60% interest.

The properties are located within the immediate vicinity of Spectrum Mining Corporation's Wicheeda Rare Earth Element ("REE") discovery as well as the Carbo Project which is currently being drilled by Canadian International Minerals Inc. (TSX-V: CIN) and Commerce Resources Corp. (TSX-V: CCE).

The Snip Property is located approximately 8 kilometers northwest of, and along trend from the Wicheeda discovery and was staked to cover a distinct, oval, approximately 1 to 2 kilometer diameter, airborne magnetic low. The known REE occurrences in the Carbo area, such as the Wicheeda discovery, are related to regional magnetic highs and lows. The magnetic feature is flanked by two areas of above background magnetics, indicating a complex magnetic environment, similar to that observed at Wicheeda.

The Seebach 02-03 Property is located approximately 9 kilometers south to southwest of Wicheeda, and covers a distinct, circular, aeromagnetic high.

A map showing the location of the claims as well as the Wicheeda and Carbo Properties has been uploaded to the Company's website at: www.remstarresources.com

According to Graf et al. (2009) the Wicheeda discovery is comprised of several intrusive carbonatite bodies which form a northwest to southeast trend about 2 km wide by 15 km long. The Wicheeda "Main Zone" is coincident with an area of anomalous soil geochemistry of more than 400 ppm cerium, measuring about 500 by 1,000 m. The north side of the "Main Zone" is coincident with a magnetic geophysical anomaly measuring approximately 500 by 1,000 m. During 2008 and 2009, the "Main Zone" was drill tested with 15 drill holes at three sites. Highlights included:

2008-02: 3.55% REE across 48.64 m
2009-02: 2.2% REE across 144 m
2009-07: 2.92% REE across 72 m.

The Snip Property encompasses four claims totalling 1,835 hectares and the Seebach 02-03 Property consists of two claims covering approximately 790 hectares. The claims are located 80 kilometers northeast of Prince George, B.C. via Hwy #97, then east along the all weather Chuchinka Forest Service Road. The Snip and Seebach 02-03 Projects were acquired by the vendors in 2009 before there was significant staking in the area and before the announcement of the Wicheeda discovery.

Darren L. Smith, M.Sc., P.Geol., a qualified person as defined by National Instrument 43-101, supervised the preparation of the technical information contained herein.

The proposed acquisition is subject to the approval of the TSX Venture Exchange.

Asset-Backed Commercial Paper ("ABCP")

During the period ended January 31, 2011, the Company disposed of its ABCP holdings with a par value of approximately $2.4 million for proceeds of $1.46 million.

Please see a full discussion of the Company's ABCP investments under "*Liquidity and Capital Resources*" below.

Risk Factors

The Company is in the business of acquiring, exploring and, if warranted, developing and exploiting natural resource properties. Due to the nature of the Company's business and the present stage of exploration of its mineral properties (which are primarily early stage exploration properties with no known resources or reserves that have not been explored by modern methods), the following risk factors, among others, will apply:

Mining Industry is Intensely Competitive: The Company's business of the acquisition, exploration and development of mineral properties is intensely competitive. The Company may be at a competitive disadvantage in acquiring additional mining properties because it must compete with other individuals and companies, many of which have greater financial resources, operational experience and technical capabilities than the Company. Increased competition could adversely affect the Company's ability to attract necessary capital funding or acquire suitable producing properties or prospects for mineral exploration in the future.

Resource Exploration and Development is Generally a Speculative Business: Resource exploration and development is a speculative business and involves a high degree of risk, including, among other things, unprofitable efforts resulting not only from the failure to discover mineral deposits but from finding mineral deposits which, though present, are insufficient in size to return a profit from production. The marketability of natural resources that may be acquired or discovered by the Company will be affected by numerous factors beyond the control of the Company. These factors include market fluctuations, the proximity and capacity of natural resource markets, government regulations, including regulations relating to prices, taxes, royalties, land use, importing and exporting of minerals and environmental protection. The exact effect of these factors cannot be accurately predicted, but the combination of these factors may result in the Company not receiving an adequate return on invested capital. The great majority of exploration projects do not result in the discovery of commercially mineable deposits of ore.

Fluctuation of Metal Prices: Even if commercial quantities of mineral deposits are discovered by the Company, there is no guarantee that a profitable market will exist for the sale of the metals produced. Factors beyond the control of the Company may affect the marketability of any substances discovered. The prices of various metals have experienced significant movement over short periods of time, and are affected by numerous factors beyond the control of the Company, including international economic and political trends, expectations of inflation, currency exchange fluctuations, interest rates and global or regional consumption patterns, speculative activities and increased production due to improved mining and production methods. The supply of and demand for metals are affected by various factors, including political events, economic conditions and production costs in major producing regions. There can be no assurance that the price of any mineral deposit will be such that any of its mineral properties could be mined at a profit.

Permits and Licenses: The operations of the Company will require licenses and permits from various governmental authorities. There can be no assurance that the Company will be able to obtain all necessary licenses and permits that may be required to carry out exploration, development and mining operations at its projects, on reasonable terms or at all. Delays or a failure to obtain such licenses and permits or a failure to comply with the terms of any such licenses and permits that the Company does obtain, could have a material adverse effect on the Company.

No Assurance of Profitability: The Company has no history of earnings and, due to the nature of its proposed business, there can be no assurance that the Company will ever be profitable. The Company has not paid dividends on its shares since incorporation and does not anticipate doing so in the foreseeable future. The only present source of funds available to the Company is from the sale of its common shares or, possibly, the sale or optioning of a portion of its interest in its mineral properties. Even if the results of exploration are encouraging, the Company may not have sufficient funds to conduct the further exploration that may be necessary to determine whether or not a commercially mineable deposit exists. While the Company may generate additional working capital through further equity offerings or through the sale or possible syndication of its properties, there can be no assurance that any such funds will be available on favourable terms, or at all. At present, it is impossible to determine what amounts of additional funds, if any, may be required. Failure to raise such additional capital could put the continued viability of the Company at risk.

***Consolidated financial statements have been prepared assuming the Company will continue on a going concern basis**:* Remstar's consolidated financial statements have been prepared on the basis that it will continue as a going concern. At January 31, 2011, Remstar had working capital of $459,411 as compared to working capital of $686,341 as at July 31, 2010. During the period ended January 31, 2011, the Company generated cash of $1,460,827 from the sale of its ABCP and settled loans of $999,377. As a result, management has estimated that the Company has adequate funds from existing working capital to meet its obligations during the period ending July 31, 2011. If Remstar is unable to obtain adequate additional financing, it may be required to curtail operations and exploration activities. Furthermore, failure to continue as a going concern would require that Remstar's assets and liabilities be restated on a liquidation basis which would likely differ significantly from their going concern assumption carrying values.

Uninsured or Uninsurable Risks: Exploration, development and mining operations involve various hazards, including environmental hazards, industrial accidents, metallurgical and other processing problems, unusual or unexpected rock formations, structural cave-ins or slides, flooding, fires, metal losses and periodic interruptions due to inclement or hazardous weather conditions. These risks could result in damage to or destruction of mineral properties, facilities or other property, personal injury, environmental damage, delays in operations, increased cost of operations, monetary losses and possible legal liability. The Company may not be able to obtain insurance to cover these risks at economically feasible premiums or at all. The Company may elect not to insure where premium costs are disproportionate to the Company's perception of the relevant risks. The payment of such insurance premiums and of such liabilities would reduce the funds available for exploration and production activities.

Government Regulation: Any exploration, development or mining operations carried on by the Company will be subject to government legislation, policies and controls relating to prospecting, development, production, environmental protection, mining taxes and labour standards. In addition, the profitability of any mining prospect is affected by the market for precious and/or base metals which is influenced by many factors including changing production costs, the supply and demand for metals, the rate of inflation, the inventory of metal producing corporations, the political environment and changes in international investment patterns.

Environmental Restrictions: The activities of the Company are subject to environmental regulations promulgated by government agencies in different countries from time to time. Environmental legislation generally provides for restrictions and prohibitions on spills, releases or emissions into the air, discharges into water, management of waste, management of hazardous substances, protection of natural resources, antiquities and endangered species and reclamation of lands disturbed by mining operations. 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 directors, officers and employees. The cost of compliance with changes in governmental regulations has a potential to reduce the profitability of operations.

Share Price Volatility: During the past year, worldwide securities markets, particularly those in the United States and Canada have experienced a high level of price and volume volatility, and the market price of securities of many companies, particularly those considered exploration or development stage companies, have experienced unprecedented declines in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. Most significantly, the share prices of junior natural resource companies have experienced an unprecedented decline in value and there has been a significant decline in the number of buyers willing to purchase such securities. In addition, significantly higher redemptions by holders of mutual funds has forced many of such funds (including those holding the Company's securities) to sell such securities at any price. As a consequence, despite the Company's past success in securing significant equity financing, market forces may render it difficult or impossible for the Company to secure placees to purchase new share issues at a price which will not lead to severe dilution to existing shareholders, or at all. Therefore, there can be no assurance that significant fluctuations in the trading price of the Company's common shares will not occur, or that such fluctuations will not materially adversely impact on the Company's ability to raise equity funding without significant dilution to its existing shareholders, or at all.

Financing Risks: The Company has limited financial resources, has no source of operating cash flow and has no assurance that additional funding will be available to it for further exploration and development of its projects or to fulfil its obligations under any applicable agreements. Although the Company has been successful in the past in obtaining financing through the sale of equity securities, there can be no assurance that it will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. Failure to obtain such additional financing could result in delay or indefinite postponement of further exploration and development of its projects with the possible loss of such properties.

Insufficient Financial Resources: The Company does not presently have sufficient financial resources to undertake by itself the exploration and development of all of its planned exploration and development programs. Future property acquisitions and the development of the Company's properties will therefore depend upon the Company's ability to obtain financing through the joint venturing of projects, private placement financing, public financing, short or long-term borrowings or other means. There is no assurance that the Company will be successful in obtaining the required financing. Failure to raise the required funds could result in the Company losing, or being required to dispose of, its interest in its properties. In particular, failure by the Company to raise the funding necessary to maintain in good standing its various option agreements could result in the loss of its rights to such properties.

Dilution to the Company's existing shareholders: The Company will require additional equity financing be raised in the future. The Company may issue securities on less than favourable terms to raise sufficient capital to fund its business plan. Any transaction involving the issuance of equity securities or securities convertible into common shares would result in dilution, possibly substantial, to present and prospective holders of common shares.

Dependence Upon Others and Key Personnel: The success of the Company's operations will depend upon numerous factors, many of which are beyond the Company's control, including (i) the ability to design and carry out appropriate exploration programs on its mineral properties; (ii) the ability to produce minerals from any mineral deposits that may be located; (iii) the ability to attract and retain additional key personnel in exploration, marketing, mine development and finance; and (iv) the ability and the operating resources to develop and maintain the properties held by the Company. These and other factors will require the use of outside suppliers as well as the talents and efforts of the Company and its consultants and employees. There can be no assurance of success with any or all of these factors on which the Company's operations will depend, or that the Company will be successful in finding and retaining the necessary employees, personnel and/or consultants in order to be able to successfully carry out such activities. This is especially true as the competition for qualified geological, technical and mining personnel and consultants is particularly intense in the current marketplace.

Surface Rights and Access: Although the Company acquires the rights to some or all of the minerals in the ground subject to the tenures that it acquires, or has a right to acquire, in most cases it does not thereby acquire any rights to, or ownership of, the surface to the areas covered by its mineral tenures. In such cases, applicable mining laws usually provide for rights of access to the surface for the purpose of carrying on mining activities, however, the enforcement of such rights can be costly and time consuming. In areas where there are no existing surface rights holders, this does not usually cause a problem, as there are no impediments to surface access. However, in areas where there are local populations or land owners, it is necessary, as a practical matter, to negotiate surface access. There can be no guarantee that, despite having the right at law to access the surface and carry on mining activities, the Company will be able to negotiate a satisfactory agreement with any such existing landowners/occupiers for such access, and therefore it may be unable to carry out mining activities. In addition, in circumstances where such access is denied, or no agreement can be reached, the Company may need to rely on the assistance of local officials or the courts in such jurisdictions.

Title: Although the Company has taken steps to verify the title to the mineral properties in which it has or has a right to acquire an interest in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee title (whether of the Company or of any underlying vendor(s) from whom the Company may be acquiring its interest). Title to mineral properties may be subject to unregistered prior agreements or transfers, and may also be affected by undetected defects or the rights of indigenous peoples.

Acquisition of Mineral Concessions under Agreements: The agreement pursuant to which the Company has the right to acquire a number of its properties provide that the Company must make a series of cash payments and/or share issuances over certain time periods, expend certain minimum amounts on the exploration of the properties or contribute its share of ongoing expenditures. The Company does not presently have the financial resources required to complete all expenditure obligations under its property acquisition agreement over their full term. Failure by the Company to make such payments, issue such shares or make such expenditures in a timely fashion may result in the Company losing its interest in such properties. There can be no assurance that the Company will have, or be able to obtain, the necessary financial resources to be able to maintain all of its property agreements in good standing, or to be able to comply with all of its obligations thereunder, with the result that the Company could forfeit its interest in one or more of its mineral properties.

Selected Annual Information

See annual management discussion and analysis for the year ended July 31, 2010, which is available at www.sedar.com.

Results of Operations

The following discussion of the financial condition, changes in financial condition and results of operations of the Company for the six months ended January 31, 2011 and 2010 should be read in conjunction with the interim consolidated financial statements of the Company and notes thereto as at and for the six months ended January 31, 2011 and 2010.

Three months ended January 31, 2011 compared with the three months ended January 31, 2010

During the three months ended January 31, 2011, the Company reported net loss of $150,903 compared to net loss of $168,734 during the same period in the prior fiscal year, a decrease in loss by $17,831. The decrease in loss resulted from decreases in general and administrative expenses of $5,592, stock-based compensation of $11,785, an increase in interest income of $764 offset by an increase in exchange loss of $310.

The decrease in general and administrative expenses excluding stock-based compensation of $5,592 resulted from decreases in amortization of $562, consulting fees of $596, management fees of $16,200, office, rent and administration of $3,627 and wages and benefits of $62,656 offset by increases in interest and bank charges of $192, professional fees of $2,464, regulatory, transfer agent and shareholder information of $14,749 and travel, advertising and promotion of $60,644.

Management fees decreased by $16,200 as a result of a cancellation of monthly management fees of $5,400 to a former CFO of the Company.

The decrease in wages and benefits by $62,656 resulted mainly from the Company's refund of wages expenses of $47,500 to a related company during the three months ended January 31, 2010.

Travel, advertising and promotion expense increased by $60,644 as a result of fees paid related to a distribution of investment materials and other marketing efforts carried out during the period. No such expenses were incurred during the same period in the prior fiscal year.

In the prior period, the Company refunded a related company $47,500 in wages and benefits as a result of adjustment for expense allocations. In addition, during the three months ended January 31, 2011, the Company increased its monthly charges to related companies. All these resulted in a decrease in wages and benefits by $62,656 during the current period.

During the three months ended January 31, 2011, the Company recorded stock-based compensation of $8,774 for stock options which vested during the period. . During the three months ended January 31, 2010, the Company recorded stock-based compensation of $20,559 for vested options and for stock options granted to a director of the Company to purchase 250,000 shares at $0.10 per share for a period of ten years expiring December 1, 2019.

Stock-based compensation expenses were charged against operations as follows:

	Three months ended January 31	
	2011	2010
	$	$
Consulting	-	570
Management fees	2,561	9,043
Wages	5,209	10,946
Professional fees	1,004	-
	8,774	20,559

<u>Six months ended January 31, 2011 compared with the six months ended January 31, 2010</u>

During the six months ended January 31, 2011, the Company reported net earnings of $461,131 compared to net loss of $305,250 during the same period in the prior fiscal year, a decrease in loss by $766,381. The decrease in loss was primarily attributable to a gain on sale of investments of $723,983. In addition, the decrease in loss also resulted from an increase in interest and other income of $12,611, decreases in general and administrative expenses of $22,750 and stock-based compensation of $7,945 offset by an increase in exchange loss of $908.

During the six months ended January 31, 2011, the Company sold its ABCP investments for gross proceeds of $1,460,827 and recorded a gain of $723,983 which was a recovery of the estimated fair value as at July 31, 2010. The ABCP had an original face value of $2,416,584 and the Company recorded aggregate impairments of $1,545,225 and received interests of $134,515 which were recognized as a credit to the estimated fair value of the asset.

The decrease in general and administrative expenses excluding stock-based compensation of $22,750 resulted from decreases in amortization of $1,125, consulting fees of $139, management fees of $33,784, office, rent and administration of $11,346 and wages and benefits of $67,562 offset by increases in interest and bank charges of $30, professional fees of $1,983, regulatory, transfer agent and shareholder information of $16,402 and travel, advertising and promotion of $72,791.

Management fees decreased by $33,784 as a result of a cancellation of monthly management fees of

$5,400 to a former CFO of the Company.

During the same period in the prior fiscal year, the Company refunded a related company $47,500 in wages and benefits as a result of adjustment for expense allocations. In addition, during the six months ended January 31, 2011, the Company increased its monthly charges to related companies. All these resulted in a decrease in wages and benefits by $67,562 during six months ended January 31, 2011.

Travel, advertising and promotion expense increased by $72,791 as a result of fees paid related to a distribution of investment materials and other marketing efforts carried out during the period. In addition, travel expenses were incurred related to due diligence, evaluation of potential projects and participation in mining and investment conferences. No such expenses were incurred during the same period in the prior fiscal year.

During the six months ended January 31, 2011, the Company recorded stock-based compensation of $61,396 for stock options which vested during the period and for stock options granted to directors, officers and consultants of the Company to purchase 1,115,000 shares at $0.10 per share for a period of ten years expiring October 12, 2012. During the six months ended January 31, 2010, the Company recorded stock-based compensation of $69,341 for stock options which vested during the period and for stock options granted to a director of the Company to purchase 250,000 shares at $0.10 per share for a period of ten years expiring December 1, 2019.

Stock-based compensation expenses were charged against operations as follows:

	Six months ended January 31	
	2011	2010
	$	$
Consulting	23,562	3,693
Management fees	11,297	35,845
Wages	22,107	29,803
Professional fees	4,430	-
	61,396	69,341

Summary of Quarterly Results

The following is a summary of certain consolidated financial information concerning the Company for each of the last eight reported quarters:

Quarter ended	Total Revenues ($)	Income (Loss) ($)	Income (Loss) per share ($)
January 31, 2011	Nil	(150,903)	(0.01)
October 31, 2010	Nil	612,034	0.01
July 31, 2010	Nil	(159,148)	-

April 30, 2010	Nil	(89,086)	-
January 31, 2010	Nil	(168,734)	(0.01)
October 31, 2009	Nil	(136,516)	-
July 31, 2009	Nil	(636,811)	(0.01)
April 30, 2009	Nil	(435,662)	(0.01)

The following discussion outlines the reasons for some of the variations in the quarterly numbers but, as with most junior mineral exploration companies, the results of operations (including interest income and net losses) are not the main factor in establishing the financial health of the Company. Of far greater significance is the resource property in which the Company has, or may earn an interest, its working capital and how many shares it has outstanding. The variation seen over such quarters is primarily dependent upon the success of the Company's ongoing property evaluation program and the timing and results of the Company's exploration activities on its then current property, none of which are possible to predict with any accuracy.

There are no general trends regarding the Company's quarterly results, and the Company's business of resource exploration is not seasonal, as it can work on a number of its properties on a year-round basis (funding permitting). Quarterly results can vary significantly depending on whether the Company has abandoned any properties, granted any stock options or recorded a provision for impairment on its ABCP investments and these are the factors that account for material variations in the Company's quarterly net losses, none of which are predictable. The Company has recorded a provision for impairment on its ABCP investments which had a material effect on the quarterly results for the quarters ended January 31, 2009, April 30, 2009, July 31, 2009, and January 31, 2010. However, during the quarter ended October 31, 2010, these investments were sold and the Company recorded a gain on this sale which had a material effect on the quarterly results for the period. The Company does not anticipate any other major impairments or fair value adjustments in its future quarterly results. The write-off of resource properties can have a material effect on quarterly results as and when they occur (as, for example in the quarter ended July 31, 2010). The other major factor which can cause a material variation in net loss on a quarterly basis is the grant of stock option due to the resulting stock-based compensation charges which can be significant when they arise. This can be seen in the quarters ended April 30, 2009 and January 31, 2010. General operating costs other than the specific items noted above tend to be quite similar from period to period. The variation in income is related solely to the interest earned on funds held by the Company, which is dependent upon the success of the Company in raising the required financing for its activities which will vary with overall market conditions, and is therefore difficult to predict.

Liquidity and Capital Resources

The Company reported working capital of $459,411 at January 31, 2011 compared to working capital of $686,341 at July 31, 2010, representing a decrease in working capital by $226,930.

As at January 31, 2011, the Company had cash on hand of $60,725 and short-term investments of $300,000 compared to cash on hand of $101,273 and short-term investments of $205,000 at July 31, 2010. Financing for the Company's operations was funded primarily from private placements, exercise of share purchase options, loans from related parties and short-term loans.

During the period ended January 31, 2011, the Company sold its ABCP holdings for proceeds of $1,460,827. As at October 31, 2010, the Company has no more exposure to ABCPs and all of its cash reserves are on deposit with a major Canadian chartered bank or invested in Guaranteed Investment Certificates (GICs) issued by major Canadian chartered banks.

The Company had a $1,000,000 credit line facility, of which $999,377 had been drawn as at July 31, 2010. During the period ended January 31, 2011, this credit facility was repaid in full.

Net cash on hand decreased by $40,548 from $101,273 at July 31, 2010 to $60,725 at January 31, 2011. The decrease in cash resulted from cash used for operations of $358,994, purchase of short-term investments of $95,000, resource property acquisition costs of $51,000, repayment of loans of $999,377 and a decrease in amounts due to related parties of $6,395 offset by cash generated from the disposal of ABCP of $1,448,218 and exercise of options of $22,000.

Current assets excluding cash at January 31, 2011 consisted of short-term investments in guaranteed investment certificate of $300,000, amounts receivable of $129,306 and prepaid expenses of $20,899 as compared to short-term investments in guaranteed investment certificate of $205,000, amounts receivable of $3,180 and prepaid expenses of $21,101 and an investment in ABCP of $1,448,218 at July 31, 2010.

Current liabilities as at January 31, 2011 decreased by $1,040,912 due to decreases in accounts payable of $35,140, due to related parties of $6,395 and loans payable of $999,377.

The office has an office lease agreement for approximately $6,000 per month expiring on January 31, 2015:

Contractual Obligation	Total	1-3 years	4-5 years	After 5 years
Lease commitments	$330,574	$217,961	$112,613	-

As of the date of this MD&A, financing for the Company's operations is also potentially available through the exercise of 275,000 stock options exercisable at a price of $0.10 per share which expire on August 9, 2016, 65,000 stock options exercisable at a price of $0.10 per share which expire on April 26, 2017, 370,000 stock options exercisable at a price of $0.10 per share which expire on April 17, 2018, 520,000 stock options exercisable at a price of $0.10 per share which expire on May 20, 2018, 185,000 stock options exercisable at a price of $0.10 per share which expire on June 2, 2018, 200,000 stock options exercisable at a price of $0.10 per share which expire on June 2, 2018, 75,000 stock options exercisable at a price of $0.10 per share which expire on June 12, 2018, 265,000 stock options exercisable at a price of $0.10 per share which expire on February 4, 2019, 400,000 stock options exercisable at a price of $0.10 per share which expire on February 18, 2019, 218,750 stock options exercisable at a price of $0.10 per share which expire on December 1, 2019 and 693,125 stock options exercisable at a price of $0.10 per share which expire on October 12, 2020. However, there can be no assurance that any of these outstanding convertible securities will be exercised, particularly if the trading price of the common shares on the TSX Venture Exchange does not exceed, by a material amount and for a reasonable period, the exercise price of such convertible securities at some time prior to their expiry dates.

The Company entered into an option agreement with respect to the Snip and Seebach 02-03 properties and is committed to make cash payments and incur exploration expenditures to earn a 60% interest in the properties. This transaction is subject to the approval of the TSX Venture Exchange. See "*Description of Business*".

The Company presently has sufficient funds to continue its anticipated ongoing operations for the next twelve months. However, if the transaction related to the option agreement to acquire an interest in the Snip and Seebach properties closes, the Company will be required to raise additional capital to fund the required exploration commitments in the aggregate amount of $5 million, of which, $300,000 should be incurred on or before the first anniversary of the closing of the transaction. Although the Company has previously been successful in raising the funds required for its operations, there can be no assurance that the Company will have sufficient financing to meet its future capital requirements or that additional financing will be available on terms acceptable to the Company in the future.

The Company has not had a history of operations or earnings and its overall success will be affected by its current or future business activities. The continued operations of the Company and the recoverability of expenditures incurred to earn an interest in resource properties are dependent upon the existence of economically recoverable reserves, securing and maintaining title and beneficial interest in the properties, obtaining necessary financing to explore and develop the properties, and upon future profitable production or proceeds from disposition of the resource properties. See *"Risk Factors*".

Off-Balance Sheet Arrangements

The Company does not utilize off-balance sheet arrangements.

Transactions with Related Parties

During the six months ended January 31, 2011 and 2010, the Company entered into the following transactions with related parties:

Name	Relationship	Transaction	Three months ended		Six months ended	
			January 31, 2011	January 31, 2010	January 31, 2011	January 31, 2010
			$	$	$	$
Mosam Ventures Inc.	company controlled by Marc Levy, President & CEO and a Director of the Company	Management fees	16,200	16,200	32,400	33,784
Tony M. Ricci Inc.	company controlled by Tony M. Ricci, former CFO of the Company	Management fees	Nil	16,200	Nil	32,400
Norsemont Mining	company with a former	Rent and office	Nil	22,623	Nil	56,559

Inc.	director and a former officer in common	expenses				
Max Pinsky Personal Law Corp.	company controlled by Max Pinsky, Secretary of the Company	Legal fees	3,007	Nil	4,008	Nil
Emergeo Solutions Worldwide Inc. (1)	company with a former officer and an officer in common	Recoveries for rent, wages and office expenses	6,000	12,000	12,000	26,000
Lornex Capital Corp. (1)	company with common directors and officers	Recoveries for rent, wages and office expenses	13,500	15,000	27,000	30,000
Prescient Mining Corp. (1)	company with common directors and officers	Recoveries for rent, wages and office expenses	10,800	4,500	21,600	9,000
Sparrow Ventures Corp. (1)	company with a director and an officer in common	Recoveries for rent, wages and office expenses	8,000	4,500	10,700	(28,500)
Ultra Lithium Inc. (1)	company with common directors and officers	Recoveries for wages and office expenses	12,300	15,000	25,800	30,000

(1) The Company entered into a month-to-month arrangement with these companies to rent a portion of its office space and to provide accounting, financial reporting and administrative services.

All related party transactions were recorded at their exchange amounts, which is the amount of consideration established and agreed to by the related parties.

Included in amounts receivable are expense reimbursement of $84,650 (July 31, 2010 - $nil) due from companies having directors in common. These amounts were received subsequent to January 31, 2011.

Included in accounts payable and accrued liabilities is prepaid rent of $nil (July 31, 2010 - $10,304) and rent deposits of $9,000 (July 31, 2010 - $9,000) received from companies having directors and officers in common.

Included in due to related parties were amounts owing to companies controlled by a director, a former officer and a former director of the Company and to companies having a director and a former officer in common. Amounts due to related parties are unsecured, non-interest bearing and have no specific terms of repayment.

Critical Accounting Estimates

Not applicable to Venture Issuers.

Changes in Accounting Policies including Initial Adoption

<u>Future Accounting Pronouncements</u>

Consolidations and Non-Controlling Interests

Section 1601, *Consolidated Financial Statements,* and Section 1602, *Non-Controlling Interests*, replace Section 1600, *Consolidated Financial Statements*. Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. It is equivalent to the corresponding provisions of IFRS standard, IAS 27 (Revised), *Consolidated and Separate Financial Statements*. The Sections apply to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Earlier adoption is permitted as of the beginning of a fiscal year. The Company does not expect to adopt this standard prior to August 1, 2011, at which time it expects to adopt the equivalent IFRS standard.

International Financial Reporting Standards (IFRS)

In February 2008, the Canadian Accounting Standards Board ("AcSB") confirmed that publicly accountable enterprises will be required to adopt IFRS, replacing Canadian GAAP, for fiscal years beginning on or after January 1, 2011 with early adoption permitted.

The Company will prepare its first consolidated financial statements in accordance with IFRS for the year ending July 31, 2012. In accordance with IFRS 1, First-time Adoption of International Financial Reporting Standards ("IFRS 1"), the Company will retrospectively apply IFRS, except for mandatory and elected optional exemptions from full retrospective application of IFRS as provided by IFRS 1.

Preparation of the first consolidated financial statements in accordance with IFRS will require presentation of comparative information in accordance with IFRS. Accordingly, the Company will be required to restate its balance sheet as at August 1, 2010 to comply with IFRS ("transition date").

The execution of the Company's IFRS conversion plan is underway, including the evaluation of the financial impact upon IFRS adoption, development of IFRS accounting policies, and redesign of business processes. The Company anticipates there will be changes in accounting policies and these changes may materially impact our consolidated financial statements but the impact cannot be reasonably estimated at this time. The Company does anticipate a significant increase in disclosure resulting from the adoption of IFRS and is continuing to assess the level of disclosure required. However, the Company has initially determined that its accounting and financial reporting systems will not be significantly impacted.

The Company's transition to IFRS and conversion plan consist of three phases:

1. Planning and Scoping

This phase covered project planning and identification of differences between existing Canadian GAAP and IFRS which have been completed during the first and second quarter of 2010. The areas of accounting differences that have been identified that will potentially be impacted are impairment of assets, property, plant and equipment, share-based payments and initial adoption of IFRS under the provisions of IFRS 1.

2. In-depth Analysis

This phase involves detailed evaluation of the financial impacts of various options and alternative methodologies available under IFRS, analysis of IFRS 1 optional exemptions and mandatory exceptions to the general requirement for full retrospective application upon transition to IFRS, compilation of IFRS disclosure requirements and development of required solutions to address identified issues.

3. Implementation and Review

This phase is expected to commence in the first quarter of 2011 and will include the preparation and reconciliation of opening balance sheet and collection of financial information required to complete IFRS compliant consolidated interim and annual financial statements.

First time adoption of IFRS

IFRS 1 generally requires that all IFRS standards and interpretations be accounted for on a retrospective basis. However, IFRS 1 provides for certain optional exemptions and other mandatory exceptions in specific areas of certain standards that do not require retrospective application of IFRS. The most significant IFRS optional exemptions which the Company is expected to apply are:

IFRS 2, Share-based Payments	Under IFRS 1, a first-time adopter may apply this standard retrospectively to all share-based payment transactions occurring before the transition date or not apply retrospectively to share-based payments that were granted after November 7, 2002, and that had vested before the transition date. The Company has elected to apply IFRS 2 prospectively to share-based payments granted after November 7, 2002, but not vested before the transition date.
IAS 16, Property, Plant and Equipment	The Company has decided not to use an optional IFRS 1 election to measure its property, plant and equipment at the date of transition to IFRS at its fair value and use that fair value as its deemed cost, or use a previous GAAP revaluation of property, plant and equipment as its deemed cost at the transition date. Instead, the Company will retrospectively apply recognition and measurement requirements of IAS 16, Property, Plant and Equipment. Under IAS 16, the Company made an accounting policy choice to measure its property, plant and equipment after its recognition at its cost less any accumulated depreciation and any accumulated impairment losses.
IAS 39, Financial Instruments: Recognition and Measurement	As at transition date, the Company will not make any additional optional designations of financial instruments as available for sale, or financial asset or

	financial liability at fair value through profit or loss, unless such designation has been made on initial recognition of such instruments in accordance with IAS 39.

IFRS to Canadian GAAP differences:

IAS 36, Impairment of Assets

Both Canadian GAAP and IFRS require an entity to undertake impairment testing where there is an indication of impairment. Annual impairment tests are required for goodwill and indefinite-lived intangible assets.

Canadian GAAP generally uses a two-step approach to testing a long-lived asset for impairment if an indication of impairment exists. The first step is a test for recoverability whereby the carrying value is compared to the undiscounted cash flows that the asset is expected to generate. If the undiscounted cash flows exceed the carrying amount, then no impairment charge is necessary. If the undiscounted cash flows are lower than the carrying amount of the asset, then the asset is written down to the estimated fair value, determined based on the discounted cash flows.

Under IFRS, if there is an indication of impairment the entity must compare the carrying value of the asset to the recoverable amount. Recoverable amount is defined as the higher of an asset less costs to sell and its value in use. Value in use is the present value of the future cash flows expected to be derived from an asset. An impairment loss is recognized to the extent that the carrying value exceeds the recoverable amount. Unlike Canadian GAAP, IFRS requires impairment charges to be reversed if the circumstances leading to the impairment no longer exist.

The Company preliminarily assessed the carrying value of its assets in accordance with IAS 36 and found that no impairment losses are required to be recognized as at the transition date.

IFRS 2, Share-based Payments

Canadian GAAP requires that share-based payments are measured at fair value and an expense recorded over the vesting period of the instrument. IFRS standards require each tranche in the grant to be amortized over their respective vesting period, and estimates of forfeiture rates are applied at the outset. The Company's accounting policy under IFRS is largely consistent with Canadian GAAP except for the initial inclusion of a forfeiture rate in the fair value estimation and changes to the valuation of tranches of options that vest over different periods. The Company is in the process of calculating the measurement differences for the stock options that were unvested as of transition date.

IAS 21, Foreign currency translation

Under IFRS, there are various indicators to be considered in determining the appropriate functional currency of an entity. When the indicators are mixed and the functional currency is not obvious, priority should be given to indicators that have a greater weighting, such as primary indicators including the currency that most influences sales prices, the currency of the market in which the goods are sold, and the currency that mainly influences expenses. Canadian GAAP has similar indicators as IFRS in determining functional currency. However, Canadian GAAP does not have a hierarchy of indicators under which certain indicators are given priority. The Company has determined that the functional currency under IFRS will remain the Canadian dollar.

IFRS 6, Exploration for and Evaluation of Mineral Resources

Under Canadian GAAP, costs incurred in the acquisition, exploration, evaluation and development of mineral resources are capitalized as incurred. IFRS has no explicit guidance on the treatment of these costs. IFRS allows a company to set its accounting policy to expense or capitalize the costs incurred in the acquisition, exploration, evaluation and development of mineral resources. The Company's current accounting policy is likely to be maintained through transition with no differences anticipated.

The discussion above should not be regarded as a complete list of changes that will result from the Company's transition to IFRS. In the period leading up to the changeover in 2011, the AcSB has ongoing projects and intends to issue new accounting standards during the conversion period. As a result, the final impact of IFRS on the Company's consolidated financial statements can only be measured once all the applicable IFRS accounting standards at the transition date are known. The Company will continue to review new standards, as well as the impact of the new accounting standards, between now and the transition date to ensure all relevant changes are addressed.

Fair Value of Financial Instruments

The Company's financial instruments consist of cash, short-term investments, amounts receivable, accounts payable and accrued liabilities and due to related parties.

Cash and short-term investments are designated as held-for-trading and carried at their fair values. Amounts receivable is classified as a loan and receivable and carried at its amortized cost. Accounts payable and accrued liabilities and due to related parties are classified as other financial liabilities and carried at their amortized cost.

The fair values of these financial instruments approximate their carrying values due to their short-term nature and/or the existence of market related interest rate on the instruments.

In evaluating fair value information, considerable judgment is required to interpret the market data used to develop the estimates. The use of different market assumptions and different valuation techniques may have a material effect on the estimated fair value amounts. Accordingly, the estimates of fair value presented herein may not be indicative of the amounts that could be realized in a current market exchange.

The carrying values of these financial instruments approximate their fair values due to their short-term nature and/or the existence of market related interest rate on the instruments.

The following table is a classification of fair value measurements recognized using a fair value hierarchy that reflects the significance of the inputs used in making the measurements as at January 31, 2011:

Assets	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 60,725	$ -	$ -	$ 60,725
Short-term investments	$ 300,000	$ -	$ -	$ 300,000

Financial Risk Exposure and Risk Management

The Company is exposed in varying degrees to a variety of financial instrument related to risks. The Board approves and monitors the risk management processes:

(a) 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 is subject to credit risk on the cash balances at the bank, its short-term bank guaranteed investment certificates and amounts receivable. The investments are with Schedule 1 banks or equivalent, with the majority of its cash held in Canadian based banking institutions, authorized under the Bank Act to accept deposits, which may be eligible for deposit insurance provided by the Canadian Deposit Insurance Corporation. The amounts receivable consist of goods and services tax recoverable of $6,606, accounts receivable of $121,297 and accrued interest receivable of $1,403 which are not considered past due. The risk associated with the recovery of long-term investments has been deemed to be significant and fair value adjustments related to their carrying values are discussed in note 4 of the interim consolidated financial statements.

(b) Liquidity risk

The Company's approach to managing liquidity is to ensure that it will have sufficient liquidity to settle obligations and liabilities when due. As at January 31, 2011, the Company had cash and short-term investments of $360,725 to settle accounts payable of $51,519 that are considered short term and settled within 30 days. Management believes that the Company has sufficient capital to meet its requirements for next twelve months.

(c) Market risk

(i) Interest rate risk

The Company's accounts payable and accrued liabilities are non-interest bearing. As at January 31, 2011 the Company's interest bearing assets are cash and short-term investments. The Company maintains a minimum cash balance in its chequing account and transfers funds from its investment account when the need arises. The Company's investments are placed in GICs which interest rates vary depending on the rates offered by the banks when the instruments mature and are automatically renewed. For the six months ended January 31, 2011, the Company recognized $15,556 in interest income from its interest bearing investments.

(ii) Foreign currency risk

The Company conducts part of its business in US dollars and Mexican Pesos and therefore is affected by variations in exchange rates. The Company does not have foreign currency hedges in place and does not actively manage this risk.

(iii) Price risk

The Company's financial assets and liabilities are not exposed to price risk with respect to commodity prices.

The Company has risk concentrations associated with its cash account and investments which earn interest at prevailing interest rates. Theses rates fluctuate with changes in prevailing banking interest rates.

During the period ended January 31, 2011, there were no changes to the Company's risk exposure or to the Company's policies for risk management.

Other Requirements

Changes in Internal Control over Financial Reporting:

There have been no changes in the Company's internal control over financial reporting or any other factors during the six months ended January 31, 2011, that have materially affected, or are reasonably likely to materially affect the Company's internal control over financial reporting.

Summary of Outstanding Share Data:

(1) Authorized and Issued Capital Stock

a) Authorized - Unlimited common shares without par value.

b) Issued

As at March 22, 2011, there were 39,514,999 common shares issued and outstanding.

(2) Options Outstanding

Stock options outstanding at March 22, 2011 are as follows:

Number of Outstanding	Exercise Price	Expiry Date	Number Exercisable
275,000	$0.10	August 9, 2016	275,000
65,000	$0.10	April 26, 2017	65,000
370,000	$0.10	April 17, 2018	370,000
520,000	$0.10	May 20, 2018	520,000
185,000	$0.10	June 2, 2018	185,000
200,000	$0.10	June 2, 2018	200,000
75,000	$0.10	June 12, 2018	75,000
265,000	$0.10	February 4, 2019	265,000
400,000	$0.10	February 18, 2019	400,000
250,000	$0.10	December 1, 2019	218,750
1,115,000	$0.10	October 12, 2020	693,125
3,720,000			3,266,875

Additional Sources of Information:

Additional disclosures pertaining to the Company, including its most recent management information circular, material change reports, press releases and other information are available on the SEDAR website at www.sedar.com or on the Company's website at www.almaresources.com.