

**CADMAN RESOURCES INC**

**Management's Discussion and Analysis**

**For the Three and Nine Months Ended September 30, 2011**

## **Date of Report: November 23, 2011**

The following Management discussion and analysis ("MD&A") provides analysis of Cadman Resources Inc. ("the Company")'s financial results for the period ended September 30, 2011 with comparisons to 2010. This MD&A should be read in conjunction with the audited financial statements and notes thereto for the year ended December 31, 2010. Additional information relevant to the Corporation is available for review on SEDAR at [www.sedar.com](http://www.sedar.com).

As of January 1, 2011, the Company adopted International Financial Reporting Standards ("IFRS"). The unaudited condensed interim financial statements for the 3rd quarter ended September 30, 2011 have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34") and using policies consistent with IFRS. A discussion of IFRS and its impact on the Company's financial presentation is presented in this report in the Change in Accounting Policies section.

All financial results presented in this MD&A are expressed in Canadian dollars unless otherwise indicated.

## **Forward-Looking Information**

*Certain information included in this discussion may constitute forward-looking statements.*

*Forward-looking statements generally can be identified by the use of forward-looking terminology such as "may," "will," "expect," "intend," "estimate," "anticipate," "believe," or "continue" or the negative thereof or variations thereon or similar terminology. Forward-looking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable by management are inherently subject to significant business, economic and competitive uncertainties and contingencies. There can be no assurance that such statements will prove to be accurate and actual results and future events could differ materially from those anticipated in such statements. The Company disclaims any obligation or intention to update or revise any forward-looking statement, whether as a result of new information, future events, or otherwise.*

## **DESCRIPTION OF BUSINESS**

The Company was incorporated pursuant to the Business Corporation Act (British Columbia) on November 13, 2007. The Company is a "Capital Pool Company" ("CPC"), as defined in the policies of the TSX Venture Exchange (the "Exchange" or "TSX-V"). As at September 30, 2011 the Company had no business operations and its only significant asset was cash. As a CPC the Company's principal business is the identification and evaluation of assets, properties or business with a view to acquisition or participation therein subject, in certain cases, to shareholder's approval and acceptance by Exchange. Where an acquisition or participation is warranted (the Qualifying Transaction) additional funding may be required. The ability of the Company to fund its future operations and commitments is dependent upon the ability of the Company to obtain additional financing.

On August 5, 2009, the Company terminated its option on Newport's Burnt property and entered into an arm-length's agreement to acquire to acquire an option on the Fanggelewan silver lead property in China by acquiring SamLorne Limited ("SamLorne"), a private Ontario company. SamLorne could earn 70% interest in the property by making total payments of \$1.5 million U.S. dollars by November 2010. To complete the purchase, the Company will pay SamLorne a total of \$50,000 and deliver 10 million shares, all subject to all regulatory approvals. The property is located next to Silvercorp Metals Inc's Ying Mining District in the Province of Henan, China. The agreement was amended for an extension to the payment schedule to begin in June 2010.

On August 12, 2009, the Company announced a non-brokered private placement of 4,547,000 common shares at \$0.075 per share for gross proceeds of \$341,025. On February 8, 2010, the Company amended the share price from \$0.075 per share to \$0.10 per share. On February 11, 2010, the Company issued 4,414,500 shares at a price of \$0.10 per share for gross proceeds of \$441,450. The Company paid 10% finder fees of \$44,145.

On December 2, 2010, the Company agreed with certain insider or former insider shareholders to cancel 1,000,000 common shares held by these shareholders and in escrow at no consideration.

On December 13, 2010, the Company's common shares were transferred from the TSX-V to the NEX board of the TSX-V ("NEX") according to CPC policy as a result of Cadman's failure to complete its Qualifying Transaction. Such transfer to NEX was obtained after receipt of shareholder approval, exclusive of the votes of non-arm's lengths parties to Cadman. Cadman's symbol on the NEX has been changed to CUZ.H.

On December 23, 2010, the Company terminated the agreement with SamLorne Limited ("SamLorne"). The termination stems from the challenges the Company has encountered in meeting the financial requirements related to the proposed Qualifying Transaction.

## FINANCIAL RESULTS

### Summary of Quarterly Results

The following table sets out selected unaudited quarterly financial information of the Company.

	September 30 2011	June 30 2011	March 31 2011	December 31 2010	September 30 2010 (Restated)	June 30 2010 (Restated)	March 31 2010 (Restated)	December 31 2009 (Restated)
Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net Profit (Loss)	\$ (59,661)	\$ (128,729)	\$ (34,455)	\$ (236,406)	\$ (40,881)	\$ (76,006)	\$ (35,737)	\$ (57,609)
Basic and diluted loss per common share	\$ (0.01)	\$ (0.01)	\$ (0.00)	\$ (0.03)	\$ (0.00)	\$ (0.01)	\$ (0.00)	\$ (0.01)

Variances in net loss by quarter in 2011 reflect overall corporate activity and factors which do not recur each quarter, such as increased professional and transfer agent fees.

### Liquidity and Capital Resources

As of September 30, 2011, the Company had cash of \$300,264 compared to \$6,831 at December 31, 2010. Working capital was \$302,256 compared to \$25,836 (deficit) at December 31, 2010. The Company received a gross proceed of \$600,000 from a non-brokered private placement.

## LATEST OUTSTANDING SHARE DATA

The following is the latest share data as of November 23, 2011.

Common shares – 12,484,500

Stock Options – 280,000

Warrants - none

## **OFF BALANCE SHEET TRANSACTIONS**

The Corporation has not entered into any off balance sheet agreements.

## **RELATED PARTY TRANSACTIONS**

During the period ended September 30, 2011, the Company incurred rent expenses of \$Nil (2010 - \$13,500) to a company controlled by an individual related to a director of the Company. The transactions were measured at exchange amounts, which were the amounts agreed upon by the transacting parties and are on terms and conditions similar to non-related entities

## **PROPOSED TRANSACTION**

The Company's preliminary prospectus was filed on SEDAR on June 2, 2008 at which time the Company's only asset was cash. The initial business obligations of the Company were to identify, evaluate and approve assets or business with a view to completing a Qualifying Transaction. During the period May 1 to December 31, 2008, a preliminary research of potential qualifying transactions began. Only assets where the Company could earn greater than a 50% interest were considered. On August 19, 2008 a proposed qualifying transaction was approved by the Board of Directors.

On September 11, 2008 the Company entered into an Option agreement with Newport Gold Inc. whereby the Company can earn a 60% interest in the Burnt Basin Property (further details are available on SEDAR). On August 5, 2009, the Newport deal was terminated. The Company's new target company, "SamLorne", which has a property in China, is the new qualifying transaction and a NI 43-101 Technical Report has been received for submission to the TSX-V.

After the termination of the option on Newport's Burnt Basin property, the Company entered into an arm's-length agreement to acquire an option on the Fangelewan silver lead property in China by acquiring SamLorne. SamLorne could earn 70% interest in the property by making total payments of \$1.5 million U.S. dollars by November 2010. To complete the purchase, the Company will pay SamLorne a total of \$50,000 and deliver 10 million shares, all subject to regulatory approvals. The property is located next to Silvercorp Metals Inc.'s in the Ying Mining District in the Province of Henan, China.

On December 23, 2010, the Company terminated the agreement with SamLorne Limited ("SamLorne"), all related costs are written off on September 30, 2011.

On March 16, 2011, the Company paid a refundable deposit of \$25,000 to Q-Gold Resources Ltd to acquire a mineral interest. The deposit will be refunded if the Qualifying Transaction does not meet the Exchange's requirement. On May 11, 2011, Company entered into an arm's-length non-binding letter of intent with Q-Gold Resources Ltd. ("Q-Gold") (QGR:TSX-V) dated as of May 4, 2011, whereby the Company will, subject to a number of conditions, acquire a fifty-five percent (55%) interest (the "Interest") in Q-Gold's Golden Star and Baseline Nugget Claims Project (the "Project"). The transaction will constitute the Company's qualifying transaction ("QT") under the policies of the TSX Venture Exchange (the "Exchange"). The Golden Star and Baseline Nugget Claims Project is a gold exploration project located in the historic gold camp of Mine Centre in Northwestern Ontario.

The Company has agreed to work towards a definitive agreement with Q-Gold which agreement will include the following terms and conditions:

- (a) The Company will pay Q-Gold \$275,000 and issue Q-Gold 1,000,000 common shares on the closing date in exchange for the Interest;

- (b) The Company will also commit to expend \$600,000 on the Project; a minimum of \$250,000 to be expended within the first 12 months after the closing date and the balance prior to that date which is 24 months after the closing date, such expenditures to be made in accordance with a National Instrument 43-101 - Standards of Disclosure for Mineral Projects compliant technical report; and
- (c) Final agreement is conditional on completion of satisfactory due diligence by the Company and receipt of all other necessary corporate, regulatory and securities law approvals, including Exchange approval to the listing of the Common Shares on the Exchange.

## **FINANCING**

### **Non-Brokered Private Placement**

Prior to the proposed acquisition of SamLorne, the Company undertook a non-brokered private placement for gross proceeds of up to \$225,000 through the sale of three million Cadman shares at \$0.075 per share. The proceeds will be used to finance the due diligence costs of the qualifying transaction and the ongoing administration expenses of the Company. A finder's fee, in accordance with the policies of the TSX Venture Exchange, may be payable in cash and/or securities of Cadman with respect to the qualifying transaction.

After discussions with the TSX-V, the Exchange advised the Company to amend the placement price to \$0.10. On February 11, 2010, the Company issued a press release announcing it had completed a placement of \$441,450 in the first tranche. New subscribers had also entered the placement which was closed when conditional approval was granted by the Exchange for the QT.

On March 3, 2011, the Company closed a non-brokered private placement to issue 4,000,000 common shares at a price of \$0.15 per share for gross proceeds of \$600,000. The Company paid \$18,000 and issued 270,000 common shares as finders' fees. The shares issued are subject to a 4 month hold period until July 4, 2011.

## **DISCLOSURE CONTROLS AND INTERNAL CONTROLS OVER FINANCIAL REPORTING**

The Company's Chief Financial Officer and Chief Executive Officer (the "Certifying Officers") are responsible for establishing and maintaining disclosure controls and procedures ("the Procedures") which provide reasonable assurance that information required to be disclosed by the Company under provincial or territorial securities legislation (the "Required Filings") is reported within the time periods specified. Without limitation, the Procedures are designed to ensure that material information relating to the Company is accumulated and communicated to management, including its Certifying Officers, as appropriate to allow for timely decisions regarding the Required Filings.

The Company's Certifying Officers are also responsible for establishing and maintaining internal controls over financial reporting ("Internal Controls") and have designed such Internal Controls, or caused it to be designed under their supervision, which provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the Company's GAAP.

During 2010, there were inherent weaknesses in the Internal Controls due to the small size of the Company and its inability to segregate incompatible functions. The Company does not have sufficient size and scale to warrant the hiring of additional staff to correct the weakness at this time.

The Certifying Officers evaluate the Company's Internal Controls on a regular basis and have certified that there were no change in the Company's Internal Controls during the period ended September 30, 2011 that materially affected, or is reasonably likely to materially affect, the Company's Internal Controls.

## **CHANGE IN ACCOUNTING POLICIES**

The Company prepared its unaudited condensed interim financial statements for the 1st quarter ended September 30, 2011 in accordance with IFRS. These are the Company's first financial statements prepared in accordance with IFRS and accordingly they were prepared in accordance with IAS 34, using accounting policies consistent with IFRS. Previously, the Company prepared its consolidated annual and consolidated interim financial statements in accordance with Canadian GAAP.

The preparation of these unaudited condensed interim financial statements resulted in little changes to the accounting policies as compared with the most recent annual financial statements prepared under Canadian GAAP. The accounting policies listed below have been applied consistently to all periods presented in the financial statements. They also have been applied in preparing an opening IFRS statement of financial position as at January 1, 2010, the Company's Transition Date, for the purposes of the transition to IFRS, as required by IFRS 1 First Time Adoption of International Financial Reporting Standards ("IFRS 1"). The accounting policies have been selected to be consistent with IFRS as is expected to be effective on December 31, 2011, the Company's first annual IFRS reporting date. The standards and interpretations within IFRS are subject to change and accordingly, the accounting policies for the annual period that are relevant to these unaudited condensed interim financial statements will be finalized only when the first full IFRS financial statements are prepared for the year ending December 31, 2011.

### *Impact of Adopting IFRS on the Company's Business*

The adoption of IFRS has resulted in some changes to the Company's accounting systems and business processes, however the impact has been minimal. The Company has not identified any contractual arrangements that are significantly impacted by the adoption of IFRS.

The Company's staff and consultants involved in the preparation of financial statements have been appropriately trained on the relevant aspects of IFRS and the changes to accounting policies.

### *First-time adoption of IFRS – exemptions applies*

IFRS 1, which governs the first-time adoption of IFRS, generally requires accounting policies to be applied retrospectively to determine the opening statement of financial position on the Company's Transition Date. However, IFRS 1 also dictates certain mandatory exceptions and allows certain optional exemptions from full retrospective application on the transition to IFRS. In preparing its Transition Date statement of financial position, the Company has applied the following mandatory exceptions:

The estimates established by the Company in accordance with IFRS at the date of transition to IFRS are consistent with estimates made for the same date in accordance with Canadian GAAP, after adjustments to reflect any difference in accounting principles, if applicable.

Financial assets and liabilities that had been de-recognized before January 1, 2010 under previous GAAP have not been recognized under IFRS.

The Company has also elected to apply the following exemptions:

Apply IFRS 3 *Business Combinations* prospectively from the Transition Date, therefore not restating business combinations that took place prior to the Transition Date.

#### *Changes to Accounting Policies Resulting from the Conversion to IFRS*

The Company has changed certain accounting policies to be consistent with IFRS as is expected to be effective or available on December 31, 2011, the Company's first annual IFRS reporting date. The impact of these changes to accounting policies on the recognition and measurement of assets, liabilities, equity, revenue and expenses within the Company's financial statements are presented below. The following summarizes the significant changes to the Company's accounting policies on adoption of IFRS.

#### *Financial Statement Presentation and Disclosure*

One of the most significant impacts identified to date of adopting IFRS is the expanded presentation and disclosure requirements. Disclosure requirements under IFRS generally contain more breadth and depth than those required under Canadian GAAP and, therefore, will result in more extensive note references.

The Company is now in the IFRS transition phase which includes the quantification of the IFRS differences, completion of the final IFRS compliant accounting policies, quantification of the IFRS opening balance sheet as at January 1, 2010 and preparation of the comparative interim financial statements.

Management, members of the board of directors and audit committee have the required financial reporting expertise to ensure the adequate organization and transition to IFRS.

#### *Transition Date and Comparative Unaudited Condensed Financial Statements*

The changes in accounting policies resulting from the Company's adoption of IFRS had no impact on the unaudited condensed statement of financial position, condensed statement of comprehensive income and statement of cash flows for the period ended September 30, 2010.

#### *Share based payment transactions*

Equity-settled share-based payments are made in exchange for services received. The fair value of the services rendered is determined indirectly by reference to the fair value of the equity instruments granted. The fair value of share-based payments to directors, officers, employees and consultants is recognized as an expense over the vesting period with a corresponding increase in equity. The fair value is measured at the grant date and recognized over the period during which the options vest. The fair value of the options granted is measured using the Black Scholes option pricing model and taking into account an estimated forfeiture rate and the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

All the stock options granted were fully vested and there will be minimum impact on the Company's financial statements upon the adoption of IFRS.

#### *Income Taxes*

Like Canadian GAAP, deferred income taxes under IFRS are determined using the liability method for temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes, and by generally applying tax rates applicable to the Company to such temporary differences. IFRS prohibits recognition where deferred income taxes arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting nor taxable net earnings. There will be no impact on the financial statements upon implementation of IAS 12, Income Taxes.

### *Information System, Internal Controls and Reporting Procedures*

Based on management's assessment of the information system currently used by the Company, all information required to be reported under IFRS is expected to be available with minimal system changes. In addition, based upon the Company's current operations, it is management's opinion that the adoption of IFRS is not expected to have a significant impact on internal controls and reporting procedures.

The Company currently does not have any debt covenants, capital requirements, compensation arrangements, or material contracts that impact its current business activities that would affect the conversion to IFRS.

### **RISK AND UNCERTAINTIES**

The Company is a Capital Pool Company under the policies of the TSX Venture Exchange Inc. The Company has failed to complete a Qualifying Transaction within 24 months of listing, the TSX Venture Exchange Inc. suspend or delist the common shares of the Company. An interim cease trade order was issued against the Company's securities. The Company is now listed on NEX. Although management of the Company is working diligently to identify a Qualifying Transaction, there is no assurance that a Qualifying Transaction will be entered into or be completed.

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

During the period ended September 30, 2011, the Company's financial instruments consist of cash and accounts payable. The carrying values of current assets and current liabilities approximate their fair values due to their short maturities. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments and that the fair values of these financial instruments approximate their carrying values.

### **APPROVAL**

The Board of Directors of the Company Resource Inc. has approved the disclosure contained in this MD&A. A copy of this MD&A will be provided to anyone who requests it and can be obtained along with additional information, on the SEDAR website at [www.sedar.com](http://www.sedar.com).