

**CADMAN RESOURCES INC**  
**Management's Discussion and Analysis**  
**For the Year Ended December 31, 2011**

## **Date of Report: APRIL 25, 2012**

The following Management discussion and analysis ("MD&A") provides analysis of Cadman Resources Inc. ("the Company")'s financial results for the year ended December 31, 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, 2011. 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 audited financial statements for the year ended December 31, 2011 have been prepared in accordance with International Accounting Standard 34, 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 December 31, 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 April 02, 2012, the Company received conditional approval for listing on the CNSX. The Company expects to delist from the NEX concurrently with listing on the CNSX. Concurrent with listing on the CNSX, the Company will immediately undertake a non-brokered private placement for gross proceeds of up to \$300,000 through the sale of two million units at \$0.15 per share. Each unit will be comprised of one Common Share and one half of one Common Share purchase warrant, each full warrant exercisable at a price of \$0.20 for one Common Share within 18 months from the date of issuance. The proceeds will be used to finance acquisition costs and exploration work in connection with the Project, and for general working capital purposes. A finder's fee of 8% cash and 8% warrants may be payable on some or all of the private placement in accordance with the policies of the CNSX.

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 Fangelewan 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.

On March 6, 2012, the Company signed a definitive agreement with Q-Gold Resources Ltd.

## OVERALL PERFORMANCE

As at December 31, 2011, the Company had cash and other current assets totalling \$252,273 (December 31, 2010; \$33,248) and working capital of \$220,377 (December 31, 2010 working capital deficit of \$25,836). As at December 31, 2011, the Company incurred \$355,237 (December 31, 2010; \$389,030) in general, administrative and other expenses.

## Selected Annual Information

The following table shows the financial results derived from the Company's financial statements for the years December 31, 2011, December 31, 2010 and December 31, 2009.

	December 31, 2011		December 31, 2010		December 31, 2009	
Total Revenues	\$	-	\$	-	\$	-
Net Profit (Loss)	\$	(355,237)	\$	(389,030)	\$	(174,564)
Basic and diluted loss per share	\$	(0.03)	\$	(0.05)	\$	(0.04)
Total Assets	\$	277,273	\$	33,248	\$	242,246
Total Long Term Liabilities	\$	-	\$	-	\$	-
Cash dividends declared per share	\$	-	\$	-	\$	-

In the current year the Company incurred a net loss of \$355,237 compared to a net loss of \$389,030 for the year ended December 31, 2010. The net loss was due in large part to professional fees, which increased \$53,790 due to the costs for completing qualifying transactions with Q-Gold Resources Ltd..

The Company had a loss per share of \$0.03 in 2011 compared to \$0.05 in 2010. Total assets at the end of 2011 amounted to \$277,273 as compared to total assets of \$33,248 in 2010. The increase in total assets was mainly due to the private placement on March 3, 2011.

## FINANCIAL RESULTS

### Summary of Quarterly Results

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

	December 31 2011	September 30 2011	June 30 2011	March 31 2011	December 31 2010	September 30 2010 (Restated)	June 30 2010 (Restated)	March 31 2010 (Restated)
Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net Profit (Loss)	\$ (132,392)	\$ (59,661)	\$ (128,729)	\$ (34,455)	\$ (236,406)	\$ (40,881)	\$ (76,006)	\$ (35,737)
Basic and diluted loss per common share	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.00)	\$ (0.03)	\$ (0.00)	\$ (0.01)	\$ (0.00)

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 December 31, 2011, the Company had cash and cash equivalents of \$217,551 compared to \$6,831 at December 31, 2010. Working capital was \$220,377 compared to \$25,836 (deficit) at December 31, 2010. The Company received gross proceeds of \$600,000 from a non-brokered private placement completed on March 3, 2011.

## LATEST OUTSTANDING SHARE DATA

The following is the latest share data as of April 25, 2012.

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 year ended December 31, 2011, the Company incurred rent expenses of \$nil (2010 - \$4,357) 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. At January 1, 2010, amount due from this Company of \$22,520 was non-interest bearing, unsecured and fully repaid in October 2010.

During the year ended December 31, 2010, the Company advanced a loan of \$10,000 to a company with two common directors. The loan was interest bearing at a rate of 5% per annum, unsecured with due date of December 31, 2010. The loan was made pursuant to an agreement to acquire a mineral property from the company (as described in Note 5 to the financial statements). At December 31, 2010, the loan was impaired and charged to operations as the acquisition was terminated and the repayment of the loan was considered unlikely.

During the year ended December 31, 2011, the Company incurred share-based compensation expense of \$44,450 (2010 - \$nil) from options granted to key management personnel.

At December 31, 2011, accounts payable and accrued liabilities included \$1,790 (2010 - \$nil) for amounts due to a director.

## **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 December 31, 2011.

On March 16, 2011, pursuant to a non-binding letter of intent for a property option agreement about Gold Star Block property at Ontario, the Company paid a refundable deposit of \$25,000 to Q-Gold to acquire a 55% undivided interest in 2 blocks of mining claims, leases and patents, known as the Golden Star Block and the Baseline/Nugget Block, that are located in Northwestern,. On March 6 2012, the Company signed a definitive agreement with Q – Gold Resources Ltd., the Company agreed to pay \$275,000 in cash, \$240,000 by issuance of 960,000 common shares of the Company and incur exploration expenditures of \$600,000 on the properties as follows:

	Cash Payments	Number of Common Shares	Exploration Expenditures
(i) Within in 30 days after the closing date of the agreement (paid)	\$ 25,000	–	\$ –
(ii) Within 5 days after listing of the Company's shares on the CNSX	–	960,000	–
(iii) Within 3 months after the closing date	100,000	–	–
(iv) Within 12 months after the closing date	150,000	–	250,000
(v) Within 24 months after the closing date	–	–	350,000
	\$ 275,000	960,000	\$ 600,000

## 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 IFRS.

During 2011, 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 December 31, 2011 that materially affected, or is reasonably likely to materially affect, the Company's Internal Controls.

## **TRANSITION TO INTERNATIONAL FINANCIAL REPORTING**

For all periods up to and including the year ended December 31, 2010, the Company prepared its financial statements in accordance with Canadian generally accepted accounting principles (GAAP). The Company has prepared financial statements which comply with IFRS applicable for periods beginning on or after January 1, 2011 as described in the accounting policies. In preparing these financial statements, the Company's opening statement of financial position was prepared as at January 1, 2010, the Company's date of transition to IFRS.

IFRS 1 First-time Adoption of International Financial Reporting Standards sets forth guidance for the initial adoption of IFRS. Under IFRS 1 the standards are applied retrospectively at the transitional statement of financial position date with all adjustment to assets and liabilities taken to retained earnings unless certain exemptions are applied.

The Company has applied the following exemptions to its opening statement of financial position dated January 1, 2010:

### Share-based payment transactions

IFRS 1 encourages, but does not require, first-time adopters to apply IFRS 2 Share based Payment to equity instruments that were granted on or before November 7, 2002, or equity instruments that were granted subsequent to November 7, 2002 and vested before the later of the date of transition to IFRS and January 1, 2005. The Company has elected under IFRS 1 to apply IFRS 2 only to equity instructions that were instructions that were issued after Nov 4, 2002 and had not vested by transaction date.

IFRS 1 also outlines specific guidelines that a first-time adopter must adhere to under certain circumstances. The Company has applied the following guidelines to its opening statement of financial position dated January 1, 2010:

### Estimates

In accordance with IFRS 1, an entity's estimates under IFRS at the date of transition to IFRS must be consistent with estimates made for the same date under previous GAAP, unless there is objective evidence that those estimates were in error. The Company's IFRS estimates as of January 1, 2010 are consistent with its Canadian GAAP estimates for that date.

IFRS employs a conceptual framework that is similar to Canadian GAAP. However, significant differences exist in certain matters of recognition, measurement and disclosure. While the first time adoption of IFRS

did not have an impact on the total operating, investing or financing cash flows, it has resulted in changes to the Company's reported financial position. In order to allow the users of the financial statements to better understand these changes, the Company's Canadian GAAP statements of net income and comprehensive income for the year ended December 31, 2010 have been reconciled to IFRS without differences. In addition, the statements of financial position as at January 1, 2010 and December 31, 2010 have been reconciled with the resulting differences explained.

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 statement of financial position, statement of comprehensive income and statement of cash flows for the year ended December 31, 2011.

#### *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. A cease trade order was issued against the Company's securities. The Company is now listed on NEX. On March 6, 2012, the Company signed a definitive agreement with Q-Gold Resources Ltd.

## **FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS**

As at December 31, 2011, the Company's financial instruments consist of cash and cash equivalents and accounts payable. The fair values of these financial instruments approximate their carrying values because of their current nature. 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).