

**NU2U RESOURCES CORP.**

Vancouver, BC

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**MANAGEMENT DISCUSSION AND ANALYSIS**

From Incorporation Date on August 19, 2011 to March 31, 2012

As at May 24, 2012

## NU2U RESOURCES CORP.

FROM INCORPORATION DATE ON AUGUST 19, 2011 TO MARCH 31, 2012

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### INTRODUCTION

#### General

NU2U Resources Corp. (“NU2U” or the “Company”) was incorporated under Business Corporations Act (British Columbia) on August 19, 2011 as a wholly-owned subsidiary of Orca Wind Power Corp. (“OWP”). On August 24, 2011, OWP entered into an arrangement agreement (the “Arrangement Agreement”) with NU2U for the purposes of divesting certain non-core assets (the “Arrangement”), specifically, an investment in Katabatic Power Corp. which includes convertible debentures (\$490,000), promissory notes (\$79,000), cash advances (\$94,000), receivables (\$110,869) and 9,652,337 common shares, or approximately 48% of Katabatic Power Corp, a private British Columbia wind development company, all of which has been recorded at \$1 on OWP’s financial statements (the “Wind Assets”). The Arrangement received shareholder approval on September 23, 2011 and approval by the Supreme Court of British Columbia on September 30, 2011. The details of the Arrangement, pro-forma financial statements and all other relevant supporting documents are provided in an information circular which is available at [www.sedar.com](http://www.sedar.com).

#### Basis of Discussion & Analysis

This management discussion and analysis (“MD&A”) is dated as of May 24, 2012 and should be read in conjunction with the unaudited condensed financial statements of the Company for the period from date of incorporation on August 19, 2011 to March 31, 2012 (“Condensed Financial Statements”).

Our discussion in this MD&A is based on the Condensed Financial Statements. The Condensed Financial Statements are prepared in accordance with International Financial Reporting Standards (“IFRS”) for condensed financial statements and accordingly certain information and note disclosures normally included in the annual financial statements are omitted. Unless expressly stated otherwise, all financial information is presented in Canadian dollars.

All statements other than statements of historical fact in this MD&A are forward-looking statements. These statements represent the Company’s intentions, plans, expectations and beliefs as of the date hereof, and are subject to risks, uncertainties and other factors of which many are beyond the control of the Company. These factors could cause actual results to differ materially from such forward-looking statements. Readers should not place undue reliance on these forward-looking statements. The Company undertakes no obligation to publicly revise these forward-looking statements to reflect subsequent events or circumstances.

#### Significant Accounting Policies

##### **Use of Estimates**

The preparation of financial statements in conformity with IFRS requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported revenues and expenses during the period.

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Although management uses historical experience and its best knowledge of the amount, events or actions to form the basis for judgments and estimates, actual results may differ from these estimates.

The most significant accounts that require estimates as the basis for determining the stated amounts include the valuation of share-based payments and the valuation allowance for deferred income tax assets.

### **Impairment**

At the end of each reporting period, the Company's assets are reviewed to determine whether there is any indication that those assets may be impaired. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

### **Financial instruments**

#### *Financial assets*

Financial assets are initially recognized at fair value and are classified into one of the following categories, depending on the purpose for which the asset was acquired.

Fair value through profit or loss – derivatives or assets acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized in the statement of operations.

Loans and receivables - non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at cost less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.

Held-to-maturity investments - non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the

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financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in the statement of operations.

Available-for-sale – non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized directly in equity. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognized in the statement of operations.

All financial assets except for those at fair value through profit or loss are subject to review for impairment at the minimum of at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets described above.

### *Financial liabilities*

The Company classifies its financial liabilities into one of two categories:

Fair value through profit or loss - derivatives or liabilities acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized in the statement of operations.

Other financial liabilities - includes amounts due to related party and payables and accruals, all of which are recognized at amortized cost.

### *Classification of Financial Instruments*

The Company has classified receivables as loans and receivables; and due to related party and payables and accruals as other financial liabilities.

### **Share-based payments**

The Company applies the fair value method of accounting for stock option awards using the Black-Scholes option pricing model. Under this method, the Company recognizes compensation expense for employee stock option awards, based on the grant date fair value, for each vesting installment, over the vesting period of the options. Each installment is valued separately, based on assumptions determined from historical data, and recognized as compensation expense over each installment's individual tranche vesting period. Forfeiture estimates are recognized in the period they are estimated, and are revised for actual forfeitures in subsequent periods.

In situations where stock option awards are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of goods or services received.

### **Income taxes**

Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current tax expense is the expected tax payable on the taxable income

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for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded using the statement of financial position liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting nor taxable loss; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a future tax asset will be recovered, it provides a valuation allowance against that excess.

Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

### **Loss per share**

The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method the dilutive effect on loss per share is recognized on the use of proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the period. For the periods presented, the dilutive effect has not been computed as it proved to be anti-dilutive.

Basic loss per share has been calculated using the weighted average number of common shares outstanding during the period.

### **THE COMPANY AND BUSINESS**

NU2U is a start-up wind power development company whose principal business following the Arrangement is the development and acquisition of wind power projects. NU2U's financial success will be dependent upon the extent to which it can develop these projects.

On October 13, 2011 the Company completed all outstanding obligations under the Arrangement Agreement and Arrangement between the Company and OWP by issuing a total of 23,849,615 common shares (the "Arrangement Shares") to OWP shareholders who held OWP shares as at September 29, 2011 as consideration for a payment of \$10,000 and the transfer of the Wind Assets from OWP. As a result of completing the

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Arrangement and subsequent to issuing the Arrangement Shares, the Issuer became a reporting issuer in the jurisdictions of British Columbia and Alberta.

### RESULTS OF OPERATIONS AND SUMMARY OF QUARTERLY RESULTS

	Three months ended March 31, 2012	From August 19, 2011 to March 31, 2012
	\$	\$
<b>Expenses</b>		
Consulting fees	-	10,000
Regulatory fees	-	298
Transfer agent fees	819	4,118
<b>Net loss and comprehensive loss</b>	<b>819</b>	<b>14,416</b>

For the period from August 19, 2011 to October 13, 2011, the Company was a wholly-owned subsidiary of OWP. During the three months ended March 31, 2012 the Company incurred transfer agent fees associated with becoming a reporting issuer the previous quarter. All other expenses since incorporation are a result of costs resulting from the Arrangement.

### LIQUIDITY AND CAPITAL RESOURCES

#### Financial Position

	March 31, 2012
As at	\$
Current assets	1
Wind assets	1
	<b>2</b>
Current liabilities	4,416
Deficit	(4,414)
	<b>2</b>
Cash dividends declared per share	-

As at March 31, 2012, the Company had a working capital deficit of \$4,415 and shareholders' deficit of \$4,414. The Company believes that its current cash requirements can be funded from short-term advances from related parties until such time as a financing is completed.

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### Changes in Cash Position

	Three months ended March 31, 2012	From August 19, 2011 to March 31, 2012
Cash flows from:	\$	\$
Operating activities	-	(10,000)
Financing activities	-	10,000
Investing activities	-	-
Change in cash	-	-

The Company's cash position at March 31, 2012 was \$nil.

The \$10,000 decrease in cash used in operations during the period from incorporation date to March 31, 2012 was a result of the Company's net loss being offset by an increase in payables and due to related party for administrative costs resulting from the Arrangement.

During the period from incorporation date to March 31, 2012, financing activities were for the issuance of shares to OWP shareholders to complete the Arrangement.

There were no investing activities during the period from incorporation date to March 31, 2012.

### Financial Instruments

The fair value of the Company's amounts receivable and payables and accruals approximates their carrying value due to the short-term nature of the instruments. The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

**Credit risk** - Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company is due \$1 from its former parent OWP in connection with the one common share issued upon incorporation.

**Liquidity risk** - The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at March 31, 2012, the Company had a \$nil cash balance and \$4,416 in current liabilities to settle. Management plans to raise funds to meet its future liabilities as they become due.

**Market risk** - Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates and equity prices.

(a) **Interest rate risk** - the Company has no cash balances and no interest-bearing debt. The Company's sensitivity to interest rates is minimal.

(b) **Foreign currency risk** - the Company currently believes it has no significant foreign exchange risk.

(c) **Price risk** - the Company is a non-public reporting issuer and is not currently exposed to price risk with respect to equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market.

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### **Share Capital**

The total number of common shares issued and outstanding as at March 31, 2012 and as at the date of this report is 23,849,616.

As at the date of this report there were no stock options or warrants outstanding.

### **Future Cash Requirements**

The Company's future capital requirements will depend on many factors, including, among others, the development of Wind Assets and cash flow from operations. Should the Company wish to develop the Wind Assets or pursue other business opportunities, it may need to raise additional funds through debt or equity financing. The Company believes that its current cash requirements can be funded from short-term advances from related parties until such time as a financing is completed. Current market conditions have made it more difficult to raise additional funds. If additional funds are raised through the issuance of equity securities, the percentage ownership of current shareholders will be reduced and such equity securities may have rights, preferences, or privileges senior to those of the holders of the Company's common stock. No assurance can be given that additional financing will be available, or that it can be obtained on terms acceptable to the Company and its shareholders. If adequate funds are not available, the Company may be required to delay the development of the Wind Assets.

### **RELATED PARTY TRANSACTION**

All transactions with related parties, other than the Arrangement, have occurred in the normal course of operations and are measured at their fair value as determined by management. Unless otherwise indicated, the period-end balances are unsecured and non-interest bearing and have arisen from the provision of services and fees described.

The Arrangement provided for the transfer of OWP's interest in and to the Wind Assets to the Company, as a wholly-owned subsidiary, and the immediate distribution of a controlling interest in the common shares of the Company to the OWP shareholders. The OWP shareholders will continue to collectively own the Wind Assets, albeit through an altered corporate structure. Consequently, given that there will be no substantive change in the beneficial ownership of the Wind Assets at the time they were assigned to the Company the transfer has been recorded under IFRS at \$1.

As at March 31, 2012 the Company owes a company with common directors (President and CEO and CFO) \$3,681 for expenses paid on behalf of the Company.

### **RISK FACTORS**

In evaluating an investment in NU2U, in addition to other information contained in this MD&A, investors should consider the following risk factors associated with NU2U. These risk factors are not a definitive list of all risk factors associated with NU2U and its business.



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Competition - Significant and increasing competition exists for wind power generation businesses. There are many companies that compete for electricity purchase agreements and may be able to offer better pricing than NU2U. Currently BC Hydro and Power Authority has the monopoly on purchasing power from independent power producers in British Columbia. There can be no guarantee that NU2U will enter into electricity purchase agreements.

It is the strategy of NU2U to obtain and develop new wind power generation assets. The existence of competition could adversely affect NU2U's ability to obtain and develop these assets and could have a potential impact upon its revenues and ability to meet its debt obligations.

Conflicts of Interest - Certain directors and officers of NU2U are, and may continue to be, involved in acquiring assets through their direct and indirect participation in corporations, partnerships or joint ventures which are potential competitors of NU2U. Situations may arise in connection with potential acquisitions or investments where the other interests of these directors and officers may conflict with the interests of NU2U. The directors of NU2U are required by law, however, to act honestly and in good faith with a view to the best interests of NU2U and their shareholders and to disclose any personal interest which they may have in any material transaction which is proposed to be entered into with NU2U and to abstain from voting as a director for the approval of any such transaction.

Dependency on a Small Number of Management Personnel - NU2U is dependent on a very small number of key personnel, the loss of any of whom could have an adverse effect on NU2U and its business operations. NU2U also needs to retain qualified technical and sales personnel.

Development Costs - NU2U may experience losses due to higher prices of labour and consulting fees and costs of materials. NU2U will closely monitor the costs of services and materials and look for long-term commitments for those prices whenever possible. Costs of research, development, supplies and marketing have fluctuated over the past several years, NU2U intend to pass such additional costs to buyers through higher pricing. Any significant increase that NU2U cannot pass on to buyers may have a negative material impact on NU2U and its business operations.

General and Industry Risks - In the normal course of business, NU2U will be subject to the risks and uncertainties common to the industry for wind power generation, which highly depends on governmental policies. These risks include the supply and demand for green energy, electricity prices, aboriginal land claims, changes of climate, global warming, intermittent nature of wind, environmental standards, infrastructure lines transmitting electricity, subsidies or lack thereof and competition from other suppliers of electricity. Due to the recent economic climate, NU2U will also be impacted by the global credit crisis which creates additional credit liquidity risks to manage for the future.

The Wind Assets are subject to varying degrees of risk. These risks may include: (i) changes in general economic conditions such as the availability and cost of financing capital; (ii) changes in local conditions, including oversupply or reduction in demand for wind energy in a particular geographical area; (iii) changes to government

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regulations and (iv) competition from others. In addition, there is no guarantee that NU2U will be successful in developing the Wind Assets or enter into electricity purchase agreements.

**No History of Earnings or Dividends** - NU2U has no history of earnings, and there is no assurance that the Wind Assets will generate earnings, operate profitably or provide a return on investment in the future. NU2U has no plans to pay dividends for the foreseeable future.

**Potential Profitability Depends Upon Factors Beyond the Control of NU2U** - The potential profitability of the Wind Assets or any other assets that may be acquired by NU2U is dependent upon many factors beyond NU2U's control. For instance, prices are subject to market conditions and availability of credit and response to changes in domestic, international, political, social and economic environments. Profitability also depends on the costs of operations, including costs of labour, equipment, electricity, environmental compliance or other production inputs. Such costs will fluctuate in ways NU2U cannot predict and are beyond NU2U's control, and such fluctuations will impact on profitability and may eliminate profitability altogether. Additionally, events which cause worldwide economic uncertainty may make fundraising for development difficult. These changes and events may materially affect the financial performance of NU2U.

**Regulations, Permits, and Compliance** - the current or future operations of NU2U, including development activities, require permits and approvals from local governmental authorities as well as market research and analysis. There can be no assurance that any or all permits and approvals for research NU2U may require for the Wind Assets or other projects which NU2U may undertake will be given.

In particular, the current or future operations of NU2U, including development activities, require permits and approvals from provincial, federal, municipal governmental authorities and approval of the First Nations. There can be no assurance that any or all permits and approvals which NU2U may require for the construction and development of the power generation assets or other projects which NU2U may undertake will be given.

**Securities of NU2U and Dilution** - NU2U plans to focus on the development of the Wind Assets as well as other power assets it may acquire from time to time, and will use its working capital to carry out such activities. However, NU2U will require significant additional funds to further such activities. To obtain such funds, NU2U may sell additional securities including, but not limited to, NU2U Shares or some form of convertible security, the effect of which would result in substantial dilution of the equity interests of NU2U shareholders.

There is no assurance that additional funding will be available to NU2U to develop the Wind Assets and to acquire additional power assets. There is no assurance that NU2U 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 the delay or indefinite postponement of further development of the Wind Assets or any other assets that NU2U may acquire.

**Supply and Demand** - NU2U's performance would be affected by the supply and demand for green energy in British Columbia and in the US. Key drivers of demand include government policies and plans with respect to the acquisition of green energy from independent power producers. The potential for reduced sales revenue exists in

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the event that demand diminishes or supply becomes over abundant thereby making wind power projects uneconomical.

**ADDITIONAL INFORMATION**

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