ALIBABA INNOVATIONS CORP.
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FIRST QUARTER ENDING MARCH 31, 2015

MAY 26, 2015

INTRODUCTION

The following discussion and analysis ("MD&A") is a review of operations, current financial position and outlook for Alibaba Innovations Corp. (the "Company" or "Alibaba") for the first quarter of 2015, ending March 31, 2015 and including other pertinent events subsequent to that date up to and including May 26, 2015. The following information should be read in conjunction with the audited financial statements for the year ending December 31, 2014,which have been prepared in accordance with International Financial Reporting Standards ("IFRS), consistently applied. Amounts are reported in Canadian dollars.

This MD&A provides managements view of the financial condition of the Company and the results of its operations for the reporting periods indicated. Additional information related to Alibaba is available as filed on the Canadian Securities Administrators' website at www.sedar.com.

FORWARD-LOOKING INFORMATION

Certain statements contained in the following MD&A and elsewhere constitute forward-looking statements. Such forward-looking statements involve a number of known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which reflect Management's analysis only as of the date the statements were made, and readers are advised to consider such forward-looking statements in light of the risks set forth in the Company's filings and herein. Additional information regarding the Company, including copies of the Company's continuous disclosure materials is available through the SEDAR website at www.sedar.com.

The table below sets forth the significant forward-looking information included in this MD&A:

Forward-Looking Information	Key Assumptions	Most Relevant Risk Factors
Prospective high purity graphite properties	The Company will be able to locate and fund exploration of these properties	The Company has disclosed that this may be difficult. Failure to find and fund exploration to prove up these properties will materially impact the Company's ability to continue. This is an ongoing concern

DESCRIPTION OF BUSINESS

The Company is a junior mineral exploration company focused on the discovery, acquisition, evaluation and enhancement of natural resource opportunities primarily in North America.

The Company was incorporated under the laws of British Columbia on September 19, 2013 and has been inactive since that time. On December 11, 2014, the Company changed its name from Cuprum Coating Acquisition Corp. to Alibaba Innovations Corp.

The Company's head office is located at 545 Granite Street, Sudbury, Ontario, P3C 2P4.

On January 30, 2015, the Company completed agreement transaction with Alibaba Graphite Corp. ("AGC") wherein the two companies were amalgamated and became listed on the Canadian Stock Exchange ("CSE") under the symbol "ABJ". AGC is a mineral exploration company specifically engaged in the exploration of prospective high purity graphite properties primarily in the region north of Hearst, Ontario.

On January 30, 2015, the Company completed a three-cornered amalgamation pursuant to an amalgamation agreement dated as of May 16, 2014 with AGC, a private Ontario company, and 2417435 Ontario Limited, a wholly-owned subsidiary of the Company. Pursuant to the amalgamation agreement, the Company agreed to issue an aggregate of 36,009,245 common shares to the shareholders of Alibaba Innovations Corp. and 33,810,002 common shares to the shareholders of AGC upon listing on the CSE.

As a result of the amalgamation with AGC, Alibaba Innovations Corp. now holds or has rights to 5 properties with graphite potential in northern Ontario. Two of the three properties (the WestZen Properties), near the hydrothermal graphite discovery of Zenyatta Ventures Ltd., north of the town of Hearst, have been optioned to Xmet Inc., who have financed the VTEM airborne geophysics recently undertaken on these properties. The other property held by the Company is the Maverick Graphite Property located north of the town of Cochrane. Alibaba Innovations Corp. is also actively reviewing additional properties for opportune development at minimal cost and risk to the shareholder.

OVERALL PERFORMANCE AND RESULTS OF OPERATIONS

As a result of the amalgamation with AGC the Company acquired interest in a number of mineral claims. The following gives a history, background and current status of these properties.

On January 29, 2014 AGC paid $85,300 for a 100% undivided legal and beneficial interest in and all right and title to the Option on the Maverick and Hearst Property, which was satisfied by the issuance of an aggregate of 17,060,000 common shares in the common shares of AGC at an attributed value of $0.005 per common share on the Closing Date. In addition, AGC granted a net returns royalty effective as of the exercise of the Option. The Company granted a one and one-half percent (1.5%) Net Returns Royalty from any production on the Property payable in favour of the original two vendors on a 50/50 basis, in addition to a one and one-half percent (1.5%) Net Returns Royalty from any production on the Property payable in favour of the original claimholder of the Hearst (WestZen) Property. The Maverick Graphite Property has a three percent (3%) Net Returns Royalty from any production on the Property payable in favour of the original claimholders.

On February 7-9 2014, 4 additional claims were staked adjacent to the one existing claim of the Maverick Property. It was agreed that this staking, was to be paid by issuance of 210,000 shares of AGC as per the terms of the earlier Jan 29, 2014 purchase agreement. These additional claims were also subject to a 3% NSR due to it being included in the area of influence of the first initial claimstakers of the Maverick Property.

On February 24, 2014 an NI43-101 report was prepared by Dean G. MacEachern, P.Geo. for AGC covering the current 5 claims on the 100% AGC owned Maverick Property.

On March 12, 2014 AGC purchased VTEM survey data that was partially flown over the North Block of the WestZen Hearst claims by Xmet Inc. (Xmet) as well as 4 adjacent Xmet mining claims carrying a 2 % net returns royalty. The above was acquired for a fee of $30,000 and 1,500,000 shares of AGC priced at $0.05/share. The AGC shares having a hold period of four months and a day from Alibaba's listing date.

On June 18, 2014 AGC arranged an option on their West Block Claims with Xmet Inc. This option enabled Xmet Inc. to acquire a 65% interest in the AGC West Block Claims for:

1) undertaking a low level VTEM suvey over all the claims,
2) return of the 1,500,000 Alibaba shares held in trust from the previous March 12, 2014 purchase,
3) returning of the purchased Xmet claims to Xmet, and
4) undertaking a low level VTEM survey over the West Block Claims.
5) Xmet further agreed to cover the cash payments of up to $20,000 on the original claimholder's option agreement for all the Hearst claims and undertake all assessment requirements to maintain the West Block Claims in good standing during this agreement.

On September 17, 2014 AGC arranged to option their WestZen Southwest Block Claims to Xmet. The option stipulated Xmet Inc. would obtain a 50% interest in these claims on performing a partial VTEM survey over the Southwest Block with AGC covering the cost of mobilization and demobilization. Xmet Inc. further agreed to undertake all assessment requirements to maintain the claims in good standing during this agreement.

In December, 2014 Xmet Inc. also paid the first annual installment of $10,000 to the original claimholders on the WestZen Property.

As a result of these options and agreements, the ownership of the WestZen and Maverick Property is now as shown in the following table:

Property	Claim Block	Claim #	# units	Ownership
WestZen Hearst Property	North Block	4278003	8	100% AGC
		4278004	16	100% AGC
		4278005	16	100% AGC
	West Block	4278006	4	35% AGC/65% Xmet
		4278007	9	35% AGC/65% Xmet
		4278008	4	35% AGC/65% Xmet
		4278009	12	35% AGC/65% Xmet
	SW Block	4278010	4	50% AGC/50% Xmet
		4278011	8	50% AGC/50% Xmet
		4278012	8	50% AGC/50% Xmet
		4271208	16	50% AGC/50% Xmet
		Total	**89**	**or 1,424 Hectares**
Maverick Property		4267292	2	100% AGC
		4270188	1	100% AGC
		4270189	4	100% AGC
		4270227	12	100% AGC
		4276727	4	100% AGC
		Total	**23**	**or 368 Hectares**

Note: AGC: Alibaba Graphite Corp.
Xmet: Xmet Inc

SELECTED QUARTERLY INFORMATION

The financial information below reflects the consolidated figures of both Alibaba Innovations Corp. and AGC and the later amalgamated entity, Alibaba Innovations Corp.

Quarter Ending	03/15/15 $	31/12/14 $	30/09/14 $	30/06/14 $	31/03/14 $	28/02/14* $
Total Revenues	Nil	Nil	Nil	Nil	Nil	Nil
Income (loss) for the period	(32,378)	(18,205)	(4,401)	(14,909)	(218,706)	(179,323)
Net loss per share (basic and diluted)	0.001	0.005	0.001	0.004	0.008	0.005
Total Assets	209,609	243,349	$200,894	205,295	225,003	276,312
Total Long – term Liabilities	Nil	Nil	Nil	Nil	Nil	Nil
Cash Dividends	Nil	Nil	Nil	Nil	Nil	Nil

* date of the audited statement from the date of incorporation of AGC, namely, January 29, 2014.

The significant reduction in total assets from the period of February 28, 2014 to June 30, 2014 ($276,312 - $205,292) was primarily due to payment of $30,000 for Xmet's property, director's insurance $12,096 and Consulting services for the preparation of the NI43-101 report of $11,300. An increase in the total assets from September 30 to December 31, 2014 were due primarily to an influx of cash form the issuance of 500,000 additional shares at a price of $0.10 on November 27, 2014 as part of the listing requirements for the Company. The largest expenditure from September 30, 2014 to December 31, 2014 was for a US$25,000 loan to a third party on December 12, 2014. Since this date only limited expenditures primarily related to corporate administration and insurance were made.

MINERAL PROPERTY EXPENDITURES

From the date of incorporation of January 29, 2014 to December 31, 2014, the following expenditures were incurred on the Company's mineral exploration properties.

	WestZen Hearst Claims		Maverick North Cochrane Claims	
	$	Shares	$	Shares
Balance, pre January 29, 2014	0	0	0	0
Acquisition of WestZen Claims		16,350,000 @0.005/share =$81,750	0	500,000 @ 0.005share =$2,500
Staking 4 Maverick Claims				210,000 @ $.005/share =$1,050
Maverick NI43-101 Report			10,000	
VTEM Data Purchase	30,000			
Totals	30,000	$81,750	10,000	$3,550
Property Totals	111,750		13,550	

Although the above Company total exploration expenses is $125,300 on these properties, additional expenses of for Geophysical airborne expenses were incurred on the WestZen Claims in the Hearst Area by Xmet Inc., as well as their $10,000 payment to the original WestZen claimholders. These amounts are not included in the above table. No expenditures were made in this quarter on mineral property expenditures or further exploration activities.

THE MAVERICK GRAPHITE PROPERTY

The Maverick Graphite Property is an early stage exploration project located approximately 60 kilometres north of Smooth Rock Falls, Ontario. The property is located in the Porcupine Mining Division, District of Cochrane at 1°31'18.78"W and 49°49'4.71"N (NTS 41-I/14) or in NAD 83 co-ordinates, 462457.30 m E and 5518523.29 m N, Zone 17U.

The property consists of 5 contiguous unpatented mining claims composed of 23 claim units covering approximately 368 hectares in Avon Township. There are no work commitment obligations on the property. As of the date of this report the property is in good standing.

From information in the NI43-101 the property contains an East-West conductor that has been drilled with graphite being encountered. The core description of the graphite is stated as a vein variety. A follow-up field examination and pending exploration program is being planned for this summer.

THE WESTZEN HEARST PROPERTY

The WestZen Hearst Property, also referred to as the Feagan Lake Claims, consists of 3 separate noncontiguous blocks of claims named the North Block, the West Block and the Southwest Block comprising a total of 11 claims totaling 1,424 Hectares. The property is located 8-12 kilometres northwest of Zenyatta's recently discovered hydrothermal graphite discovery and about 75 kilometres northwest of the town of Hearst. Because of the nearby location of the WestZen Property and the current exploration activity in the area, two of the blocks have been optioned by Xmet Inc. Xmet Inc. is actively involved searching for graphite in the area and have undertaken significant expense in undertaking VTEM surveys over the WestZen Property.

LIQUIDITY AND CAPITAL RESOURCES

On February 28, 2014, AGC completed a non-brokered private placement for 13,500,000 common shares at a price of $0.02 per share for gross proceeds of $270,000. On November 15, 2014, as part of the listing requirements for the Company, an additional $50,000 gross proceeds was raised through a non-brokered private placement form the issuance of 500,000 additional shares at a price of $0.10. As of March 31, 2015, Alibaba has a cash amount of $148,717. Currently the Company has a non-capital loss carried forward of $102,806 which expires in 2034, available to reduce income otherwise taxable in future years,

OUTSTANDING SHARE DATA

The table below shows the outstanding share capital of the Company as of April 30, 2015

Common Shares	69,819,247
Options	5,900,000
Warrants	0
Fully Diluted Share Capital	75,719,247

OFF-BALANCE SHEET ARRANGEMENTS

None are applicable at this time, however with mineral exploration, obligations for environmental, first nation compliance and health and safety issues can create non reportable concerns. The Company hopes to minimize such situations by maintaining adequate insurance coverage, establishing honest and open communications and operating in a safe and responsible manner compliant with current standards as per the most recent applicable acts and regulations.

RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT COMPENSATION

Key management personnel include executive officers and non-executive directors. At this time executive officers are not paid a salary but participate in the Company's stock option program. The executive officers include the Chief Executive Officer, and the Chief Financial Officer. Non-executive directors also participate in the Company's stock option program. To this end the Company has issued stock options valued at $20,900. As of March 31, 2015, the Company owes no money to executives of the Company for unpaid salaries and wages. A significant amount of the work required by the Company is undertaken on a contract basis by unrelated highly qualified companies and individuals.

CRITICAL ESTIMATES

Significant assumptions about the future and other sources of estimation uncertainty that management has made during the reporting period could result in a material adjustment to the carrying amounts of assets and liabilities in the event that actual results differ from assumptions made. These critical estimates relate to, but are not limited to, the following:

i. Exploration and evaluation expenditures

The application of the Company's accounting policy for exploration and evaluation expenditures requires judgment in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after costs are capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off to profit or loss in the period the new information becomes available.

ii. Income taxes and recoverability of potential deferred tax assets

In assessing the probability of realizing income tax assets recognized, management makes estimates related to expectations of future taxable income, applicable tax planning opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. The Company considers whether relevant tax planning opportunities are within the Company's control, are feasible, and are within management's ability to implement. Examination by applicable tax authorities is supported based on individual facts and circumstances of the relevant tax position examined in light of all available evidence. Where applicable tax laws and regulations are either unclear or subject to ongoing varying interpretations, it is reasonably possible that changes in these estimates can occur that materially affect the amounts of income tax assets recognized. Also, future changes in tax laws could limit the Company from realizing the tax benefits from the deferred tax assets. The Company reassesses unrecognized income tax assets at each reporting period.

iii. Estimation of restoration, rehabilitation and environmental obligation

Restoration, rehabilitation and environmental liabilities are estimated based on the Company's interpretation of current regulatory requirements, constructive obligations and are measured at fair value. Fair value is determined based on the net present value of estimated future cash expenditures for the settlement of restoration, rehabilitation and environmental liabilities that may occur upon ceasing exploration and evaluation activities. Such estimates are subject to change based on changes in laws and regulations and negotiations with regulatory authorities.

iv. Share-based payments

The Company measures the cost of equity-settled transactions by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them.

The Company has a stock option plan ("the Plan") under which options to purchase common shares may be granted to officers, directors, employees and non-employees of the Company. The term of any options granted under the Plan will be fixed by the board of directors at the time such options are granted, provided that options will not be permitted to exceed a term of five years. The exercise price of any option granted under the Plan may not be less than fair market value (e.g., the prevailing market price) of the common shares at the time the option is granted, less any permitted discount. All options are non-transferable. The options are subject to earlier termination upon the termination of the optionee's employment, upon the optionee ceasing to be a director, officer, or consultant of the Company, or upon the retirement, permanent disability or death of an optionee. All issued options are vested at the date they are granted. The fair value of the options has been estimated using the Black-Scholes pricing option model. The assumptions used for the valuation of the respective options were:

Option Assumptions	2014
Dividend yield	-
Expected Volatility	138%
Risk free interest rate 1	.62%
Expected option term – years	5

In addition to the above, the Company is exposed in varying degrees to a variety of financial instrument and related risks. Those risks and management's approach to mitigating those risks are as follows:

v. Credit Risk

The Company's credit risk is primarily attributable to cash. The Company has no significant concentration of credit risk arising from operations. Cash consist of deposits with a reputable financial institution, from which management believes the risk of loss to be minimal.

vi. Interest Rate Risk

The Company has cash balances and no interest-bearing debt. The Company is not exposed to significant interest rate risk.

vii. Foreign Exchange Risk

The Company's functional and reporting currency is the Canadian dollar and purchases are transacted in Canadian. The Company has a Canadian dollar bank account.

viii. Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company currently settles its financial obligations out of cash. The ability to do this relies on the Company raising equity financing in a timely manner and by maintaining sufficient cash in excess of anticipated needs.

ACCOUNTING POLICIES

The Company's financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"). The policies applied in the unaudited interim financial statements are based on IFRSs issued and outstanding as of May 26, 2015, the date the Board of Directors approved the statements. Any subsequent changes to IFRS that are given effect in the Corporation's annual financial statements for the year ending December 31, 2014 could result in restatement of the audited financial statements. The financial statements have been prepared on a historical cost basis. The financial statements are presented in Canadian dollars, which is the Company's functional currency. The financial statements are approved and authorized for issuance by the Board of Directors.

The preparation of the financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, revenue and expenses. Actual results may differ from these estimates. Estimated and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected. There are no judgments made by management in the application of IFRS that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the current and following fiscal years.

The following accounting standards have been released but have not yet been adopted by the Company.

IFRS 9- Financial Instruments ("IFRS9")

In November 2009, the IASB issued and subsequently revised in October 2010, IFRS 9 as a first phase in its ongoing project to replace IAS 39 Financial Instruments: Recognition and Measurement ("IAS39"). IFRS 9 which is to be applied retrospectively, will be effective as of January 1, 2018.

IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. Management has not yet determined the potential impact the adoption of IFRS 9 will have on the Company's financial statements.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

The Company does not have any derivative financial instruments.

Regarding Non-derivative financial assets, the Company initially recognizes loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument. The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risk and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability. Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has the legal right to offset amounts and intends to either settle on a net basis or to realize the asset and settle the liability simultaneously.

Financial assets are classified as fair value through profit or loss when the financial asset is held for trading or it is designated as fair value through profit or loss. A financial asset is classified as held for trading if:

(i) it has been acquired principally for the purpose of selling in the near future; (ii) it is a part of an identified portfolio of financial instruments that the Company manages and has an actual pattern of short-term profit taking; or

(ii) it is a derivative that is not designated and effective as a hedging instrument.

Financial assets classified as fair value through profit or loss are stated at fair value with any gain or loss recognized in profit or loss. The net gain or loss recognized incorporates any dividend or interest earned on the financial asset. The Company classifies cash as fair value through profit or loss.

Held-to-maturity investments are recognized on a trade-date basis and are initially measured at fair value, including transaction costs. The Company does not have any assets classified as held-to-maturity investments.

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale and that are not classified in any of the previous categories. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for sale equity instruments, are recognized in other comprehensive income and presented within equity in the fair value reserve. When an investment is derecognized, the cumulative gain or loss in other comprehensive income is transferred to profit or loss. Available-for-sale financial assets are comprised of marketable securities. The Company does not have any assets classified as available-for-sale.

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Such assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses. Loan receivable, deposit and prepaids are classified as loans and receivables.

On December 12, 2014, the Company lent US$ 25,000 to a third party under a promissory note that matures on December 31, 2015. The terms of the note requires interest of 5% payable on maturity along with the outstanding principal.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income or loss are reclassified to profit or loss in the period. Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the investments have been impacted. For marketable securities classified as available-for-sale, a significant or prolonged decline in the fair value of the securities below their cost is considered to be objective evidence of impairment.

For all other financial assets objective evidence of impairment could include:
· significant financial difficulty of the issuer or counterparty; or
· default or delinquency in interest or principal payments; or
· it becoming probable that the borrower will enter bankruptcy or financial re-organization.

For certain categories of financial assets, such as amounts receivable, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. The carrying amount of financial assets is reduced by the impairment loss directly for all financial assets with the exception of amounts receivable, where the carrying amount is reduced through the use of an allowance account. When an amount receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized. In respect of available-for-sale equity securities, impairment losses previously recognized through profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized directly in equity.

The Company initially recognizes debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognized initially on the trade at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Company has the following non-derivative financial liabilities: accounts payable and accrued liabilities.

Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method.

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and stock options are recognized as a deduction from equity, net of any tax effects.

RISKS AND UNCERTAINTIES

The Company is in the business of acquiring and exploring natural resource properties in Canada. Due to the nature of the Company's proposed business and the present stage of exploration of its resource properties, which are at very early stages, the following risk factors, amongst others, will apply:

Exploration Stage Company

The Company does not hold any known mineral reserves of any kind and does not generate any revenues from production. The Company's success will depend largely upon its ability to locate commercially productive mineral reserves. Mineral exploration is highly speculative in nature, involves many risks and frequently is non-productive. There is no assurance that exploration efforts will be successful.

Success in establishing reserves is a result of a number of factors, including the quality of management, the level of geological and technical expertise, and the quality of property available for exploration. Once mineralization is discovered, it may take several years in the initial phases of drilling until production is possible, during which time the economic feasibility of production may change.

Substantial expenditures are required to establish proven and probable reserves through drilling and bulk sampling, to determine the optimal metallurgical process to extract the metals from the ore and, in the case of new properties, to construct mining and processing facilities. Because of these uncertainties, no assurance can be given that any future exploration programs will result in the establishment or expansion of resources or reserves.

Exploration and Development Risks

The business of exploring for minerals and mining involves a high degree of risk. There is no assurance the Company's mineral exploration activities will be successful. Few properties that are explored are ultimately developed into producing mines. In exploring and developing any future mineral deposits the Company will be subjected to an array of complex economic factors and technical considerations. Delays in obtaining governmental approvals, inability to obtain financing or other factors could cause delays in exploring and developing properties. Such delays could materially adversely affect the financial performance of the Company. Unusual or unexpected formations, formation pressures, power outages, labour disruptions, flooding, explosions, cave-ins, landslides, environmental hazards, the discharge of toxic chemicals and the inability to obtain suitable or adequate machinery, equipment or labour are other risks involved in the operation of mines and the conduct of exploration programs. The Company has limited experience in the development and operation of mines and in the construction of facilities required to bring mines into production. The Company has relied and may continue to rely upon consultants and others for operating expertise. Depending on the price of minerals produced, the Company may determine that it is impractical to commence or continue commercial production.

Financing

The Company's objective is to ensure that there are sufficient committed financial resources to meet its short-term business requirements for a minimum of twelve months. Currently, the Company does not have sufficient funds on hand to continue operating for the next twelve months as they have previously been and will need to obtain additional financing. The Company has no formal credit facilities at this time and given the Company's current stage of development, it is not expected that such credit facilities would be available to the Company.
Future exploration, development, mining, and processing of minerals from any of the Company's future properties will require substantial additional financing. The only current sources of funds available to the Company are the sale of additional equity capital, which if available, may result in substantial dilution to existing shareholders. There is no assurance that such funding will be available to the Company, or that it will be obtained on terms favourable to the Company. Failure to obtain sufficient financing may result in delaying or indefinite postponement of exploration, development, or production on any or all of the Company's properties, or even a loss of property interests.

Competition

There is aggressive competition within the mining industry for the discovery and acquisition of properties considered to have commercial potential. The Company competes with other mining companies, many of which have greater financial resources than the Company, for the acquisition of mineral claims, leases and other mineral interests as well as for the recruitment and retention of qualified employees and other personnel.

Management believes the Company's overall liquidity risk has increased from the prior year due to the current global credit crisis and lack of financing available in the equity markets.

Difficulties in Raising Development Capital

Recent market events and conditions, including disruptions in the Canadian, United States and international credit markets and other financial systems and the deterioration of the Canadian, United States and global economic conditions, could, among other things, impede access to capital or increase the cost of capital, which would have an adverse effect on the Company's ability to fund its capital requirements to pursue the acquisition and exploration of any significant mineral projects or to secure its share of development financing following a decision to place any of its current or future mineral properties into production (whether on its own or on a joint venture basis).

Share Price Volatility

Worldwide securities markets, particularly those in North America, 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 fluctuations 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 places 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.

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. Delay or failure to obtain such licenses and permits or 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.

Acquisition of Mineral Concessions under Agreements

In the junior natural resource industry, it is typical for companies to enter into option agreements which allow the optionee to acquire the property over time while performing initial exploration activities. If the Company continues to enter into these types of agreements, the Company may have to 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. 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.

Environmental and Other Regulatory Requirements

Existing and possible future environmental legislation, regulations and actions could cause additional expense, capital expenditures, restrictions and delays in the activities of the Company, the extent of which cannot be predicted. Before production can commence on any properties, the Company must obtain regulatory approval and there is no assurance that such approvals will be obtained. Although the Company believes its mineral and exploration activities are currently carried out in accordance with all applicable rules and regulations, no assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner which could limit or curtail production or development.

Uninsured Risks

The Company may become subject to liability for cave-ins, pollution or other hazards against which it cannot insure or against which it may elect not to insure because of high premium costs or other reasons. The payment of such liabilities would reduce the funds available for exploration and mining activities. In particular, the Company is not insured for environmental liability or earthquake damage.

Operating Hazards and Risks

Mineral exploration involves many risks, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. Operations in which the Company has a direct or indirect interest will be subject to all the hazards and risks normally incidental to exploration, development and production of base metals, any of which could result in work stoppages, damage to property, and possible environmental damage. The Company currently does not maintain liability insurance against such liabilities. Although the Company currently intends to obtain insurance when it commences operations of reasonable significance, the nature of these risks is such that liabilities might exceed policy limits, the liabilities and hazards might not be insurable, or the Company might not elect to insure itself against such liabilities due to high premium costs or other reasons, in which event the Company could incur significant costs that could have a materially adverse effect upon its financial condition.

Title Matters

Often, the mining claims in which the Company could acquire an interest in have not been surveyed and, accordingly, the precise location of the boundaries of the claims and ownership of mineral rights on specific tracts of land comprising the claims may be in doubt. Such claims would not be converted to lease and tenure, and are, accordingly, subject to annual compliance with assessment work requirement. Other parties may dispute the Company's title to its mining properties. While the Company has diligently investigated title to all mineral claims and, to the best of its knowledge, title to all properties is in good standing; this should not be construed as a guarantee of title. The properties may be subject to prior unregistered agreements, first nation's land claim or transfers of land claims and titles which may be affected by undetected defects.

Conflicts of Interest

Certain of the Company's directors and officers serve as directors or officers of other companies or have significant shareholdings in other companies and, to the extent that such other companies may participate in ventures in which the Company may participate, the directors of the Company may have a conflict of interest in negotiating and concluding terms respecting the extent of such ,participation. In the event that such a conflict of interest arises at a meeting of the Company's directors, a director who has such a conflict will abstain from voting for or against the approval of such participation or such terms. From time to time several companies may participate in the acquisition, exploration and development of natural resource properties thereby allowing for their participation in larger programs, permitting involvement in a greater number of programs and reducing financial exposure in respect of any one program. It may also occur that a particular company will assign all or a portion of its interest in a particular program to another
of these companies due to the financial position of the company making the assignment. Under the laws of the Province of British Columbia, the directors of the Company are required to act honestly, in good faith and in the best interests of the Company. In determining whether or not the Company will participate in a particular program and the interest therein to be acquired by it, the directors will primarily consider the degree of risk to which the Company may be exposed and its financial position at that time.

Fluctuation of Metal Prices

The market price of precious metals and other minerals is volatile and cannot be controlled. If the price of precious metals and other minerals should drop significantly, the economic prospects of the projects which the Company has an interest in could be significantly reduced or rendered uneconomic. There is no assurance that, even if commercial quantities of ore are discovered, a profitable market may exist for the sale of same. Factors beyond the control of the Company may affect the marketability of any minerals discovered. Mineral prices have fluctuated widely, particularly in recent years. The marketability of minerals is also affected by numerous other factors beyond the control of the Company, including government regulations relating to royalties, allowable production and importing and exporting of minerals, the effect of which cannot be accurately predicted.

A Cautionary Tale

This document contains "forward-looking information" which may include, but is not limited to, statements with respect to the future financial or operating performance of the Corporation, its subsidiaries and its projects, the future supply, demand, inventory, production and price of minerals, the estimation f reserves and resources, the realization of reserve estimates, the timing and amount of estimated future production, costs of production, capital, operating and exploration expenditures, costs and timing of the development of new projects, costs and timing of future exploration, requirements for additional capital, government regulation operations, environmental risks, reclamation expenses, title disputes or claims, limitations of insurance coverage and the timing and possible outcome of pending litigation and regulatory matters. Often, but not always, forward-looking statements can be identified by the use of such words as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates", "or believes" or variations (including negative variations) of such words and phrases, or state that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause the actual results, performance or achievements of the Corporation and/or its subsidiaries to be materially different from any future results, performance or achievements expressed or implied by the forward looking statements. Such factors include, among others, general business, economic, competitive, political and social uncertainties; the actual results of current exploration activities: conclusions of economic evaluations; changes in project parameters as plans continue to be refined: future prices of resources; possible variations of ore grade or recovery rates; failure of plant equipment or processes to operate as anticipated; accidents, labour disputes and other risks of the resource industry; political instability, insurrection or war; delays in obtaining government approvals or financing or in the completion of development or construction activities. Although the Corporation has attempted to identify important factors that could cause actual events or results to differ from those expected, estimated or intended. There can be no assurance that forward –looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward–looking statements.

Respectfully submitted
On behalf of the Board of Directors

Robert G. Komarechka
President & CEO

Additional information is available on SEDAR at www.sedar.com.