

# **Pebble Creek Mining Ltd.**

Management Discussion and Analysis of Financial Conditions and Results of Operations  
Year ended March 31, 2009

*This Management Discussion and Analysis (“MD&A”) is a discussion and analysis of the operations and financial results of Pebble Creek Mining Ltd. (the “Company”) for the year ended March 31, 2009, with comparisons for the year ended March 31, 2008 and for the year ended March 31, 2007. The following information should be read in conjunction with the audited consolidated financial statements and related notes for the fiscal year ended March 31, 2009. The consolidated financial statements and related notes have been prepared in accordance with Canadian generally accepted accounting principles (“GAAP”) and are filed with various Canadian regulatory authorities in Canadian dollars. The date of this MD&A is July 21, 2009.*

## **FORWARD LOOKING STATEMENTS**

*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,” “plan,” 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.*

## **OVERVIEW & OVERALL PERFORMANCE**

The “Company” refers to Pebble Creek Mining Ltd. (“PCM”), formerly Broadcast Capital Corp. (“Broadcast”), and its wholly owned Indian subsidiaries Adi Gold Mining Private Ltd. (“Adi”) and Hirakund Diamond Exploration Private Ltd. (“Hirakund”). PCM and its wholly owned subsidiary company, Pebble Creek Resources Ltd. (“PCR”), completed a vertical amalgamation on May 30, 2007 and the newly amalgamated company continued under the name “Pebble Creek Mining Ltd.”

The Company is a mineral exploration company which has been focused on India for the past 14 years. It is one of few foreign mineral exploration and development companies that has developed a business and technical infrastructure and acquired considerable expertise in India.

The Company holds 100 per cent of the mineral rights on one property and has active applications pending on 16 more covering 18,000 square kilometres in six states, all in India.

The Company’s principal mineral property is the Askot property in Uttarakhand state. Askot is a high-grade deposit of copper, zinc and lead, with some silver and gold, which is the focus of its exploration and development.

PCR entered into an agreement with Broadcast Capital Corp. (“Broadcast”) dated October 6, 2006, amended on October 24, 2006 and completed on December 15, 2006, pursuant to which the shareholders of PCR acquired control of Broadcast, a company listed for trading on the TSX Venture Exchange, through a “reverse take over.”

On completion of the RTO, PCM had a total of 19,137,523 common shares issued and 4,503,330 common shares reserved for issuance for options and warrants. Of the issued shares, 85.6% were held by

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former holders of PCR's shares and Subscription Receipts and 14.4% were held by existing Broadcast shareholders. Of the options and warrants, 90.0% were held by former holders of PCR's warrants and 10.0% were held by the holders of Broadcast options. In accordance with generally accepted accounting principles, PCR was identified as the acquirer at the completion of the RTO since the shareholders of PCR acquired control of PCM, the legal parent company.

Pebble Creek Mining Ltd. started trading as "PEB" on the TSX Venture Exchange as a Tier 2 company on December 29, 2006.

The Company changed its financial year ends from September 30 (Broadcast) and December 31 (PCR) to March 31, effective on March 31, 2007, to harmonize the year ends with those of its two Indian subsidiaries, Adi and Hirakund, which are required by law to report with March 31 year ends.

### FINANCIAL RESULTS

#### Selected Quarterly Financial Results

The following selected unaudited quarterly financial information for the last eight quarters is derived from the unaudited interim consolidated financial statements of the Company prepared in accordance with GAAP.

#### Three months ended

	March 31, 2009	Dec 31, 2008	Sept 30, 2008	June 30, 2008	Mar 31, 2008	Dec 31, 2007	Sept 30, 2007
Interest Income	\$ 1,179	\$ (644)	\$ 2,117	\$ 6,514	\$ 17,451	\$ 4,529	\$ 5,233
Net Loss	\$ (245,597)	\$ (137,051)	\$ (581,646)	\$ (252,816)	\$ (811,350)	\$ (156,108)	\$ (367,125)
Basic & Diluted (Loss) Per Share	\$ (0.04)	\$ (0.01)	\$ (0.02)	\$ (0.01)	\$ (0.03)	\$ (0.01)	\$ (0.02)
Basic & Diluted Weighted Average Shares	33,242,376	30,170,988	29,171,219	29,171,219	29,171,219	24,871,980	23,697,384

The Company is an exploration-stage enterprise. Its investigations and expenditures are naturally irregular and vary from task to task, season to season and year to year. Most recently expenditures have diminished with efforts to raise additional capital and to preserve existing capital. Quarter to quarter variations in costs – or losses – should not be taken as serious indications of progress.

The quarter ended March 31, 2009 included a write-off of \$61,428 for the Company's exploration expenditures incurred on the Banda diamond prospect, not including those incurred by De Beers during a brief option period. The Company surrendered this Reconnaissance Permit to the State of Uttar Pradesh on March 22, 2009.

The first quarter of calendar 2008 showed a significant increase in loss to \$811,350 due mainly to the write-off of \$509,791 of the expenditures incurred on the Gadarwara property. The second quarter of

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calendar 2008 includes a further write-off of \$36,663 of Gadarwara drilling expenditures incurred during the period.

The increase in loss in the third quarter of calendar 2008 is due mainly to share-based compensation expense of \$353,373 incurred for the issue of stock options to employees, directors, officers, and consultants. Losses in the fourth quarter of calendar 2008 are representative of ongoing operating costs. The relative increase in the loss in the March 31, 2008 quarter was due in part to delayed billings from drilling campaign carried out on two prospects in the second half of calendar 2007.

### **Selected Annual Information**

The following table shows the financial results derived from the Company's financial statements for each of the three most recently completed fiscal periods.

	<b>March 31, 2009</b>	<b>March 31, 2008</b>	<b>March 31, 2007</b>
Total Revenue – Interest Income	\$ 9,166	\$ 36,543	\$ 33,424
Net Income (Loss)	\$ (1,217,110)	\$ (1,554,699)	\$ (579,728)
Net Income (Loss) per Share	\$ (0.04)	\$ (0.06)	\$ (0.04)
Total Assets	\$ 5,486,863	\$ 5,703,452	\$ 3,644,955
Shares Outstanding	33,242,376	29,171,219	20,062,590

The Company is in the exploration stage and has no mineral production yet. Incidental revenue is derived solely from interest earned on term deposits.

At March 31, 2009, the Company had cash of \$61,827 as compared to \$1,066,193 at March 31, 2008.

At March 31, 2009, the Company had working capital of \$(242,881) as compared to \$1,133,838 at March 31, 2008.

### **LIQUIDITY AND CAPITAL RESOURCES**

#### **Current Liquidity and Capital Resources**

The credit crisis that developed in the United States started in August 2007 for the Company. The Company's share price fell precipitously and began a long decline from \$0.54 to the range of \$0.01 to 0.08 by the end of the financial year on March 31, 2009.

The decline in the entire market and the psychology of fear impaired the Company's ability to finance continued work from Western sources. The Company is currently negotiating additional financing from world-wide sources.

The Company has no certainty that it will be able to raise the additional funds it requires within the near future or on a cost-effective basis.

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## Historical Events

During the period from June 2006 through April 9, 2009, the Company raised \$7,291,357 by means of six private placements of shares or units ranging in price from \$0.60 to \$0.065. The remaining share purchase warrants from these private placements as at the date of this document are:

### Warrants

	Number of Shares	Price Per Share	Expiry Date	Date Granted or Issued
A Warrants	1,285,500	\$0.65	June 22, 2009 <sup>1</sup>	June 22, 2007
B Warrants	1,285,500	\$1.00	June 22, 2009 <sup>1</sup>	June 22, 2007
A Warrants	289,500	\$0.65	July 13, 2009 <sup>1</sup>	July 13, 2007
B Warrants	289,500	\$1.00	July 13, 2009 <sup>1</sup>	July 13, 2007
A Warrants	2,635,000	\$0.75	December 14, 2009 <sup>2</sup>	December 14, 2007
B Warrants	2,635,000	\$1.50	December 14, 2009	December 14, 2007
	425,000	\$0.15	March 24, 2011	March 24, 2009
	<u>8,845,000</u>			

<sup>1</sup> 1 The original terms of the June and July A warrants were that if the closing trading price on TSXV is \$1.00 per share or higher for any 20 consecutive trading days, the Company may elect to accelerate the term to expire within 30 days of notice to the holders. Subsequent to the end of the fiscal year the Company extended the terms of the June and July A and B warrants by two years (news release of June 9, 2009) and has requested the consent of TSX Venture Exchange to reprice the A warrants to \$0.10 from \$0.65 and the B warrants to \$0.20 from \$1.00 (news release of July 13, 2009). The Exchange's conditions for repricing are that all 18 warrant holders approve the repricing and that all accept the condition that the A warrants expire automatically 37 days after a closing price of \$0.135 or more for the 10 previous trading sessions on TSXV and that the B warrants expire automatically 37 days after a closing price of \$0.27 or more for the 10 previous trading sessions on TSXV.

2. If the closing trading price of the A warrants is \$1.50 per share or higher for any 20 consecutive trading days, the Company may elect to accelerate the term to expire within 30 days of notice to the holders.

Warrants to purchase 458,370 shares at \$0.75 per share were not exercised and expired on June 29, 2008. Warrants to purchase 78,300 shares at \$0.65 per share and 78,300 shares at \$1.00 per share which were outstanding at the year end were not exercised and expired on June 22, 2009.

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## **Options and Warrants**

As at March 31, 2009, the following options and warrants to purchase shares of the Company were outstanding:

### **Options**

	<b>Number of Shares</b>	<b>Price Per Share</b>	<b>Expiry Date</b>	<b>Date Granted or Issued</b>
Options	795,000	\$0.60	August 10, 2012	August 10, 2007
Options	225,000	\$0.60	January 18, 2013	January 18, 2008
Options	1,890,000	\$0.24	August 12, 2013	August 12, 2008
Options	100,000	\$0.24	August 25, 2013	August 25, 2008
	<b>3,010,000</b>			

### **Other Relevant Share Transactions**

Shares Held in Escrow. During the nine months ended December 31, 2008, an additional 708,862 shares were released from escrow. On March 31, 2009 the balance in escrow was 3,510,019. On June 29, 2009 an additional 554,514 shares were released from escrow leaving a balance of 2,955,505 remaining.

Option Plan. The Company has implemented a rolling share purchase option plan which allows the Company to reserve up to 10% of the issued and outstanding common shares of the Company for granting share purchase options. On August 13, 2007, the plan was approved by the TSX Venture Exchange. The Company granted 2,910,000 share purchase options to directors, officers and employees, exercisable at \$0.60 and \$0.24 per share for a period of five years under this plan of which 1,990,000 were granted during the twelve months ended March 31, 2009. Persons leaving the Company have reduced the totals outstanding at March 31, 2009 to 1,725,000.

### **Third Subsidiary Formed**

On January 8, 2008 two directors of the Company incorporated an Indian company, Narsinghpur Gold Mining Private Limited (“NGM”). The directors expect to transfer all the outstanding shares of NGM, at cost, to Pebble Creek Mining Ltd. The Company expects to use NGM as a vehicle for certain property acquisitions.

## **CONTRACTUAL OBLIGATIONS**

The Company has entered into premises leases in Vancouver and New Delhi which require minimum annual payments of \$201,000 to August 2009 and \$166,000 to August 2011. In May 2009 the Company relocated to a less costly Vancouver office and a less costly New Delhi facility for a savings of approximately \$78,000 in annual rentals, although it is still negotiating the termination of the first Vancouver office lease.

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## **OFF BALANCE SHEET OBLIGATIONS**

The Company has not entered into any off-balance sheet obligations other than the leases for premises reported above.

## **RELATED PARTY TRANSACTIONS**

The Company's policy is that all transactions with related parties must be on terms comparable to terms available in arms-length transactions.

For the year ended March 31, 2009, the Company paid \$53,728 (2008 - \$90,726) for legal services and share issue costs to a law firm of which the Company's corporate secretary is a partner. The legal services were rendered in connection with the proposed financing and general corporate affairs.

The Company also paid or accrued management, accounting, and consulting fees of \$215,460, included in general and administrative expenses, and geological and engineering fees of \$114,540, included in mineral property acquisition costs, to directors and officers during the twelve months ended March 31, 2009 (2008 - \$210,960 and \$113,040, respectively). At March 31, 2009 \$196,290 is accrued and included in payable to directors (2008 - \$15,430).

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## **EXPLORATION PROGRESS AND RESULTS**

The Company has cut back on fixed expenses and exploration expenses pending assembling additional capital and a recovery of the general market. The Company has laid off some non-essential employees and deferred hiring of new employees, cut its tunnelling crew back to one shift per day, cut non-essential travel and moved one of its New Delhi facilities into less expensive quarters.

### **Askot Property, Uttarakhand, India**

More than 95 percent of the Company's managerial and technical effort was and continues to be directed to the Askot project, a program of advanced exploration of a massive sulphide deposit of copper and zinc that also contains significant silver, lead and gold.

Mineral Title and Permits. The Company has the distinction of being one of the first foreign companies in many decades to receive approval of a Mining Lease ("ML") application in the non-ferrous metals sector by the Ministry of Mines of the Government of India and the State of Uttarakhand. The ML will be 386 hectares in area.

The Company has also obtained permits and clearances from several agencies. Environmental Clearance was granted following year end, on June 12, 2009. The final documents for the last required permit, Forest Clearance, were filed on July 14, 2009. On the signing of the ML Deed, the Company will be required to make a payment to the authorities, currently estimated as \$1,200,000, for the alienation of forest lands.

In addition to the Mining Lease the Company has an active Reconnaissance Permit ("RP") application on 230 square kilometres surrounding that area. The Company intends to explore this area for outlying prospects similar to the known Askot deposit. The RP application is nearing its final stages of technical review by the state government.

Drilling. During the period August 2006 to December 2007 the Company drilled 4,642 metres in 17 core holes to confirm results of a "sample" of 57 holes (total 9,258 metres) drilled 20 to 40 years ago.

Most of the 17 holes were "twins" of the previous holes or fill-ins between those holes. The previous holes were drilled by three public agencies: the Geological Survey of India, the United Nations Development Programme, and the Uttar Pradesh Directorate of Geology and Mining.

As presently known the Askot deposit, which strikes northwest and dips steeply northeast, is open at depth and along strike to the northwest. The strata that host the deposit have a total northwest-southeast length of more than 2,000 metres. At the southeast end the strata fold to the south and then west and continue west for another 1,000 metres.

Milestones. The Technical Report by Paul M. Boswell, BSc, FIMMM, CEng, dated November 7, 2006, endorsed a Stage I and II program at a total cost of \$1,682,000. The Company modified the recommended program as work unfolded and completed it, although at higher cost than estimated.

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On September 30, 2008 the Company received a NI 43-101 Technical Report with an independent mineral resource estimate on its Askot property from SRK Consulting (India) Pvt. Ltd. (“SRK”). The estimate identified five metals of economic significance on the property and was prepared using a cut-off grade of US\$100 net smelter return (“NSR”), considering the likely underground mining extraction scenario and metal prices and recovery assumptions reported below.

The mineral resources are reported in accordance with Canadian Securities Administrators’ National Instrument 43-101 and have been estimated in conformity with generally accepted CIM “Estimation of Mineral Resource and Mineral Reserves Best Practices” guidelines. Mineral resources are not mineral reserves and do not have demonstrated economic viability. There is no certainty that all or any part of the mineral resource will be converted into mineral reserve. The mineral resource statement is presented in Table 1.

**Table 1. Mineral Resource Statement\* Askot Polymetallic Sulphide Deposit, India, SRK Consulting, August 10, 2008.**

Category	Quantity		Grade			
	(Tonnes)	Cu (%)	Zn (%)	Pb (%)	Au (gpt)	Ag (gpt)
Indicated	1,860,000	2.62	5.80	3.83	38	0.48
Inferred	149,000	1.70	4.56	1.89	29	0.44

- Reported at a net smelter return cut-off of US\$100 per tonne based on metal prices of US\$2.00 per pound of copper, US\$0.90 per pound of zinc, US\$0.65 per pound of lead, US\$15.00 per ounce of silver and US\$900 per ounce of gold and metallurgical recoveries of 85%, 78%, 76%, 60% and 60%, respectively. Mineral resources are not mineral reserves and do not have demonstrated economic viability. All figures have been rounded to reflect the relative accuracy of the estimates.

Mineral resources were classified according to the CIM Definition Standards for Mineral Resources and Mineral Reserves (December 2005) into Indicated and Inferred Mineral Resources on the basis of distance from the nearest informing composite and based on variography. All blocks located within 60 metres from the nearest composite and inside the modeled sulphide wireframe were classified as Indicated. Other blocks located within the modeled wireframes and located within 120 metres from the nearest composite were classified as Inferred.

The mineral resources for the Askot polymetallic sulphide deposit are not very sensitive to the selection of the cut-off grade. Table 2 presents the global quantities and metal grades at various US\$NSR cut-off. The reader is cautioned that these figures should not be misconstrued as a mineral resource. The reported quantities and grades are only presented as a sensitivity of the resource model to the selection of cut-off grade.

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**Table 2. Global Block Model Quantity and Grade Estimates\* at Various US\$ NSR Cut-off Grades, Askot Polymetallic Sulphide Deposit.**

Cut-off NSR (US\$)	Quantity (MTns)	Grades				
		Cu (%)	Zn (%)	Pb (%)	Ag (gpt)	Au (gpt)
Indicated						
80	1.90	2.59	5.72	3.78	36	0.47
100	1.86	2.62	5.80	3.83	36	0.48
120	1.72	2.72	6.06	3.99	38	0.49
140	1.62	2.80	6.29	4.10	39	0.49
Inferred						
80	0.18	1.56	4.18	1.79	25	0.42
100	0.15	1.70	4.56	1.89	29	0.44
120	0.12	1.83	5.00	1.93	33	0.47
140	0.09	1.99	5.39	2.04	34	0.47

\* The reader is cautioned that the figures presented in this table should not be misconstrued as mineral resource statements. The reported quantities and grades are only presented as a sensitivity of the resource model to the selection of cut-off grade

The Company had previously announced that geophysical and soil geochemical studies have found anomalies along 3,000 metres of strike length beyond the known deposit, and that it is characteristic of volcanogenic massive sulphide deposits to occur as multiple lenses.

Mr. Souvik B Banerjee and Dr. Jean-Francois Couture visited the property and reviewed the content of the news release. By virtue of his education and relevant experience, Dr. Couture, P. Geo (APGO#0197), is an independent qualified person for the purpose of National Instrument 43-101.

Both the initial news release and the final Technical Report are available on the Company's web site at [www.pebcreek.com](http://www.pebcreek.com) and [www.sedar.com](http://www.sedar.com).

**Plans.** Work on the project has been deferred until such time as the Company is refinanced. A renewed drilling program has been designed from both surface and underground drill platforms. The Company proposes to drill several geophysical and geochemical anomalies from the surface and to drill deeper from underground sites. Two underground sites are completed and several more are planned. Each program will be designed to seek extensions of the known mineral deposit.

**Community Relations.** During the period the Company employed an average of 60 local persons on-site, some in skilled office and technical positions. The Company has a pay scale that is generous, without upsetting local sensitivities; and a hiring protocol that spreads the available jobs fairly throughout the community.

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The Company has a policy of sourcing goods and services locally and within the region as much as possible. The Company has taken part in and supported community activities and festivals. The Company's relations with the Askot and regional community are excellent.

During the year the Company financed the planting of more than 1,000 tree seedlings in the Askot area in cooperation with the State Forest Department and local schools. This was covered favorably in the local press.

Possible Claim for 11% Carried Interest in Askot. In April 2008 the government-owned Uttar Pradesh State Mineral Development Corporation (UPSMDC) reopened a question the Company had thought closed for the past five years. The UPSMDC demanded that the Company convey its 11% carried interest in the Askot project. This claim dates from a Memorandum of Understanding (MOU) signed by the Company and UPSMDC in 1997, long before the state of Uttarakhand was formed from part of Uttar Pradesh on November 9, 2000. In return for its proposed 11% carried interest, UPSMDC had certain obligations under the MOU which it never carried out.

After formation of Uttarakhand, Askot was located in the new state and disposition of UP government assets in Uttarakhand became governed by the "UP Reorganization Act, 2000". Legal counsel advises that the claim may be without merit, but the Company is in communication with both states in order to resolve the matter amicably and to the benefit of the Company.

Expenditures to Date. For the year ended March 31, 2009 a total of \$897,642 was spent on the Askot project, to bring the total to date to \$5,073,321. The costs were related to drilling: geology, travel, assays, office costs and salaries.

### **Gadarwara Property, Madhya Pradesh, India**

Mineral Title and Permits. The Reconnaissance Permit ("RP") on Gadawara expired on December 24, 2007. The Company duly applied on December 26, 2007 for a PL on 70 square kilometres covering the 50-square-km magnetic anomaly that was the focus of the original application in 1996.

The Company had previously applied for a second RP of net 3,884 square kilometres surrounding the first, called Gadawara Extension. That RP application was granted on May 25, 2009, following year end. The Company has not yet executed the RP Deed.

Work Performed and Findings. During the period August 24 through November 24, 2007 the Company drilled 1,639 metres in four holes on the main Gadawara property, including 441 metres of bedrock core. The program established that the thickness of the overburden is 300 metres and that the cause of the magnetic anomaly is a banded iron formation ("BIF") in Mahakoshal group rocks of early Proterozoic age.

Results were equivocal, however the entire Gadawara package of nearly 70 square kilometers in the centre and 3,884 surrounding it remains an excellent target for gold and nickel-PGM deposits.

The Company will reexamine the potential of the entire area once the RP is granted and executed.

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Expenditures on Gadarwara. Notwithstanding its continuing interest in the Gadarwara package, the Company wrote off \$546,454, being the net costs incurred on both Gadarwara Prospect and Gadarwara Extension. Adi has no legal right to conduct exploration on either application at the present time, but intends to pursue exploration of both RP and PL for gold, nickel and platinum group metals at such time as the state may grant them.

## **Banda Prospect, Uttar Pradesh, India**

Hirakund Diamond Exploration Pvt. Ltd. executed a Reconnaissance Permit in May 2006 on a 2,012 square km tract (measured by the government as 2,190 square km) in the Banda District of Uttar Pradesh.

The prospect was optioned to De Beers India Private Limited (“DBIPL”) for a period in 2006 and 2007.

The Company terminated its RP by notifying the state on March 22, 2009 after deciding that the diamond potential of the prospect would not be worthwhile for continued exploration.

Accordingly the Company wrote off total expenditures to date of \$61,248

## **Reconnaissance Permit Applications**

Including the above listed applications the Company has pending 16 Reconnaissance Permit (“RP”) applications covering approximately 18,000 square kilometres in six states. Target commodities are oxide and sulfide copper, gold, zinc, silver, lead and diamonds.

The total spent on scouting, outside exploration and acquisitions to date is \$36,038. The amount spent during the year ended March 31, 2009 was \$ 4,073.

## **Qualified Persons**

Andrew E. Nevin, Ph.D., P.Eng., and Gyan C. Singhai, M.Sc., P.Eng., both qualified persons under NI 43-101, supervised work at Askot, Gadarwara, Banda and elsewhere. Each has read and approved the technical information in this MD&A.

## **Factors and Trends Affecting the Company’s Projects**

Adverse Factors. Some of these are well-known phenomena of our times; others are particular to mineral development in India:

- The global fallout from the credit crisis has made conventional equity financing of advanced exploration difficult.
- Price forecasts for Askot’s probable main products of copper, zinc and lead are uncertain at present.
- Tariffs in India are 38% on imported drills, ancillary equipment, spare parts, and including drilling muds, chemicals and down-hole additives. Indian-made drill pipe and bits are inferior and do not stand up to performance-oriented drilling. Even drilling muds and special polymers to handle loose and caving rock have to be imported.

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- The Indian bureaucracy is obsessive about the “process” irrespective of the end result. And it is infamous for vetting permits and licences at a snail’s pace. Coping with those practices requires considerable management and staff time and effort.
- Corruption is endemic within the Indian government system as well and it is reported and criticized sternly in India’s press. It requires skill and patience to sidestep numerous overt and implied requests for illegal payments.

Positive Factors. The Company and its competitors in India believe that positive factors outweigh the negative:

- The world credit crisis has impacted India the least of any major economy. The Reserve Bank of India is handling it well and adjusting interest rates as needed, and the commercial banks are not in jeopardy. The “globalizing” of India has been slow and deliberate. A few years ago it seemed too slow. Now it seems that it has saved the Indian economy considerable grief.
- A national election in May 2009 returned the Congress party to power with a stronger mandate for reform and deregulation. In the time elapsed since that election the government appears to be exercising that mandate.
- The Ministry of Mines and Ministry of Environment and Forests – the two with which the exploration and mining business has the most contact – have become very proactive with reforms in the past few years and that trend is accelerating.
- Mineral-related consulting and contracting services are more readily available than they were just 12 months ago.
- For 14 years the Company has been active in India and three years ago it established a substantial beachhead in India with a senior officer resident there. With this the Company has become a full partner in the Indian business and mining culture and well known to all persons involved.
- India remains one of the least explored countries in the world and its non-ferrous metal mining capacity is the weakest of any society living on a mineral-rich Precambrian Shield.
- India is a heavily industrialized country that manufactures nearly every component needed for a modern mine, some at lower cost than in the West.
- It has a well educated, highly intelligent professional work force.
- It has a hard working and low-cost labor force.
- It has a modern business and commercial infrastructure – banks, insurance companies, transportation and communications networks and so on.
- India’s laws are written; written in English; and copies are widely distributed.
- India’s court system is mature and seasoned – unlike some other Asian and Africa countries – and it has a large body of case law.
- India is a pluralistic society and the world’s most populous democracy; it is unlikely to suffer from a catastrophic regime change.
- India has libraries and collections of geologic and geophysical data that form the basis for exploration decisions; geologic work has been carried out with British-type discipline, both in colonial days and since Independence in 1947.
- The new National Mining Policy in preparation for more than three years is almost certain to be enacted into law this year.

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## **Outlook**

The Company requires additional capital to pursue development of the Askot project and to pursue its larger goals in India. The Company is in discussion with several investors and funds and is confident that such capital will be assembled in a timely manner.

## **CRITICAL ACCOUNTING ESTIMATES**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions about future events that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from these estimates. Significant accounting estimates used in the preparation of the Company's financial statements are:

### **Fair value of options and warrants**

The Company has estimated the fair value of options, warrants and broker options using the Black-Scholes option pricing model. The following weighted-average assumptions were used:

	2009	2008
Average risk-free interest rate	2.92%	4.62%
Expected share price volatility	111%	123%
Expected average period until exercise	4.47 years	2.34 years
Expected dividend yield	\$nil	\$nil

### **Carrying value of mineral property interests**

The amounts shown for mineral property interests represent acquisition, holding and exploration costs, and do not necessarily represent present or future recoverable values. The recoverability of these amounts is dependent upon the confirmation of economically recoverable reserves, the ability of the Company to obtain the necessary financing to successfully complete their development and to meet the requirements, from time to time, of lenders, including shareholders, who are providing this financing and upon future profitable production.

The Company reviews the carrying values of its mineral property interests whenever events or changes in circumstances indicate that their carrying values may exceed their estimated net recoverable amounts determined by reference to estimated future operating results and undiscounted net cash flows. An impairment loss is recognized when the carrying value of those assets exceeds their fair value.

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### **Carrying value of other capital assets**

The Company reviews the carrying values of its other capital assets whenever events or changes in circumstances indicate that their carrying values may exceed their estimated net recoverable amounts determined by reference to estimated future operating results and undiscounted net cash flows. An impairment loss is recognized when the carrying value of those assets exceeds their fair value.

### **Asset retirement obligations**

The Company recognizes liabilities for statutory, contractual or legal obligations associated with the reclamation of mineral properties, plant and equipment, when those obligations result from the acquisition, construction, development or normal operation of the assets. Initially, a liability for an asset retirement obligation is recognized at its fair value in the period in which it is incurred. Upon initial recognition of the liability, the corresponding asset retirement cost is added to the carrying amount of the related asset and the cost is amortized as an expense over the economic life of the asset using either the unit-of-production method or the straight-line method, as appropriate. Following the initial recognition of the asset retirement obligation, the carrying amount of the liability is increased for the passage of time and adjusted for changes to the amount or timing of the underlying cash flows needed to settle the obligation.

### **CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION**

The Company adopted the recommendations of Sections 1535 of the CICA Handbook, Capital Disclosures, during the first quarter of the current fiscal year. This section establishes standards for disclosing information about an entity's capital and how it is managed.

The Company also adopted the requirements of Section 3862 of the CICA Handbook, Financial Instruments – Disclosures and Section 3863, Financial Instruments - Presentation, during the first quarter of the current fiscal year. These sections require qualitative and quantitative disclosures on the risks, which include currency risk, credit risk, interest rate risk, liquidity risk and market risk, to which the Company's financial instruments are exposed.

The Company had adopted the requirements of Sections 1530 and 3655 of the CICA Handbook during the fiscal year ended March 31, 2008. Canadian generally accepted accounting principles require the Company to report comprehensive income separately in interim and annual financial statements commencing on or after October 1, 2006. Comprehensive income is defined as the change in equity (net assets) of an enterprise during a period from transactions and other events and circumstances from non-owner sources. Examples of items reported in a statement of comprehensive income would be changes in the market value of available for sale assets of a company, foreign exchange adjustments relating to self sustaining operations of a subsidiary company with transactions denominated in another currency and the changes in fair values of a company's effective cash flow hedging instruments.

Other accounting pronouncements issued by the CICA and which the Company intends to evaluate and, if required, adopt in the preparation of its future financial statements are:

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## **Convergence with International Financial Reporting Standards**

In 2006, Canada's Accounting Standards Board ratified a strategic plan that will result in Canadian GAAP, as used by public companies, evolving and being converged with International Financial Reporting Standards ("IFRS") over a transitional period currently expected to be completed by 2011. The International Accounting Standards Board also has projects currently under way which should result in new pronouncements which will be included in the convergence process.

The Company intends to conduct a detailed assessment of the requirements of the transition to IFRS, with the intention of identifying the timing of the implementation of the transition, major differences in accounting policies and selecting the policies which are appropriate for the Company, identifying the appropriate disclosure in financial statements prepared under IFRS and developing an implementation plan.

## **FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS**

The Company's financial instruments include cash and equivalents, accounts receivable, accounts payable, and payable to directors. They are measured at amortized cost which, as at the end of the fiscal year, approximated their fair values.

The Company incurs certain of its expenses in currencies other than the Canadian dollar. As such, the Company is subject to foreign exchange risk as a result of fluctuations in exchange rates.

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist primarily of cash and cash equivalents. To reduce credit risk, cash and cash equivalents are on deposit at major financial institutions.

The Company's financial instruments may include bankers' acceptances and treasury bills. These instruments bear a fixed rate of interest and a fixed maturity date. If the Company is required to liquidate them prior to the maturity date, there is a risk that interest rates will have increased such that the market value of the instrument is less than the expected value.

## **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.

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

During the nine months ended December 31, 2008 there were inherent weaknesses in the Company's internal controls which are typical of small companies, which have a limited ability to segregate incompatible functions. The Company expects to remedy these weaknesses by expanding the number of individuals involved in the accounting function as it grows. Effective disclosure controls were achieved, despite the inherent weaknesses in internal control over financial reporting, because of the President and Chief Executive Officer's direct involvement in the disclosure controls and procedures process.

The Certifying Officers evaluate the Company's Internal Controls on a regular basis throughout the year and have certified that there were no changes in the Company's Internal Controls during the Company's most recent interim period that materially affected, or is reasonably likely to materially affect, the Company's Internal Controls.

### **RISKS AND UNCERTAINTIES**

Country Risk. The principal business of the Company is in the exploration and development of mineral properties in India. The Company is subject to the political risks and bureaucratic delays that might transpire.

Exchange Rates. The Company incurs costs and expenses in foreign currencies other than Canadian dollars. The exchange rates covering such currencies, including the U.S. dollar and the Indian rupee, are subject to fluctuations which give rise to foreign currency exposure, either favorable or unfavorable. The Company does not hedge any currencies against others.

Exploration Risk. Exploration for minerals and development of mining operations involve many risks, many of which are outside the company's control. In addition to the normal risks of exploration and mining, the Askot project is in a remote location that lacks certain elements of infrastructure.

The Company's National Instrument 43-101 compliant indicated mineral resource has not be elevated to measured mineral resource or mineral reserves. Such upgrading may or may not be successfully completed.

Permits and Clearances. The Company requires several permits to perform exploration activities and, as noted above, to enter into commercial production. These are granted by various departments of state and central government. Some departments are ambivalent about mining. There may be delays in acquiring the necessary permits that would be detrimental to the Company's operations.

Price Risks. The Company's proposed principal products – copper, zinc, lead, silver and gold – are priced by world markets and are outside the Company's control. A decline in prices can adversely affect a mining operation; and for an exploration company, access to additional capital.

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### **APPROVAL**

The Board of Directors of Pebble Creek Mining Ltd. 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).