

# **Pebble Creek Mining Ltd.**

Management Discussion and Analysis of Financial Conditions and Results of Operations  
Three and Six months ended September 30, 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 six months ended September 30, 2009, with comparisons for the six months ended September 30, 2008 and for the year ended March 31, 2009. 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 November 25, 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.*

## **SUMMARY**

Pebble Creek is solely focused on exploration and mine development in India. Its principal project is the Askot deposit, located in Uttarakhand state in the foothills of the Himalayas. Seventy-four drill holes and 300 metres of drift (tunnel along the deposit) have established a NI 43-101-compliant indicated mineral resource of 1.86 million tonnes containing 2.62% copper, 5.80% zinc, 3.83% lead, 38 grams per tonne silver, and 0.48 gpt gold. However the potential is much greater as the limits of the deposit are not known.

The recent financial crisis dried up sources of financing for continued drilling and led to cost-cutting measures. Now the crisis appears to be waning. In addition base and precious metals prices are considerably stronger than in early 2009 making it easier to assemble capital to continue.

Pebble Creek raised \$1,050,000 during the quarter ended September 30, 2009, and is planning additional financing to drill step-out holes in early 2010 with the object of expanding the mineral resource.

India is an exploration and mine development venue that is known for its bureaucratic barriers to entry. Pebble Creek has been working there for 15 years and has learned how to function within that system; and the system is improving as the government is continuing its deregulation started in 1994 – simplifying procedures, revising laws, and generally trying to attract more foreign direct investment.

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## **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.”

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.”

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**

|   | <b>Sept 30,<br/>2009</b> | <b>June 30,<br/>2009</b> | <b>March 31,<br/>2009</b> | <b>Dec 31,<br/>2008</b> | <b>Sept 30,<br/>2008</b> | <b>June 30,<br/>2008</b> | <b>Mar 31,<br/>2008</b> | <b>Dec 31,<br/>2007</b> |
|---|--------------------------|--------------------------|---------------------------|-------------------------|--------------------------|--------------------------|-------------------------|-------------------------|
| Interest Income                         | \$ -                     | \$ 5                     | \$ 1,179                  | \$ (644)                | \$ 2,117                 | \$ 6,514                 | \$ 17,451               | \$ 4,529                |
| Net Loss                                | \$ (305,335)             | \$ (94,989)              | \$ (245,597)              | \$ (137,051)            | \$ (581,646)             | \$ (252,816)             | \$ (811,350)            | \$ (156,108)            |
| Basic & Diluted (Loss) Per Share        | \$ (0.01)                | \$ (0.01)                | \$ (0.04)                 | \$ (0.01)               | \$ (0.02)                | \$ (0.01)                | \$ (0.03)               | \$ (0.01)               |
| Basic & Diluted Weighted Average Shares | 36,382,409               | 33,485,548               | 33,242,376                | 30,170,988              | 29,171,219               | 29,171,219               | 29,171,219              | 24,871,980              |

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.

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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 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, 2009 quarter was due in part to delayed billings from drilling campaign carried out on two prospects in the second half of calendar 2007.

The first quarter of calendar 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 third quarter of calendar 2009 showed an increase in net loss of \$305,335 due mainly to share-based compensation of \$156,411. The increase in share based compensation was due to re-pricing of stock options and the issuance of new stock options during the quarter.

#### **Six months ended September 30, 2009 and 2008**

The Company incurred general and administrative expenses of \$400,324 during the six months ended September 30, 2009 (2008 - \$807,098). The decline in expenses is due to the Company trying to preserve existing capital. The largest factor for the decline was a decrease in share based compensation. This is due to the suppressed share price of the company. Significant general and administrative expenses incurred by the Company during the six months ended September 30, 2009, compared to the six months ended September 30, 2008, were as follows:

- corporate development costs of \$9,283 (2008 - \$20,178)
- foreign exchange gain of \$307 (2008 – loss of \$46,663)
- legal and audit fees of \$53,049 (2008 - \$74,995)
- management fees of \$108,667 (2008 - \$132,260)
- office expenses of \$6,634 (2008 - \$11,435)
- rent of \$11,608 as a deliberate cost-cutting measure (2008 - \$23,594)
- share compensation costs of \$161,501 (2008 - \$357,739)
- shareholder costs of \$14,981 (2008 - \$72,365)
- travel and entertainment of \$14,518 (2008 - \$12,848)

During the six months ended September 30, 2009, acquisition and compliance, exploration, drilling and underground development costs at Askot were \$317,814 (2008 - \$479,872).

Total assets increased by \$888,489 during the six months ended September 30, 2009 (2008 – decrease of \$376,431). Of the total assets, \$743,319 is represented by current assets, \$5,427,204 is invested in the Company's mineral properties and \$155,606 is capital equipment, and \$49,223 is long-term deposits.

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### **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 a working capital deficiency of \$(342,621) as compared to working capital of \$1,034,011 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 and the first interim quarter on June 30, 2009. The share price at the end of the second interim quarter on September 30, 2009 improved to \$0.13.

The decline in the entire market and the psychology of fear impaired the Company's ability to finance continued work from North American and European sources. The Company is currently negotiating additional financing from world-wide sources. During the quarter ended September 30, 2009 the company was able to successfully raise gross proceeds of \$1,050,000 on a private placement of 15 million shares.

Notwithstanding its current financing campaign 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.

#### **Historical Events**

During the period from June 2006 through September 22, 2009, the Company raised \$7,813,154 by through seven private placements of shares or units, ranging in price from \$0.60 to \$0.065. The outstanding share purchase warrants from these private placements as at the date of this document are noted below.

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### **Options and Warrants**

As at September 30, 2009, the following options and warrants to purchase shares of the Company were outstanding:

#### **Options**

|         | Number of<br>Shares | Price Per<br>Share | Expiry Date        | Date Granted or<br>Issued |
|---------|---------------------|--------------------|--------------------|---------------------------|
| Options | 745,000             | \$0.12             | August 10, 2012    | August 10, 2007           |
| Options | 25,000              | \$0.12             | January 18, 2013   | January 18, 2008          |
| Options | 1,725,000           | \$0.12             | August 25, 2013    | August 25, 2008           |
| Options | 2,355,000           | \$0.12             | September 29, 2014 | September 14, 2009        |
|         | <u>4,850,000</u>    |                    |                    |                           |

A total of 2,495,000 outstanding stock options were re-priced during the interim period ended September 30, 2009 from \$0.60 and \$0.24 to \$0.12 per share.

#### **Warrants**

|            | Number of<br>Shares | Price Per<br>Share | Expiry Date                    | Date Granted or<br>Issued |
|------------|---------------------|--------------------|--------------------------------|---------------------------|
| 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            |
|            | 134,931             | \$0.15             | April 9, 2011                  | April 9, 2009             |
| A Warrants | 1,285,500           | \$0.65             | June 22, 2011 <sup>1</sup>     | June 22, 2007             |
| B Warrants | 1,285,500           | \$1.00             | June 22, 2011 <sup>1</sup>     | June 22, 2007             |
| A Warrants | 289,500             | \$0.65             | July 13, 2011 <sup>1</sup>     | July 13, 2007             |
| B Warrants | 289,500             | \$1.00             | July 13, 2011 <sup>1</sup>     | July 13, 2007             |
|            | 1,415,045           | \$0.15             | August 28, 2011                | August 28, 2009           |
|            | 13,584,955          | \$0.15             | September 22, 2011             | September 22, 2009        |
|            | <u>23,979,931</u>   |                    |                                |                           |

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<sup>1</sup> *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. During the three months ended June 30, 2009 the Company extended the terms of the June and July A and B warrants by two years (news release of June 9, 2009). An application to the TSXV to reprice the warrants to lower levels was rejected subsequent to September 30 on the grounds that not all warrant holders consented to the new terms and that too much time had elapsed since the application was made in July.*

<sup>2</sup> *If the closing trading price of Pebble Creek shares is \$1.50 per share or higher for any 20 consecutive trading days, the Company may elect to accelerate the term of the December 2007 A warrants to expire within 30 days of notice to the holders.*

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.

### **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. In June an additional 554,514 shares were released from escrow leaving a balance of 2,955,505 remaining. At September 30, 2009 the balance remains unchanged.

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 has granted 4,850,000 share purchase options to directors, officers and employees, exercisable for a period of five years under this plan.

During the six months ended September 30, 2009 the Company terminated the previous share purchase option plan and implemented a new rolling share purchase option plan. The new plan is similar to the previous plan with the exception that it has been updated for the revised TSX Venture policy 4.4 for Tier 2 issuers. The new plan was approved by the shareholders on October 30, 2009 and by the TSX Venture Exchange on November 13, 2009.

On September 29, 2009 the Company approved the repricing of 2,495,000 previously granted options from \$0.60 and \$0.24 to \$0.12, which was approved by disinterested shareholders on October 30, 2009 and by the TSX Venture Exchange on November 13, 2009. On September 29, 2009 the Company granted 2,355,000 share purchase options to directors, officers, employees, consultants and investor relation firms. Due to employee departures from the company 100,000 share purchase options expired during the interim period bringing the total outstanding at September 30, 2009 to 4,850,000.

### **Third Subsidiary Formed**

On January 8, 2008 two directors of the Company incorporated an Indian company, Narsinghpur Gold Mining Private Limited (“NGM”). The directors are holding NGM in trust for Pebble Creek Mining Ltd. The Company expects to use NGM as a vehicle for certain property acquisitions and joint ventures.

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## **CONTRACTUAL OBLIGATIONS**

The Company has relocated to a new office in Vancouver, Canada which has a monthly rental of \$650 and a 60 day notice of termination. The Company was in the process of terminating its old lease in Vancouver at September 30, 2009 and had accrued a termination penalty of \$13,292. The old lease agreement was terminated after September 30, 2009 for this amount.

The Company has also entered into leases in New Delhi, India, for office premises and staff accommodation, expiring in August 2010 and May 2011, which require estimated minimum annual rental payments of \$194,000.

## **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 six months ended September 30, 2009, the Company paid \$49,730 (2008 - \$26,535) 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. At September 30, 2009, accounts payable included \$Nil payable to this legal firm (March 31, 2009 - \$22,257).

The Company also paid management, accounting and consulting fees of \$108,667, included in general and administrative expenses, and geological and engineering fees of \$59,333, included in mineral property acquisition and exploration costs, to officers during the six months ended September 30, 2009 (September 30, 2008 - \$132,260 and \$30,740, respectively). At September 30, 2009 \$367,368 was payable to these officers (March 31, 2009 - \$196,290).

## **EXPLORATION PROGRESS AND RESULTS**

### **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. India has been known for density of its bureaucracy and the resultant barriers to entry into the mining business. The Company has the distinction of successfully moving the Askot project through eight major permitting steps, and is one of the first foreign companies 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 ML is surrounded by the Company's 23,000 hectare Reconnaissance Permit application.

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The final required permit, Forest Clearance, is in progress. Upon execution of the ML Deed at some point in the future the Company will be required to make a payment to the government, currently estimated as \$895,000, for the alienation of forest lands and remediation by planting a number of trees elsewhere.

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

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 3,000 metres.

National Instrument 43-101 Milestone. On September 30, 2008 the Company received a National Instrument 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<br>(Tonnes) | Grade  |        |        |          |          |
|-----------|----------------------|--------|--------|--------|----------|----------|
|           |                      | 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%, 76%, 78%, 60% and 60%, respectively. All figures have been rounded to reflect the relative accuracy of the estimates.

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.

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Plans. The Company is currently planning further drilling at Askot. A step-out 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 drill sites are completed and several more are planned. Each task is designed to seek extensions of the known mineral deposit.

Community Relations. During the period the Company employed an average of 35 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.

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.

Outside Claim for a Minority 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 many years. UPSMDC resurrected a defunct 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.

The Company believes the claim is without merit; however the Company has made a settlement offer to UPSMDC that will have minimal impact on the Company's interest and nullify any future claims. The Company is awaiting UPSMDC's response.

Expenditures to Date. During the three months ended June 30, 2009 a total of \$180,964 was spent on the Askot project, to bring the total to date to \$5,254,286. The costs were related to underground development, compliance, pursuing and acquiring permits, 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 Prospecting Licence ("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. That RP application was granted on May 25, 2009. The Company has sought and obtained an extension to some date to be determined in February 2010 to execute 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.

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Results were not as good as hoped, however the entire Gadarwara package of nearly 4,000 square kilometers remains an excellent target for other classes of ore deposits, i.e. gold, nickel-PGM and IOCG (iron oxide-copper-gold) deposits.

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

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 a future time.

### **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 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.

### **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, which appears to be receding at present, has made conventional equity financing of advanced exploration difficult during the last 18 months
- Tariffs in India are 38% on imported drills, ancillary equipment, spare parts, and including drilling muds, chemicals and down-hole additives.

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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 licenses 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, commonly known as “black money” in India.

Positive Factors. The Company (along with its competitors in India) believes that positive factors outweigh the negative:

- In August the Government of India announced its plan to implement the new “National Mining Policy, 2008” that was passed by Cabinet in that year. This is expected to be enacted into law during the coming winter session of Parliament. The Company understands that all political objections to the policy have been resolved, and the Ministry of Mines has already advised the states of the new guidelines that are consistent with the anticipated legislation.
- The new policy, when enacted, will speed up the process of acquiring mineral tenements, expand the sizes of some classes of tenement, and provide for more secure title.
- 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 Geological Survey of India (GSI), which has been the main organ for mineral exploration, has charged exorbitant sums to the private sector for purchasing its exploration data. This year the Government has instructed it to make all exploration data public and post its findings on its web site. This will be implemented over the next few years.
- The Government has also instructed the GSI to cease jumping the queue and reserving a given area where a private company has applied for mineral tenements.
- 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.
- The Ministry of Mines and the 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 15 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.

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- 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.
- Notwithstanding uncertainty over future metals prices, many analysts are now forecasting firm prices for copper, zinc, lead, silver and gold in the years 2011-2013.

### **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.

As a first step in recapitalizing, the Company initiated a private placement of shares on June 30, 2009 which closed on September 23, 2009.

### **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:

|  | September 30,<br>2009<br>(6 months) | March 31,<br>2009<br>(12 months) |
|--|-------------------------------------|----------------------------------|
| Average risk-free interest rate        | 1.47%                               | 2.92%                            |
| Expected share price volatility        | 63%                                 | 111%                             |
| Expected average period until exercise | 2.43 years                          | 4.47 years                       |
| Expected dividend yield                | \$nil                               | \$nil                            |

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### **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.

### **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 year ended March 31, 2009. 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 year ended March 31, 2009. 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.

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 is conducting 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.

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.

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During the six months ended September 30, 2009 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 been 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.

### **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).