



Message from the President

To our Shareholders:

The last twelve months have demonstrated MBMI's ability to persevere through the significant challenges of a global economic recession as well as illegal attempts to gain an interest in our rightfully owned property claims.

While many of our peers were shutting down or suspending operations during this challenging time, MBMI was able to scale back its operational expenditures whilst continuing to source new sales opportunities. Negotiations with several international nickel consuming partners recently lead to the execution of contracts for the purchase of nickel bearing material to be delivered during 2009. As a result, MBMI and its Philippine partners anticipate ramping up operations at the Alpha property initially directed at shipping current stockpiled nickel bearing material to fulfill these sales contracts.

In keeping with the Company's short term objective of Direct Shipping Operations (DSO), several shipments of raw nickel material totaling approximately 118,000 Dry Metric Tonnes (DMT) were sold to primary industrial consumers in Asia for proceeds of US\$8.6 million. Furthermore, MBMI's Philippine partners applied for, and were granted, in September, 2008, renewals of two Small-Scale Mine Operating (SSMO) permits related to the Alpha property. The extensions enable an additional 100,000 DMT of material per permit to be shipped over 2 years.

During the year management also commissioned a NI 43-101 compliant technical report on the nickel bearing resources within the 60 hectares SSMO permit area of the 3,200 hectare Alpha property. The report confirmed the validity of the historical drilling data that has been compiled on the Alpha property. Further exploration beyond the restrictive (SSMO) areas will be conducted upon the issuance of additional exploration permits.

As previously disclosed, MBMI and its partners have been subject to a number of legal and administrative proceedings advanced by a "shell company" known as Redmont Consolidated Mines Corporation (Redmont) which management believes is an attempt to illegally gain an interest in the Company's Palawan projects. Redmont's actions are based on a challenge to the corporate ownership structure between MBMI and its Philippine partners. Our partners have been successful in defeating these claims at the Mines Adjudication Board and at the Court of Appeal both of whom confirmed that the corporate structure is compliant with Philippine law. Despite these decisions, Redmont continues to frustrate the full-scale permit process through various appeal efforts. MBMI and its partners are aggressively pursuing legal remedies to resolve these "nuisance" suits.

Management remains upbeat about the year ahead as demand for quality nickel bearing material and nickel prices continue to increase. We are confident that MBMI and its partners will advance its projects beyond the Small-Scale DSO model and believe there is an outstanding opportunity for the Company to continue its development as an emerging nickel supplier.

On behalf of the board of directors, I would like to thank all our shareholders, financiers, key stakeholders and employees for their support and contribution during a difficult economic period. We look forward to building upon on a sustainable business model.

Respectfully,

A handwritten signature in black ink, appearing to read 'Michael T. Mason', is written over a white background.

Michael T. Mason
President and C.E.O.

Management's Discussion and Analysis



The following discussion and analysis is for the year ended January 31, 2009 ("2009") compared with the year ended January 31, 2008 ("2008"). Unless otherwise stated, information is current to June 18, 2009, and all amounts are stated in Canadian dollars. Additional information relating to the Company may be found on SEDAR at www.sedar.com or on the Company's website at www.mbmresources.com.

INTRODUCTION

This discussion and analysis of the operating results, cash flows and financial position of MBMI Resources Inc. ("MBMI") should be read in conjunction with the consolidated financial statements for the years ended January 31, 2009 and 2008 and accompanying summary of significant accounting policies and notes (the "Financial Statements"). The "Company" refers to MBMI Resources Inc., its wholly owned subsidiaries and its Philippine joint ventures inclusively. The Philippine joint ventures are included in the consolidated financial statements on a proportionate basis. This discussion and analysis may contain forward-looking statements about the Company's future prospects. The Company provides no assurance that actual results will meet management's expectations.

DESCRIPTION OF BUSINESS

The Company is listed on the TSX Venture Exchange as a Tier 2 mining issuer under the trading symbol "MBR". The Company is engaged in the acquisition, exploration and development of mineral properties in the Philippines.

Success of the Company is dependent upon its ability to source appropriate exploration properties satisfactory to its investors and, thereafter, to upon obtaining the necessary financing to search, acquire and to meet exploration commitments on its mineral properties. Success also depends upon the discovery of economically recoverable reserves, as well as upon future profitable operations or proceeds from the disposition of such properties. The Alpha property (below) is in the development stage. The Company's joint ventures and Philippine partners have been granted Small-Scale Mining Operating ("SSMO") permits for the Alpha nickel property in Narra, Palawan, Philippines. The Company believes that commercial production on the Alpha property can be reached successfully after receiving a full-scale production permit, subject to confirmation of sufficient mineral resources. All of the Company's mineral properties, except for the Alpha property, are in the exploration stage. Development stage revenues have been deducted from mineral properties and deferred exploration costs. At the date of this MD&A, the Company continues to generate losses and negative cash flows from operations.

RESOURCE PROPERTIES: PHILIPPINES

The Company's properties of note consist of the Alpha Properties (the "Alpha Group"), Bethlehem & Rio Tuba Properties (held in the "Olympic Group"), four properties in the Samar region of the Philippines (the "Samar Group") and Dinagat Island ("Dinagat").

All of MBMI's Philippine properties are located within the known nickel geological trends that contain and/or produce raw nickel materials. Each of the properties has had historic exploration activity which has confirmed the presence of nickel mineralization. Exploration and development activities have been conducted through a series of steps or phases pursuant to which management has the option of dropping any property if it failed to achieve the Company's objectives. Property payments are linked to each step within the exploration, and development process.

MBMI actively explored and developed the Alpha property during the period and intends to expand the exploration programs to include several additional properties during the coming year.

The Company is focused on identifying and developing high-grade nickel zones which can support Direct Shipping Operations ("DSO").

Under DSO, nickel laterite material is excavated and the resultant product is segregated according to grade and air dried to reduce the moisture content. The segregated material is then blended to meet customer specifications. This blended material is loaded on barges for transshipment to ocean going ships for sale to nickel processing plants. The material is sold for a percentage of the nickel price as stated by the London Metal Exchange ("LME").

MANAGEMENT'S DISCUSSION AND ANALYSIS

For The Year Ended January 31, 2009

Generally, the higher the grade of nickel, the higher the percentage of the LME price received.

The Company's joint ventures and Philippine partners have been granted SSMO permits for the Alpha property. SSMO permits are issued by provincial governments to encourage exploration and development of mineral properties and allow for the extraction of up to 50,000 dry metric tons ("DMT") of material per year for up to two years. The SSMO permits were to expire during 2008. In September, 2008, two (2) of the Company's three (3) SSMO permits were renewed, thus allowing for the extraction and sales of a further 200,000 DMT over the two year life of the permits. All necessary permits have been granted in respect of the Small-Scale Mining Operations for the Alpha property; Operations under these SSMO permits commenced and an initial DSO shipment of material occurred during the previous fiscal year.

FINANCIAL AND TECHNICAL ASSISTANCE AGREEMENT APPLICATION:

The areas covered by the SSMO permits are also the subject of a Financial and Technical Assistance Agreement ("FTAA") application. Results from the small scale nickel material shipments have assisted the Company in moving toward the permitting and development of a potential full-scale operation pursuant to an FTAA and conforming to best global environmental standards and Philippine law. The Alpha project has received strong local community support and the project has been endorsed by the provincial Palawan Council for Sustainable Development. The application process for full-scale operations pursuant to an FTAA is well underway. The FTAA has not yet been granted at the date of this MD&A as the process was, until September 2008, subjected to and slowed by a "status quo order" (below).

During September, 2008, the Company's Philippine partners received a favorable ruling from their appeal to the Mines Adjudication Board ("MAB") of the Philippines Department of Environment and Natural Resources ("DENR") related to the Alpha Property, Bethlehem Property, and the two Rio Tuba Properties all located in the Province of Palawan.

The MAB ruling overturns a "status quo order" issued previously by a regional Panel Of Arbitrators in 2007 (see news release November 27 2007) pursuant to a challenge initiated by a 'shell company' known as Redmont Consolidated Mines Corp ("Redmont"). The Company and its Philippine legal counsel maintained that this challenge had no legal merit and was an attempt by Redmont and its backers to illegally gain an interest in these projects.

Redmont and its backers had alleged in its Petition filed with the Panel of Arbitrators in 2007, that Narra Nickel Mining and Development Corp. (Alpha property) McArthur Mining Inc (Rio Tuba properties) and Tesoro Mining Inc. (Bethlehem property) were not Filipino corporations and as a result were not entitled to apply for MPSA or FTAA permits for their properties.

MBMI and its Philippine partners sought the advice of Philippine legal counsel in structuring their corporate holdings to ensure they were at all times compliant with Philippine law. The Mines Adjudication Board in its order, reversed and set aside the Panel of Arbitrators decision and the MAB dismissed the Petition filed by Redmont and its backers. This ruling validates the Philippine corporate ownership structure of MBMI and its Philippine partners and confirms this structure is consistent with accepted practice in the Philippines and is in compliance with the requirements of Philippine law.

LONG-TERM SUPPLY AGREEMENTS:

The Company has entered into negotiations with several major international strategic partners who wish to secure long-term stable sources of raw material supply. The negotiation of these long-term "framework" supply agreements is ongoing.

One of the Company's Philippine partners has negotiated several nickel sales agreements for multiple nickel bearing materials ranging from 1.5% nickel to greater than 2.3% nickel as pertaining to the Alpha property.

A total of approximately 118,000 DMT was shipped during fiscal 2009 for total proceeds of approximately US\$8.6 million (\$8,790,000) (January 31, 2008: 35,111 DMT for total proceeds of US\$4,451,820 (\$4,227,655)). The

Company's proportionate joint venture share of \$5,102,390 (2008: \$2,536,593) is included in the consolidated financial statements as a deduction from mineral properties and deferred exploration costs.

INVESTMENT IN MINERAL EXPLORATION AND DEVELOPMENT

The Company's share of total expenditures on mineral properties during the year ended January 31, 2009 was \$9,398,416 (2008: \$10,667,223). Overall, exploration costs paid in the year are consistent with maintenance of the Alpha property permits, drilling on the Alpha property, assaying and operation of the lab, as well as consulting fees and wages for site personnel. Exploration costs also include the development of an excavation pit, hauling to the stockyard of mineralized nickel material, as well as crushing, drying, blending and sorting operations necessary for direct shipment operations. Revenues of \$5,102,390 in respect of the Company's shipments of nickel laterite material were deducted from mineral properties and deferred exploration costs, leaving a net increase in deferred costs of \$4,296,025.

Development work in the period focused on drilling, the construction of the stockyard facilities, road widening and acquisition of movable and crushing equipment. Development projects in progress include the building of surface structures (staff housing), haulage road widening and new mine road construction, and settling pond construction and maintenance.

Shipping expenses relates to the charter of LCT/barges for the loading of nickel material, net of sub-let revenues, payments to port authorities, freight and brokerage in respect of the shipment of nickel material.

Additionally, the Company made advances in respect of pre-export financing, exploratory and permitting expenses, secured by the nickel product stockpiles, for a long-term purchase agreement for nickel material from a project owned by unrelated interests on Dinagat Island, Philippines.

Alpha:

Most activity was focused on Alpha during the year.

During the previous year, nickel laterite material excavation commenced, the causeway, consisting of the dock facility and pier, and the road to the excavation site was completed and is currently undergoing improvements. The Company made its first shipment during the previous year and has made additional shipments since (see above). The Company's focus in the immediate term is the attainment of an FTAA permit (application having been made by the Company's joint venture partner, Narra Nickel Mining Development Corp.), which will allow the company to make additional capital investment and to attain full-scale commercial production.

On June 19, 2007 the Company negotiated a modification to the Transaction Documents in respect of the Alpha Property. Upon the issuance of an FTAA, or the Company's decision to allocate interest to a qualified Philippine partner(s), the modification gives the Company, the right to increase its direct and indirect interest from the current direct and indirect 60%, while Alpha shall retain a 5.5% net revenue return royalty. Pursuant to the Transaction Documents, the Company has now completed the full US\$250,000 in property payments.

In September, 2008, two (2) of the three (3) SSMO permits were renewed, thus allowing the Company to extract a further 200,000 DMT over the two year life of the permits.

In November, 2008, the Company retained international mining consulting company Lower Quartile Solutions Inc. to complete an independent NI 43-101 Mineral Resource estimate on the Alpha property. The Mineral Resource estimate is based only on nickel material contained in the 60 hectare SSMO permitted section of the 3,200 hectare Alpha property.

Samar:

The Company can maintain its interest in the joint venture by making a total of US\$208,000 (approximately \$208,000) in property payments per property on a phased basis and by financing exploration costs through to production. The Company has made property payments of US\$140,000 (approximately \$165,000), including an advance of US\$18,000 (approximately \$23,000), to maintain its interest in the properties pursuant to the final agreement.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For The Year Ended January 31, 2009

Olympic:

The company entered into an agreement with Olympic Mining and Development Corp. for the joint venture of three properties located on the island of Palawan, Philippines. At the date of this MD&A, the Company has made all applicable property payments of US\$645,000 (approximately \$699,000), thereby maintaining its current 60% direct and indirect interest in the joint venture.

On June 13, 2007, the Company negotiated a modification to the Olympic Agreements. The modification gives the Company, the right to increase its direct and indirect interest above 60% when the Company is issued an FTAA, or decides to allocate a portion of its interest to a qualified Philippine Partner(s). As a result of this modification, the joint venture partner shall retain a 5.5% net revenue return royalty. On September 18, 2007, the Olympic group assigned their interest in the Olympic properties to an unrelated party.

Dinagat:

On June 6, 2007, the Company entered into a long-term Purchase Agreement for Nickel Material in regards to a nickel project on Dinagat Island, Philippines held by a private Philippine company. A facility of up to US\$1 million (approximately \$1,125,000) has been made available to the counterparty, of which \$607,996 (2008: \$394,175) has been drawn down for exploratory and permitting expenditures before year end. The facility is non-interest bearing and has no security over the assets of the Philippine company. Advances are included in long-term notes receivable. The fair value of these advances at January 31, 2009 is approximately \$530,197 (2008: \$394,175). As at the date of these financial statements, the Company has not yet earned income from this agreement.

The counterparty agrees to repay these advances from the net proceeds of sale of nickel material from the property. The Company will provide financial and technical services; marketing and transaction services with respect to the liquidation of the mineral products produced. In return for the provision of the facility, the Company will receive a return based upon the operating profit of the counterparty, after loan repayments (the "distributable return"), for various commitment, service, facility management and interest fees, marketing and transaction services and for technical services.

The agreement term is for the life of the exploration, development, and exploitation of the property. The Company will provide pre-export financing for the project which will be secured by the nickel product stockpiles. The counterparty to this agreement holds a Mineral Production Sharing Agreement ("MPSA") over the property. The price the parties could receive for nickel product is calculated as a percentage of the LME price.

CAPITAL

The Company's financing source to date has been from the issuance of equity.

A total of \$18,500, net of financing fees of \$2,500, was received during the period from the subscription for 140,000 common shares on the exercise of options.

On January 27, 2009, the Company closed a non-brokered private placement of 7,782,000 units at \$0.05 per unit for gross proceeds of \$389,100. Each unit consisted of one common share and one full common share purchase warrant. Each full warrant entitles the holder to purchase one common share at a price of \$0.10 and has an expiry period of two years. The common shares issued in the first two tranches were subject to a four month hold period that expired in April 2009, and the common shares issued in connection with the third tranche were subject to a hold period which expired in May 2009. Finders' fees of \$4,862 and financing fees of \$3,241 were paid in connection with this financing. The fair value of warrants of \$185,361 was bifurcated to contributed surplus.

RESTATEMENT OF 2008 COMPARATIVE FINANCIAL STATEMENTS

The Company has restated its consolidated balance sheet as at January 31, 2008 to correct an error in the accounting for a note receivable of \$450,794 (Note 7). These funds were advanced to a director of one of the Company's Philippine joint ventures in fiscal 2008 to acquire land used by the Company's joint venture for stockyard facilities. The director retains title to the land because of legal restrictions preventing the Company's joint venture company from owning land. The 2008 consolidated balance sheet and consolidated statement of cash flow have been

restated to correctly report the advance as a note receivable as opposed to property, plant and equipment. This restatement did not result in any changes to the consolidated statements of operation and comprehensive loss and shareholders' equity for the year ended January 31, 2008.

OPERATING ACTIVITIES

The Company recorded a comprehensive loss for the year ended January 31, 2009 of \$7,842,451 (\$0.10 per share), compared with \$10,430,160 (\$0.15 per share) for 2008. The decrease in comprehensive loss is mostly due to full recovery of \$397,910 of foreign advances for an interest in a nickel property on which the Company was not successful, stock option compensation expense that was \$3,210,654 lower in the 2009 fiscal year and legal and accounting fees that were lower by \$628,476. These savings are offset by higher administration fees, increasing by \$569,781.

Significant discussion items:

- a) Administration (\$1,177,688): The Company incurred administration services of \$397,582 (2008: \$550,904) from directors in the period. Representatives of the Company's board of directors are actively involved in the daily management of the Company. This line also includes the Company's proportionate share of wages and salaries paid by Philippines joint venture corporations. Year on year increases are a result of increased administrative staff in the Philippines.
- b) Amortization (\$109,008): This has increased as a result of an increased investment in administrative assets.
- c) Accretion (\$34,872): Relates to accretion of discount interest on convertible debentures issued in previous years. All were converted in fiscal 2008, resulting in a lower expense.
- d) Project management fees and communications (\$1,003,100): Includes continuing representation in respect of the Alpha FTAA permitting process and fees paid to the Company's full time representatives in the Philippines. In the previous period, payments were made for provincial permit applications in McArthur Mining Inc (a joint venture partner).
- e) Duties and taxes (\$164,173): Relates to the taxes paid in respect of various nickel material sampling and testing made in the period, freight on various permitting and other documents and excise taxes.
- f) General exploration (Recovery \$115,597): Fiscal 2008 expense relates to deposits paid for Philippine production sharing contracts. The costs were recovered in full in fiscal 2009 upon due diligence review and the decision to not pursue executed contracts.
- g) Legal and accounting (\$565,475): Legal fees were paid in the period for various matters including permitting, general corporate matters, and assistance in the negotiation and advancement of new projects, as well as to appropriately structure the Company's Philippine operations. The decrease in legal fees is a result of the cases being fought by the Company, as disclosed in "Contingencies" below, in fiscal 2008.
 Legal fees of \$49,953 were paid to a firm in which a director of the Company is a partner (2008: \$111,492). Accounting fees include \$78,500 (2008: \$64,584) paid to an officer of the corporation for accounting services. Canadian audit fees included in this line, in respect of fiscal 2008, are \$30,995, and, for fiscal 2009, approximately \$149,079. Amounts included in this line for the Company's share of Philippine audit fees are approximately \$20,000. Amounts paid to other consultants are \$5,640. Legal fees associated with maintenance of the Company's Hong Kong subsidiary are \$9,729.
- h) Rent (\$141,132) increased as a result of lot rental for the Company's Philippine administration offices at the Alpha site.
- i) Stock option compensation (\$2,315,750): Stock option compensation expense during the period arose as a result of the amortized vesting of options. 150,000 options were granted to employees and consultants in the period.
- j) Travel, entertainment and general consulting (\$670,402): Is consistent with the increased staffing and related travelling of professionals and management, necessary to ensure the operation the Company's operations in Narra, Palawan. Includes the Company's share of travel, representation and allowances to staff, contractor supplies, meals and entertainment, taxes and government fees for permitting and representation paid in respect of the Company's other projects.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For The Year Ended January 31, 2009

Foreign exchange gains of \$433,582 arose as a result of changes in Canadian, US and Philippine currencies on net financial assets (liabilities) that are required to be maintained by the Company to meet its obligations in the Philippines.

Interest income relates to interest earned on the increase in our outstanding cash balances due to deposits of share subscriptions (see Capital) and interest on long-term notes receivable.

Impairment relates to allowances for non collection of refundable deposits and other receivables.

Increases in interest expense relate to discount interest on long-term notes receivable. This has increased as a result of increases in funds advanced during the year (refer Note 8(d)).

Increases in income tax expense relate to Philippine future income tax liabilities.

Other comprehensive loss arose as a result of restatement of the Company's market investments to fair value.

FINANCIAL SUMMARY

| Yearly Results | Comprehensive Loss | Loss per share | Total Assets | Long term Liabilities |
|------------------------------------|---------------------------|-----------------------|---------------------|------------------------------|
| Year ended January 31, 2009 | \$7,842,451 | \$0.10 | \$22,382,140 | \$1,008,587 |
| Year ended January 31, 2008 | \$10,430,160 | \$0.15 | \$24,370,729 | \$265,191 |
| Year ended January 31, 2007 | \$2,556,059 | \$0.05 | \$12,598,924 | \$1,166,259 |

| Quarterly Results | Q-1 | Q-2 | Q-3 | Q-4 |
|---|----------------------|----------------------|----------------------|----------------------|
| 2009 | | | | |
| Net loss | (\$2,393,796) | (\$1,563,023) | (\$1,490,769) | (\$2,388,249) |
| Other comprehensive income/ (loss) | \$27,735 | (\$13,211) | (\$26,423) | \$5,285 |
| Basic & diluted loss per share | (\$0.03) | (\$0.02) | (\$0.02) | (\$0.03) |
| 2008 | | | | |
| Net loss | (\$749,438) | (\$3,895,230) | (\$3,056,420) | (\$2,729,072) |
| Basic & diluted loss per share | (\$0.01) | (\$0.06) | (\$0.04) | (\$0.04) |

As the Company is in the development stage, variances in its quarterly losses are not affected by sales or production-related factors. Variances by quarter reflect overall corporate activity and are also impacted by factors which are not recurring each quarter.

CAPITAL RESOURCES AND LIQUIDITY

The Company does not currently own or have an interest in any mineral properties that produce in commercial quantities. Although the Company derives limited revenues from its development activities, the Company's activities have been funded primarily through equity financing and the Company expects that it will continue to be able to utilize this source of financing until it develops commercial cash flow from operations. There can be no assurance, however, that the Company will be successful in its efforts. If such funds are not available or other sources of finance cannot be obtained, then the Company will be forced to curtail its activities to a level for which funding is available or can be obtained.

As at January 31, 2009, the Company had a working capital deficiency of \$2,001,092 versus \$6,512,765 on January 31, 2008. During the period, the Company's share of proceeds received from the sale of nickel material was \$5,836,781 and \$401,997 from the issuance of common shares from private placements and the exercise of stock options. These proceeds were expended on administrative and other operations (\$2,532,078), the exploration and development of the Company's properties (\$8,104,228), purchases of property and equipment (\$405,057), and the financing of a life of mine purchase agreement (\$326,521).

The accumulated deficit increased to \$31,975,559 from \$24,139,722 on January 31, 2008. Losses for the year are discussed above in "Operating Activities".

Cash used in operating activities decreased year on year from \$5,304,149 in 2008 to \$2,532,078 in 2009 as a result of management of working capital, increases in accounts payable and accrued liabilities. Management has concentrated on managing working capital and cash balances during the fiscal year. Significant operating items are discussed above. Items of note include increases in administration expenses, associated with ongoing increases in activities on the Company's Philippine properties and permitting activities.

Cash flows used in investing activities in 2009 were \$2,999,025 compared to \$11,996,418 in the prior year. Costs associated with mineral exploration and acquisitions decreased year over year due to the deduction of proceeds from the sale of nickel material of \$5,836,781 (2008: \$1,977,225) from cash outflows to investing activities. In the comparative period, the Company was investing heavily in capital infrastructure and development of mining assets in Narra to facilitate production and first sales in Q4 2007/08. Current year mining activities have been curtailed during Q3 because of unfavorable economic conditions. Most exploration and property and equipment acquisitions in the current year are on the Company's Alpha property. (Refer to Investment in Mineral Exploration and Development above). Cash expenditures and advances on mineral properties were \$8,104,228 in 2009 versus \$10,248,090 in 2008.

FINANCIAL AND OTHER INSTRUMENTS

The Company has classified its financial instruments as follows:

| | |
|---|-----------------------------|
| Cash and cash equivalents | Held-for-trading |
| Receivables, notes receivable | Loans and receivables |
| Investments | Available-for-sale |
| Accounts payable and accrued liabilities, due to related parties | Other financial liabilities |

For certain of the Company's financial assets and liabilities, including cash and cash equivalents, receivables, refundable deposits, accounts payable and accrued liabilities, the carrying amounts approximate their fair values due to the relatively short periods to maturity of the instruments.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For The Year Ended January 31, 2009

The classification and fair values of the Company's financial instruments at January 31, 2009 and 2008 are summarized as follows:

| | 2009 | | 2008 | |
|-----------------------------|----------------|------------|----------------|--------------|
| | Carrying Value | Fair Value | Carrying Value | Fair Value |
| Held-for-trading | \$ 146,901 | \$ 146,901 | \$ 5,276,007 | \$ 5,276,007 |
| Loans and receivables | 1,096,058 | 1,096,058 | 1,655,535 | 1,655,535 |
| Available-for-sale | 18,496 | 18,496 | 25,110 | 25,110 |
| Other financial liabilities | 3,209,861 | 3,209,861 | 817,142 | 817,142 |

CURRENCY RISK

The functional currency of the Company is the Canadian dollar. The Olympic, Alpha and Samar Groups report to the Company in Philippine pesos. This gives rise to significant exposure to market risks from changes in foreign currency rates. The financial risk is the risk to the Company's operations that arises from fluctuations in foreign exchange rates and the degree of volatility of these rates. Currently, the Company does not use derivative instruments to reduce its exposure to foreign currency risk. The Company mitigates its risk to fluctuations in the Philippine peso by maintaining minimal cash balances in Philippine pesos. The Company is also exposed to fluctuations between the US and Canadian dollars as many of its property-related commitments are denominated in US dollars. Net financial liabilities of the Company denominated in Philippine Pesos (presented in Canadian dollars) at January 31, 2009 were PHP88,512,311 (\$2,354,427) and net financial assets of US\$651,426 (\$732,854). A 100 basis points change in the value of the US dollar and Philippine peso would result in a foreign exchange gain or loss of \$7,300 and \$23,500, respectively.

INTEREST RATE RISK

The Company is not exposed to interest rate risk on its long-term note receivable since this note bears interest at a fixed rate.

CREDIT RISK

Financial instruments which potentially subject the Company to concentrations of credit risk consist of cash equivalents and receivables. The cash equivalents consist mainly of short-term money market deposits. The Company has deposited the cash equivalents with reputable financial institutions, from which management believes the risk of loss to be remote. The table below shows the credit quality of our financial assets, not including receivables, as at January 31, 2009:

| | Moody's credit rating | | | |
|---------------------------|-----------------------|----------|-------------|------------|
| | A- or higher | C- to B+ | D+ or lower | Total |
| Cash and cash equivalents | \$ 105,454 | \$ — | \$ 41,447 | \$ 146,901 |

The Company's Philippine joint venture operations maintain bank deposits (\$41,447) with the Rizal Commercial Banking Corporation ("RCBC"), and is rated a D-, however, remains a reputable financial institution in the Philippines.

The Company has trade receivables from customers engaged in the steel and manufacturing industries, and are concentrated in China, Korea and Japan. These specific industries may be affected by economic factors which may impact collectability of trade receivables. Management mitigates the credit risk associated with the concentration on few industries by limiting its credit exposure on the fair value of each shipment, receiving most funds on loading of the buyer's ship. The Company places letters of credit with reputable financial institutions up to the fair value of each shipment. There was no letter of credit outstanding at January 31, 2009.

At January 31, 2009, one customer accounted for 88% (2008: 100%) of total trade receivables and 30% (2008: 100%) of total revenues earned in the development stage. A specific allowance of \$821,580 was made in respect of one trade receivables. Factors considered by management were the age of the balance outstanding as well as management's opinion as to the likelihood of collection within an operating cycle of three months. Other allowances for doubtful accounts in the Philippines amounted to \$8,760 for miscellaneous items.

The Company entered into a long-term Purchase Agreement for Nickel Material in regards to a nickel project on Dinagat Island, Philippines held by a private Philippine company (Note 8(d)). The fair value of advances made under this agreement of \$530,197 are treated as a long-term note receivable. Collection of these advances is dependent upon the maintenance of legal ownership, and the attainment of successful production from the property or from the proceeds of its disposal. At this time management believes these advances to be recoverable and mitigates credit risk through regular monitoring of development budgets and permitting activities.

The table below shows the aging of trade receivables and long-term notes receivable.

| Aging of Trade Receivables and Long-term Note Receivable | | | | | | | |
|--|---------|---|---------|---|----------|-----------|------------|
| | Current | | 60 days | | 90+ days | | Total |
| Trade receivables | \$ | — | \$ | — | \$ | 916,919 | \$ 916,919 |
| Allowance for Impairment | | — | | — | | (821,580) | (821,580) |
| | \$ | — | \$ | — | \$ | 95,339 | \$ 95,339 |

The Company has advances receivable of \$470,522 from a director of one of the Company's Philippine subsidiaries for the acquisition of land necessary for the development of the Alpha property (Note 11). The advances are repaid by the director from funds provided by the Company in an offsetting lease of the land for use as a stockyard facility. The risk of loss is determined to be remote on the basis of this offsetting provision. The loan is amortized over a 15 year period commencing February 1, 2008. All repayments receivable are current.

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's approach to liquidity risk is to ensure that it always has sufficient cash and credit facilities to meet its obligations when due, under both normal and stressed conditions, without incurring unacceptable losses or damage to the Company's reputation. Management typically forecasts cash flows for a period of three to six months to identify financing requirements. These requirements are then addressed primarily through access to capital markets.

The Company's financial liabilities mature as follows:

| January 31, 2009 | Due within 1 year | | Due between 1 and 5 years | | Due after 5 years | | Total |
|--------------------------|-------------------|-----------|---------------------------|---|-------------------|---|--------------|
| Trade and other payables | \$ | 2,993,128 | \$ | — | \$ | — | \$ 2,993,128 |
| Due to related parties | | 216,733 | | — | | — | 216,733 |
| | \$ | 3,209,861 | \$ | — | \$ | — | \$ 3,209,861 |

All financial liabilities are non-interest bearing.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For The Year Ended January 31, 2009

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Company's President (CEO) and CFO have elected to certify its annual filings under the venture issuer basic certificate.

The Company's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in the venture issuer basic certificate, which requires the Company's President (CEO) and CFO to certify the following:

- i) that they have reviewed the annual financial statements and annual MD&A, including for greater certainty all documents and information that are incorporated by reference in the annual filings of the Company for the fiscal period;
- ii) that, having exercised reasonable diligence, the annual filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made for the fiscal period;
- iii) that, having exercised reasonable diligence, the annual financial statements together with the other financial information included in the annual filings fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the periods presented in the filings.

Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency, and timeliness of interim and annual filings and other reports provided under securities legislation.

In contrast to the disclosures required under National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings (NI 52-109), this MD&A does not include representations relating to the establishment and maintenance of disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as defined in NI 52-109.

The certifying officers filing this MD&A are not making any representations relating to the establishment and maintenance of:

- i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation;
- ii) a process to 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.

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements requires the Company to select from possible alternative accounting principles, and to make estimates and assumptions that determine the reported amounts of assets and liabilities at the balance sheet date and reported costs and expenditures during the reporting period. Estimates and assumptions may be revised as new information is obtained, and are subject to change. The Company's accounting policies and estimates used in the preparation of the Financial Statements are considered appropriate in the circumstances, but are subject to judgments and uncertainties inherent in the financial reporting process.

Development Stage

Management has determined that the Company is in the development stage. This requires management to make assumptions as to when the Company will reach commercial production, particularly assumptions regarding sustainable and feasible production levels, resource estimations and market conditions.

Recoverability of Mineral Properties and Deferred Exploration Costs

Property acquisition costs and related direct exploration costs may be deferred until the properties are placed into production, sold, abandoned, or written down, where appropriate. The Company's accounting policy is to capitalize exploration costs consistent with Canadian GAAP and applicable guidelines for exploration stage companies. The policy is consistent with other junior exploration companies which have not established mineral reserves objectively. An alternative policy would be to expense these costs until sufficient work has been done to determine that there is a probability a mineral reserve can be established; or alternatively, to expense such costs until a mineral reserve has been objectively established. Management is of the view that its current policy is appropriate for the Company at this time. This requires management to make critical assumptions of future events and circumstances, in particular, that each of the properties will reach a full scale permit status, that a market exists for the sale of nickel material, and that reserves can be established at market prices that exceed the cost of extracting the underlying resources. Based on annual impairment reviews made by management, or earlier if circumstances warrant, in the event that the long-term expectation is that the net carrying amount of these capitalized exploration costs will not be recovered, then the carrying amount is written down accordingly and the write-down charged to operations. A write-down may be warranted in situations where a property is to be sold or abandoned; or exploration activity ceases on a property due to unsatisfactory results or insufficient available funding.

Asset Retirement Obligations

Significant estimates are made in respect of the Company's asset retirement obligations. The Company's proposed mining and exploration activities are subject to various laws and regulations for federal, regional and provincial jurisdictions governing the protection of the environment. These laws are continually changing. The Company believes its operations are in compliance with all applicable laws and regulations. The Company expects to make, in the future, expenditures to comply with such laws and regulations but cannot predict the full amount or timing of such future expenditures. Estimated future reclamation costs are based principally on legal and regulatory requirements. Reclamation and remediation obligations arise from the acquisition, development, construction and normal operation of mining property, plant and equipment. The Company has developed its Alpha property and, in respect of this property, has incurred a reclamation obligation. The Company has only performed exploratory work on its other mineral properties, and has not incurred significant reclamation obligations. No asset retirement obligation accrual was made in these financial statements in respect of the Samar, or Olympic properties.

Stock-based Compensation

Another significant estimate relates to accounting for stock-based compensation. Option pricing models require the input of highly subjective assumptions, including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore, the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options granted/vested during the period. Unlike other figures in the accounts, this is a calculated amount not based on historical cost, but on subjective assumptions introduced to an option pricing model, in particular: (1) an estimate for the average future hold period of issued stock options before exercise, expiry or cancellation and (2) future volatility of the company's share price in the expected hold period (using historical volatility as a reference). The resulting value calculated is not necessarily the value which the holder of the option could receive in an arm's length transaction, given that there is no market for the options and they are not transferable.

Valuation of Inventories

Inventories are valued at the lower of cost and net realizable value. The estimation of realizable value requires management to make critical assumptions of future events and circumstances, in particular, that a market exists for the sale of nickel material, a reasonable estimation of the cost to sell the material, and that the material (less cost to sell) can be sold at or greater than the cost to extract the underlying resources. Based upon annual impairment analyses, if management determines that the cost to extract stockpile inventories is greater than the value realized then the inventory is written down accordingly and the write-down is charged to operations.

Valuation of Investments

Marketable securities, all considered "available for sale" under new accounting standards, are being carried in our consolidated financial statements at market value. The determination of market value inherently relies on trading prices of the securities being a valid assumption of fair value. Moreover, foreign exchange rates applied to these fair

MANAGEMENT'S DISCUSSION AND ANALYSIS

For The Year Ended January 31, 2009

values are estimated at the date of the valuation based on listed market rates. Therefore, the estimates given may not necessarily provide a reliable single measure of fair value. Estimates of fair value may change over time.

Determining Functional Currency

Based on the economic substance of the underlying circumstances relevant to the Company, the functional currency of the Company has been determined to be the Canadian dollar, being the source currency of the Company's capital funds.

Future Income Tax Valuation Allowance

The Company has certain future income tax assets arising as a result of non-capital income tax losses carried forward, unrealized foreign exchange losses and amortization of property, plant and equipment. The Company records a valuation allowance against future income taxes because the criteria for their recognition have not been met. This requires management to make certain estimates and assumptions as to future events and circumstances, in particular, the estimated likelihood and timing of reversal of temporary differences, and the likelihood of reaching commercial production in the future.

Valuation of Receivables

The Company has made certain estimates and assumptions to determine fair valuation of its receivables. In particular, management is required to make assessments as to recoverability of receivables. These assessments may change as new information becomes available. Management is also required to make estimates of appropriate discount and market rates of interest used to calculate fair value. The Company is in the development stage and obtains its financing from sources that combine debt and equity instruments. This requires management to make estimates of real risk-adjusted discount rates of return.

RECENT ACCOUNTING PRONOUNCEMENTS

Goodwill and Intangible Assets

In January 2008, the CICA issued Section 3064, "Goodwill and Intangible Assets", which will replace Section 3062, "Goodwill and Other Intangible Assets". The standard provides guidance on the recognition of intangible assets in accordance with the definition of an asset and the criteria for asset recognition as well as clarifying the application of the concept of matching revenues and expenses, whether these assets are separately acquired or internally developed. Section 1000, "Financial Statement Concepts", was also amended to provide consistency with this new standard. This standard will apply to the Company's interim and annual financial statements beginning on February 1, 2009. The Company determined that the adoption of this standard will have no impact on the Company's consolidated financial statements.

Business Combinations

In December 2008, the CICA issued Section 1582, "Business Combinations", which will replace Section 1581, "Business Combinations". This section establishes revised standards for the accounting for a business combination which are aligned with International Financial Reporting Standard ("IFRS") on business combinations. Section 1582 applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011.

In January 2009, the CICA issued Section 1601, "Consolidated Financial Statements". This section, together with Section 1602, replaces the former Section 1600, "Consolidated Financial Statements", and establishes standards for the preparation of consolidated financial statements. The Section applies to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Earlier adoption is permitted as of the beginning of a fiscal year. An entity adopting this Section for a fiscal year beginning before January 1, 2011 also adopts Section 1582, "Business Combinations", and Section 1602, "Non-controlling Interests".

In January 2009, the CICA issued CICA HB Section 1602, "Non-controlling Interests". This new Section establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. It is equivalent to the corresponding provisions of International Financial Reporting Standard IAS 27, "Consolidated and Separate Financial Statements". This Section applies to interim

and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Earlier adoption is permitted as of the beginning of a fiscal year. An entity adopting this Section for a fiscal year beginning before January 1, 2011 also adopts Section 1582, "Business Combinations" and Section 1601, "Consolidated Financial Statements".

The Company has not yet determined the impact of adopting these standards on the Company's consolidated financial statements.

International Financial Reporting Standards ("IFRS")

The Accounting Standards Board of the CICA announced that Canadian Generally Accepted Accounting Principles ("Canadian GAAP") for publicly accountable enterprises will be replaced with International Financial Reporting Standards (IFRS) for fiscal years beginning on or after January 1, 2011. Early conversion to IFRS for fiscal years beginning on or after January 1, 2009 may also be permitted.

Implementing IFRS will have an impact on accounting, financial reporting and supporting IT systems and processes. It may also have an impact on taxes, contractual commitments involving Canadian GAAP based clauses, long-term employee compensation plans and performance metrics. Accordingly, when the Company develops its IFRS implementation plan, it will have to include measures to provide extensive training to key finance personnel, to review contracts and agreements and to increase the level of awareness and knowledge amongst management, the Board of Directors and Audit Committee. Additional resources may be engaged to ensure the timely conversion to IFRS.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements. Commitments are outlined in Note 18 of the consolidated financial statements.

CONTINGENCIES

The Company is aware of certain cases involving its joint ventures concerning the legitimacy of tenure over the Company's Philippine mineral properties. All of the cases have been raised on a similar premise and can be broadly categorized as follows:

- a) Cases questioning the Company's qualification to own mining interests in the Philippines.

These cases are premised on the question under the Philippine Mining Act (1995) (the "Mining Act") as to qualification of the Company's joint venture companies as "Filipino Corporations". The Company believes that the ownership of each of the Philippine joint venture corporations is consistent with accepted practice in the Philippines, namely that the Mining Act considers only the maximum 40% direct foreign ownership interest of each of the joint venture companies. These cases have been brought against the Company through the federal and provincial regulatory boards. The right of appeal exists for both parties to the Supreme Court. During September, 2008, the Company's Philippine partners received a favourable ruling from their appeal to the Mines Adjudication Board of the Philippines Department of Environment and Natural Resources related to the Alpha Property, Bethlehem Property, and the two Rio Tuba Properties all located in the Province of Palawan. The MAB ruling overturns a "status quo order" issued previously by a regional Panel Of Arbitrators in 2007 pursuant to a challenge initiated by a 'shell company' known as Redmont Consolidated Mines Corp ("Redmont"). The Company and its Philippine legal counsel maintained that this challenge had no legal merit and was an attempt by Redmont and its backers to illegally gain an interest in these projects. This ruling validates the Philippine corporate ownership structure of MBMI and its Philippine partners and confirms this structure is consistent with accepted practice in the Philippines and is in compliance with the requirements of Philippine law. The Alpha and Olympic Properties are subject to an FTAA permit application (Notes 8(a) and 8(b)), and two of the four Samar properties are the subject of an exploration permit (EP), not an MPSA. Under the Mining Act, even a foreign corporation is able to wholly own an FTAA and EP.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For The Year Ended January 31, 2009

On August 14, 2008, a case was filed by Redmont with the Philippine corporate securities registry ("the SEC") requesting cancellation of the Company's certificate of registration on similar grounds as above, again citing restrictions in foreign ownership. The Company filed an answer to this case on January 12, 2009, and maintains that the complaint states no cause of action against the Company, as the SEC has no jurisdiction over the Canadian parent, and that the Company's joint venture corporations duly qualify as Filipino Corporations, as has been consistently upheld by the SEC.

b) Case concerning the environmental sustainability of mining operations on the Company's Alpha Property.

The Company has obtained all requisite permits associated with its Alpha Property, including those for environmental compliance and believes the case has no merit.

RELATED PARTY TRANSACTIONS

Several Directors of the Company supply administrative, geological services and legal services to the Company at arm's length rates under existing renewable contracts. Details of these related party transactions and recorded amounts and balances outstanding at the period end are identified in Note 11 in the consolidated financial statements.

OUTSTANDING SHARE DATA

The Company has one class of common shares. As at January 31, 2009 the Company had 86,533,045 shares outstanding. As at June 18, 2009, there were 91,496,363 common shares; 24,021,961 warrants; and 7,687,500 stock options outstanding.

SUBSEQUENT EVENTS

Subsequent events not disclosed elsewhere in the consolidated financial statements or management's discussion and analysis are as follows:

- (a) One of the Company's Philippine subsidiaries has negotiated four sales agreements with Asian industrial consumers for the purchase of nickel bearing material for approximate proceeds of US\$2,500,000. Two agreements call for the delivery of two separate 35,000 Wet Metric Tonne ("WMT") shipments of material having grades of approximately 1.4% nickel. This material has been prepared for delivery and is stockpiled within the Alpha, Palawan project area. The Company's Philippine subsidiaries have also executed sales agreements for higher grade nickel material with another Asian consumer for two shipments of approximately 27,500 WMT each to be delivered during the second half of 2009.
- (b) On April 15, 2009, the Company granted options to acquire up to 2,280,000 common shares for \$0.10 until April 15, 2014.
- (c) On May 25, 2009 the Company executed a Term Sheet pertaining to a secured 2 year convertible debenture for up to \$1.5million and a 2 year bridge loan for up to \$1.5 million for a total of up to \$3 million.

The principal amount of the Debenture is convertible into units of the Company at the option of the Lender at a fixed conversion price of \$0.09 per unit. The units are comprised of a common share and one common share purchase warrant. One warrant will entitle the holder to purchase one Common Share at a price of \$0.13 per share for a period of 2 years from the date of conversion. Interest of 10% per annum will be payable, and the Company will issue to the bridge loan lenders up to 4,800,000 common shares on closing. Closing of the financing is subject to completion of due diligence by the lender, execution of definitive loan documents and TSX Venture exchange and other regulatory approvals as may be required.

- d) On May 25, 2009, the Company arranged a non-brokered private placement financing of up to 7,000,000 units at \$0.075 per unit for gross proceeds of \$525,000. Each unit consists of one common share and one full common share purchase warrant. Each full warrant entitles the holder to purchase one common share at a price of \$0.10 and has an expiry period of 2 years. All common shares issued are subject to a four month hold period, and subject to TSX Venture exchange approval.

INDUSTRY RISKS

The Company is in the mineral exploration and development business and as such is exposed to a number of risks and uncertainties that are common to other companies in the same business. Some of the possible risks include the following:

- a) The industry is capital intensive and subject to fluctuations in metal prices, market sentiment, foreign exchange and interest rates.
- b) The main source of future funds for further exploration and development programs, or if such exploration programs are successful for the development of economic ore bodies and commencement of commercial production thereon, which are presently available to the Company are the sale of equity capital or the offering by the Company of an interest in its properties, but there is no assurance that such sources will be available on acceptable terms in the future.
- c) As with all mining projects worldwide there are various groups including NGO's who oppose the company's plans and progress through legal processes and otherwise. The Company will continue to respond aggressively to these challenges.
- e) The continued operations of the Company require various licenses and permits from various governmental authorities. There is no assurance that the Company will be successful in obtaining the necessary licenses and permits to continue its exploration and development activities in the future.
- f) The Company has not completed a feasibility study on any of its deposits to determine if it hosts a mineral resource that can be economically developed and profitably mined.

STRATEGY AND RISK MANAGEMENT

The severe tightening of capital markets and decline in commodity prices has resulted in lower liquidity and corporate valuations and created a challenging financial environment for companies in the exploration and development stage to raise project financing and working capital. The Company has responded to this environment by revising its short term objectives, reducing non-core staff and arranging to raise additional funds to allow for the continuation of its Philippine operations and to provide working capital for the short term. Despite the resulting dilution to outstanding capital, management believes the carefully considered and measured continuation of Philippine operations is in the best interests of the Company and its shareholders.

As the Company's core project, the Alpha project continues to show large exploration and development potential and, in the belief of management, continues to provide substantial value to shareholders. Even so, MBMI's management has revised interim objectives as a reaction to and reflection of the worldwide financial environment. These changes include the temporary curtailment of excavation operations of the Alpha property, as well as a focus on the geological compilation of current and historical work. The Company continues to identify new exploration targets on the property and completed its National Instrument 43-101 ("NI 43-101") technical report on the SSMO permitted areas.

OTHER INFORMATION:

Additional information is available on the Company's website at www.mbmresources.com or on SEDAR at www.sedar.com.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For The Year Ended January 31, 2009

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS:

The information provided in this report, including the financial statements, is the responsibility of management. In the preparation of these statements, estimates are sometimes necessary to make a determination of future values for certain assets or liabilities. Management believes such estimates have been based on careful judgments and have been properly reflected in the accompanying financial statements.

Management maintains a system of internal controls to provide reasonable assurance that the Company's assets are safeguarded and to facilitate the preparation of relevant and timely information.

Corporate Information

| | |
|-----------------|---|
| Head Office: | Suite 322 – 470 Granville Street Vancouver, BC V6C 1V5 |
| Directors: | Michael T Mason Christopher A Serin Robert McCurdy John Cook David Tafel Kenneth A Cawkell John Seaman |
| Officers: | Michael T Mason, President and CEO David Tafel, VP of Corporate Development Adrian Rothwell, CFO Kenneth A Cawkell, Secretary |
| Auditor: | Grant Thornton LLP Suite 1600 Grant Thornton Place 333 Seymour Street Vancouver, BC V6B 0A4 |
| Legal Counsel: | Cawkell, Brodie & Glaister Suite 1260 – 1188 West Georgia Street Vancouver, BC V6E 4A2 Tolosa Romulo Agabin & Flores Law Offices 8 th Floor, GMA Lou-Bel Plaza Chino Roces Ave. cor. Bagtikan St San Antonio Village, Makati City Metro Manila, Philippines. |
| Transfer Agent: | Computershare Investor Services 2nd Floor – 510 Burrard Street Vancouver, BC V6C 3B9 |

Consolidated Financial Statements

MBMI Resources Inc.
(A Development Stage Company)

For the years ended January 31, 2009 and 2008

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CONSOLIDATED FINANCIAL STATEMENTS

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and Comprehensive Loss
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Auditors' Report

To the Shareholders
MBMI Resources Inc.

We have audited the consolidated balance sheet of MBMI Resources Inc. as at January 31, 2009 and the consolidated statements of operations and comprehensive loss and the consolidated statements of shareholders' equity and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at January 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The consolidated financial statements as at January 31, 2008 and for the year then ended, prior to the adjustment for the accounting for the note receivable as described in Note 3, were audited by other auditors who expressed an opinion without reservation on those statements in their report dated May 28, 2008. We have audited the adjustment, as described in Note 3, to the consolidated financial statements as at January 31, 2008 and for the year then ended and in our opinion, such adjustment, in all material respects, is appropriate and has been properly applied.

Grant Thornton LLP

Vancouver, Canada
June 19, 2009

Chartered Accountants

CONSOLIDATED BALANCE SHEETSSee Going Concern Note 1
(Stated in Canadian Dollars)

| As at January 31 | 2009 | 2008 (Restated - Note 3) |
|---|----------------------|--------------------------------|
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | \$ 146,901 | \$ 5,276,007 |
| Receivables (Note 4) | 95,339 | 810,566 |
| Prepaid expenses and refundable deposits | 108,862 | 635,793 |
| Inventory (Note 5) | 824,983 | 582,431 |
| Investments (Note 6) | 18,496 | 25,110 |
| Current portion of notes receivable (Note 7) | 14,188 | 11,416 |
| | 1,208,769 | 7,341,323 |
| Mineral properties and deferred exploration costs (Notes 8 and 10) | 17,795,183 | 13,499,158 |
| Notes receivable (Note 7) | 986,531 | 833,553 |
| Property, plant and equipment (Note 9) | 2,391,657 | 2,696,695 |
| | \$ 22,382,140 | \$ 24,370,729 |
| Liabilities | | |
| Current liabilities | | |
| Accounts payable and accrued liabilities | \$ 2,993,128 | \$ 746,275 |
| Due to related parties (Note 11(b)) | 216,733 | 70,867 |
| | 3,209,861 | 817,142 |
| Asset retirement obligations (Note 10) | 314,349 | 189,194 |
| Future income tax liability (Note 16) | 694,238 | 75,997 |
| | 4,218,448 | 1,082,333 |
| Shareholders' Equity | | |
| Common shares (Note 12) | 31,641,708 | 31,404,843 |
| Contributed surplus | 18,504,157 | 16,023,275 |
| Deficit accumulated in the development stage | (31,975,559) | (24,139,722) |
| Accumulated other comprehensive income (loss) | (6,614) | - |
| | 18,163,692 | 23,288,396 |
| | \$ 22,382,140 | \$ 24,370,729 |

Approved by the Board:

_____"Michael T. Mason"_____
Director

_____"David G. Tafel"_____
Director

Commitments (Note 18)**Contingencies** (Note 19)**Subsequent Events** (Note 23)

The accompanying summary of significant accounting policies and notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

(Stated in Canadian Dollars)

| For the years ended January 31 | 2009 | 2008 |
|--|-----------------------|------------------------|
| General and administrative expenses | | |
| Administration (Note 11(a)) | \$ 1,177,688 | \$ 607,907 |
| Accretion expense (Notes 10 and 12(f)) | 34,872 | 111,138 |
| Amortization | 109,008 | 36,182 |
| Bad debt | 87,189 | — |
| Project consulting and communications (Note 11(a)) | 1,003,100 | 1,133,072 |
| Duties and taxes | 164,173 | 108,352 |
| Financing fees | 2,500 | 34,100 |
| General exploration (recovery) | (115,597) | 253,324 |
| Insurance | 51,924 | 94,427 |
| Legal and accounting (Note 11(a)) | 565,475 | 1,193,951 |
| Office and miscellaneous | 441,027 | 778,338 |
| Rent | 141,132 | 78,482 |
| Stock-based compensation (Note 14) | 2,315,750 | 5,526,404 |
| Telephone | 65,872 | 51,613 |
| Transfer agent and filing | 27,558 | 66,389 |
| Travel | 670,402 | 575,257 |
| Loss before undernoted | (6,742,073) | (10,648,936) |
| Other income (expenses) | | |
| Allowance for impairment | (562,273) | — |
| Foreign exchange gain | 433,582 | 142,584 |
| Interest and other income | 127,923 | 178,201 |
| Interest expense | (134,958) | (41,192) |
| Loss for the year before provision for income taxes | (6,877,799) | (10,369,343) |
| Income tax expense (Note 16) | (958,038) | (60,817) |
| Net loss for the year | (7,835,837) | (10,430,160) |
| Other comprehensive loss | | |
| Unrealized loss on investments | (6,614) | — |
| Comprehensive loss for the year | \$ (7,842,451) | \$ (10,430,160) |
| Loss per share - basic and diluted (Note 12) | \$ (0.10) | \$ (0.15) |
| Weighted average shares outstanding | 79,230,497 | 69,208,873 |

The accompanying summary of significant accounting policies and notes are an integral part of these consolidated financial statements.

MBMI RESOURCES INC. (A Development Stage Company)
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(Stated in Canadian Dollars)

| | Share Capital | | Contributed Surplus | Accumulated Other Comprehensive Income | Deficit Accumulated in the Development Stage | Total |
|--|-------------------|----------------------|---------------------|--|--|----------------------|
| | Number of Shares | Amount | | | | Shareholders' Equity |
| Balance, February 1, 2008 | 78,611,045 | \$ 31,404,843 | \$ 16,023,275 | \$ — | \$ (24,139,722) | \$23,288,396 |
| Issued on the exercise of stock options | 140,000 | 21,000 | — | — | — | 21,000 |
| Fair value of options exercised | — | 20,229 | (20,229) | — | — | — |
| Issued by private placement, net of issuance costs of \$8,103 (Note 12(d)) | 7,782,000 | 380,997 | — | — | — | 380,997 |
| Fair value of warrants issued (Note 12(d)) | — | (185,361) | 185,361 | — | — | — |
| Stock-based compensation | — | — | 2,315,750 | — | — | 2,315,750 |
| Net loss and comprehensive loss for the year | — | — | — | (6,614) | (7,835,837) | (7,842,451) |
| Balance, January 31, 2009 | 86,533,045 | \$ 31,641,708 | \$18,504,157 | \$ (6,614) | \$ (31,975,559) | \$ 18,163,692 |

The accompanying summary of significant accounting policies and notes are an integral part of these consolidated interim financial statements.

MBMI RESOURCES INC. (A Development Stage Company)
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(Stated in Canadian Dollars)

| | Share Capital | | Contributed Surplus | Subscriptions Receivable | Deficit Accumulated in the Development Stage | Total Shareholders' Equity |
|---|-------------------|----------------------|----------------------|--------------------------|--|----------------------------|
| | Number of Shares | Amount | | | | |
| Balance, February 1, 2007 | 58,847,276 | \$ 19,765,975 | \$ 5,219,149 | \$ (19,600) | \$ (13,709,562) | \$11,255,962 |
| Issued on the exercise of warrants | 3,131,337 | 2,961,128 | — | — | — | 2,961,128 |
| Fair value of warrants exercised | — | 680,866 | (680,866) | — | — | — |
| Issued on the exercise of stock options | 1,127,500 | 280,550 | — | — | — | 280,550 |
| Fair value of options exercised | — | 553,059 | (553,059) | — | — | — |
| Issued by private placement, net of issuance costs of \$683,441 | 13,297,547 | 12,352,309 | — | — | — | 12,352,309 |
| Fair value of warrants issued | — | (6,745,592) | 6,745,592 | — | — | — |
| Issued on the conversion of convertible long-term debt, net of financing fees of \$170,498 (Note 12(f)) | 2,207,385 | 1,322,698 | — | — | — | 1,322,698 |
| Stock-based compensation | — | - | 5,526,404 | — | — | 5,526,404 |
| Fair value of equity rights on conversion of convertible debt (Note 12(f)) | — | 233,850 | (233,945) | — | — | (95) |
| Subscriptions received | — | — | — | 19,600 | — | 19,600 |
| Net loss and comprehensive loss for the year | — | — | — | — | (10,430,160) | (10,430,160) |
| Balance, January 31, 2008 | 78,611,045 | \$ 31,404,843 | \$ 16,023,275 | \$ — | \$ (24,139,722) | \$ 23,288,396 |

The accompanying summary of significant accounting policies and notes are an integral part of these consolidated interim financial statements.

MBMI RESOURCES INC. (A Development Stage Company)
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Stated in Canadian Dollars)

| For the years ended January 31 | 2009 | 2008 (Restated - Note 3) |
|---|----------------|-----------------------------|
| Cash flows provided by (used in) operating activities | | |
| Net loss for the year | \$ (7,835,837) | \$ (10,430,160) |
| Non-cash items: | | |
| Allowance for impairment losses | 562,273 | — |
| Bad debt | 87,189 | — |
| Future Income tax expense | 618,241 | 60,817 |
| Amortization | 109,008 | 36,182 |
| Accretion expense | 34,872 | 111,138 |
| Financing fees | — | 34,100 |
| Unrealized foreign exchange | 31,144 | — |
| Stock-based compensation | 2,315,750 | 5,526,404 |
| Interest on notes receivable | 77,799 | — |
| Interest on convertible debt | — | 38,888 |
| | (3,999,561) | (4,622,631) |
| Changes in non-cash working capital | | |
| Receivables | (106,353) | (128,417) |
| Prepaid expenses and refundable deposits | (35,342) | (613,183) |
| Inventory | (783,541) | (582,431) |
| Accounts payable and accrued liabilities | 2,246,853 | 610,255 |
| Due to related parties | 145,866 | 32,258 |
| | (2,532,078) | (5,304,149) |
| Cash flows provided by financing activities | | |
| Net proceeds from issuance of common shares and share subscriptions, net of issue costs | 401,997 | 15,603,986 |
| Cash flows provided by (used in) investing activities | | |
| Notes receivable | — | (450,794) |
| Payments to acquire property, plant and equipment | (405,057) | (2,880,584) |
| Expenditures and advances on mineral properties | (8,104,228) | (10,248,090) |
| Advances on life of mine agreement | (326,521) | (394,175) |
| Cash received on sales in the development stage | 5,836,781 | 1,977,225 |
| | (2,999,025) | (11,996,418) |
| Decrease in cash and cash equivalents | (5,129,106) | (1,696,581) |
| Cash and cash equivalents, beginning of year | 5,276,007 | 6,972,588 |
| Cash and cash equivalents, end of year | \$ 146,901 | \$ 5,276,007 |

Supplemental cash flow information (Note 17)

The accompanying summary of significant accounting policies and notes are an integral part of these consolidated financial statements.

MBMI RESOURCES INC. (A Development Stage Company)
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Stated in Canadian Dollars)

JANUARY 31, 2009 AND 2008

1. NATURE OF BUSINESS AND GOING CONCERN

The Company is incorporated under the laws of the Province of British Columbia and is engaged in the acquisition, exploration, and development of mineral properties. Currently, the Company is exploring its eight Philippine properties held within the "Olympic", "Alpha", and "Samar" joint ventures and is developing its Alpha property. The Company has earned revenues from its exploration and development activities on the Alpha property (Note 8) and is considered to be in the development stage.

As of April 23, 2007 the Company's Philippine venture was granted three (3) permits to conduct Small Scale Mining Operations on the Alpha Nickel Project which allows the excavation and sale of nickel laterite material on a limited basis of up to 150,000 metric tons per year (50,000 metric tons per permit) for a period of two years. During the year, the Company renewed two (2) Small Scale Permits for a period of two years.

Current and planned exploration and development activities are being conducted in the Philippines (Note 8). The Company's main properties are the Alpha Properties (the "Alpha Group") which is located adjacent to the Company's Bethlehem Property (held in the "Olympic Group"), the "Rio Tuba" (Mt Bulanjao and Malatgao) properties (also held in the "Olympic Group"), and, four properties in the Samar region of the Philippines (the "Samar Group").

The Company is focused on identifying and developing high-grade zones which can support the potential Direct Shipping Operations (DSO).

At January 31, 2009, the Company had an accumulated deficit of \$31,975,559 and a working capital deficit of \$2,001,092. Without additional sources of funding the Company may be unable to meet its obligations as they fall due and complete planned exploration and development of its mineral properties. Management is actively pursuing additional financing but there is no assurance that additional funding will be available in the future. In the event that additional financing or an alternative source of funding is not obtained, there is substantial doubt about the ability of the Company to continue as a going concern.

The ability of the Company to realize its assets and meet its financial obligations and commitments is dependent upon the ability of the Company to source appropriate exploration properties satisfactory to its investors and, thereafter, upon the existence of economically recoverable reserves, maintaining interest in such properties, obtaining the necessary financing to search and acquire and meet exploration commitments on the properties and upon future profitable operations or proceeds from the disposition of the properties. The Company also significantly reduced its corporate administration expenses, principally by lowering its administration staff, management salaries and by placing its operations on a temporary care and maintenance in the fourth quarter of this fiscal year. Subsequent to year end, the Company has raised some financing to meet some of its operating obligations and property commitments. Refer Note 23.

These consolidated financial statements have been prepared on a going concern basis, which assumes the Company will be able to realize assets and discharge liabilities and commitments in the normal course of business for the foreseeable future. These consolidated financial statements do not include any adjustments that would be necessary should the Company be unable to continue as a going concern.

JANUARY 31, 2009 AND 2008

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Consolidation These consolidated financial statements are prepared in accordance with accounting principles generally accepted in Canada ("GAAP") and include the accounts of the Company and, on a proportionate consolidation basis, the accounts of the Olympic, Alpha, and Samar Philippine Groups. Moreover, from April 11, 2007, the accounts of a wholly owned subsidiary, MBMI Resources (Hong Kong) Limited ("MBMI HK"), and, from July 19, 2007, MBMI Resources Philippines Inc. are fully consolidated in these financial statements. Both were incorporated by the Company. All intercompany balances and transactions are eliminated on consolidation.

At January 31, 2009, all of the Company's exploration and development activities are conducted through joint ventures.

Cash and cash equivalents Cash and cash equivalents includes cash on hand and short-term highly liquid investments readily convertible to cash and with a maturity of 90 days or less on date of purchase.

Receivables Trade receivables are recognized at the amounts due for settlement no more than 90 days from the date of recognition. The collectability of trade receivables is reviewed on an ongoing basis. Accounts which are known to be uncollectable are written off. A provision for impairment is recorded when there is evidence that the Company will not be able to collect fully the amounts due.

Investments Investments consist of marketable securities in listed public companies and are valued at the bid price at each balance sheet date.

Joint Ventures The Olympic, Alpha, and Samar Groups consist of ownership interests in various mining ventures engaged in the acquisition, exploration and development of mineral properties in the Philippines.

(a) Olympic Group

The Olympic Group consists of the Bethlehem, Mt. Bulanjao and, Malatgao properties. Through agreements with various Philippine companies, the Company holds directly and indirectly a 60% effective equity interest in the Olympic Properties. Pursuant to shareholders' agreements, the Company holds joint control over the companies in the Olympic Group and has the right to earn up to 100% subject to a 5.5% net revenue royalty, and subject to meeting certain conditions and milestones.

(b) Alpha Group

Through a joint venture agreement with a Philippine company, the Company holds directly and indirectly a 60% effective equity interest in the Alpha Property. Pursuant to shareholders' agreements, the Company holds joint control over the companies in the Alpha Group and has the ability to earn up to 100% subject to a 5.5% net revenue royalty, and subject to meeting certain conditions and milestones.

MBMI RESOURCES INC. (A Development Stage Company)
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Stated in Canadian Dollars)

JANUARY 31, 2009 AND 2008

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

(c) Samar Group

The Samar Group consists of the Homonhon, Gen. MacArthur; Borongan-Maydolong and Giporlos properties.

Under a joint venture agreement the Company holds directly and indirectly an effective 64% equity interest in the Samar Properties. Pursuant to shareholders' agreements, the Company holds joint control over the companies in the Samar Group and has the ability to earn up to 92% interest in the properties subject to meeting certain conditions.

The Olympic, Alpha, and Samar Groups have been accounted for in the Company's consolidated financial statements using the proportionate consolidation basis, whereby the Company records on a line-by-line basis its proportionate share of the assets, liabilities, revenues and expenses of the investees. All intercompany balances and transactions are eliminated on consolidation.

Property, Plant and Equipment

Property, plant and equipment held in the Company's administrative offices is recorded at cost less accumulated amortization charged on a declining-balance basis over their estimated useful lives.

Property, plant and equipment held at the Company's operating sites is recorded at cost and carried net of accumulated amortization. Mobile and other equipment is amortized, net of residual value, using the straight-line-method, over the estimated productive life of the asset, as follows:

| | |
|-------------------------|-----------|
| Mining equipment | 5 years |
| Communication equipment | 5 years |
| Furniture and equipment | 2-5 years |
| Automotive equipment | 3-5 years |
| Leasehold improvements | 2-5 years |

Repairs and maintenance expenditures are expensed as incurred. Expenditures that extend the useful lives of existing facilities or equipment are capitalized and amortized over the remaining useful life of the related asset.

Mineral Properties and Deferred Exploration Costs

The amounts recorded as mineral properties and deferred exploration costs represent exploration, development and associated activity costs incurred to date and are not intended to reflect present or future values. These costs are deferred until the discovery of economically exploitable reserves and the start-up of the production phase on a property-by-property basis or until the property is abandoned. Mineral properties are abandoned when management allows property interests to lapse or when they determine that properties are not economically viable. Costs accumulated relating to projects that are abandoned are written-off in the year in which a decision to discontinue the project is made. Proceeds received on the sale or option of the Company's properties are recorded as a reduction of the mineral property cost. The Company recognizes in income costs recovered on mineral properties when amounts received or receivable are in excess of the carrying amount.

When it has been determined that a mineral property can be economically developed as a result of establishing proven and probable reserves, costs incurred prospectively

JANUARY 31, 2009 AND 2008

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Mineral Properties and Deferred Exploration Costs - Continued

to develop the property are capitalized as incurred and are amortized using the unit-of-production ("UOP") method over the estimated life of the ore body based upon recoverable ounces to be mined from estimated proven and probable reserves, once determined.

The Company is in the development stage and, hence, commercial production has not yet commenced. Commercial production occurs when an asset or property is substantially complete, is fully permitted and ready for its intended use.

On a periodic basis, senior management reviews the carrying values of mineral properties and deferred exploration expenditures with a view to assessing whether there has been any impairment in value. In the event that it is determined there is an impairment in the carrying value of any property, the carrying value will be written down or written off, as appropriate. Management considered the guidance in Emerging Issues Committee EIC-174 "Mining Exploration Costs" to determine whether conditions exist that indicate an impairment may exist and a write-down may be required. There was no impairment write-down required at January 31, 2009.

Realization of assets

The investment in and expenditures on the mineral property comprise a significant portion of the Company's assets. Realization of the Company's investment in this asset is dependent upon the establishment of legal ownership, the attainment of successful production from the property or from the proceeds of its disposal.

Resource exploration and development is highly speculative and involves inherent risks. While the rewards if an ore body is developed can be substantial, few properties that are explored are ultimately developed into producing mines.

Title to mineral property interests

Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

Environmental

Environmental legislation is becoming increasingly stringent and costs and expenses of regulatory compliance are increasing. The impact of new and future environmental legislation on the Company's operations may cause additional expenses and restrictions.

If the restrictions adversely affect the scope of exploration and development on the mineral property, the potential for production on the property may be diminished or negated.

The Company is subject to the laws and regulations relating to environmental matters in all jurisdictions in which it operates, including provisions relating to property reclamation, discharge of hazardous material and other matters. The Company conducts its mineral exploration activities in compliance with applicable environmental protection legislation. The Company is not aware of any existing environmental problems related to any of its current or former properties that may result in a material liability to the Company.

MBMI RESOURCES INC. (A Development Stage Company)
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Stated in Canadian Dollars)

JANUARY 31, 2009 AND 2008

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Foreign Currency Transactions and Translation

The Company's interests in its foreign exploration ventures are treated as integrated foreign operations. Accordingly, foreign currency transactions and balances are translated into Canadian dollars as follows:

- (a) monetary items are translated at the exchange rate prevailing at the balance sheet date;
- (b) non-monetary items are translated at historical exchange rates;
- (c) revenue and expense items are translated at the average rate of exchange for the year in which they were incurred; and
- (d) exchange gains and losses arising from translation are included in the determination of net earnings for the year in which they were incurred.

Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions which affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses for the years reported. Actual results could differ from those estimates. Key items in these financial statements subject to significant estimates and assumptions include stock-based compensation, the valuation of mineral properties and deferred exploration costs, accounts payable and accrued liabilities, asset retirement obligations and contingent liabilities.

Other judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the financial statements are:

Determining Functional Currency

Based on the economic substance of the underlying circumstances relevant to the Company, the functional currency of the Company has been determined to be the Canadian dollar, being the source currency of the Company's capital funds.

Recoverability of Mineral Properties and Deferred Exploration Costs

The Company's accounting policy for exploration, evaluation and development expenditure results in certain items of expenditure being capitalized for properties that are considered to be in the development stage, or where costs are known to be recoverable by future exploitation of the property, or from the sale of nickel material. This policy requires management to make certain estimates and assumptions as to future events and circumstances, in particular, that each of the properties will reach a full scale permit status, that a market exists for the sale of nickel material, and that reserves can be established at market prices that exceed the cost of extracting the underlying resources. Any such estimates and assumptions may change as new information becomes available.

Future Income Tax Valuation Allowance

The Company has certain future income tax assets arising as a result of non-capital income tax losses carried forward, unrealized foreign exchange losses and amortization of property, plant and equipment. The Company records a valuation allowance against future income taxes because the criteria for their recognition have not been met. This requires management to make certain estimates and assumptions as to future events and circumstances, in particular, the estimated likelihood and timing of reversal of temporary differences, and the likelihood of reaching commercial production in the future.

JANUARY 31, 2009 AND 2008

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Use of Estimates - Continued

Valuation of Receivables

The Company has made certain estimates and assumptions to determine fair valuation of its receivables. In particular, management is required to make assessments as to recoverability of receivables. These assessments may change as new information becomes available. Management is also required to make estimates of appropriate discount and market rates of interest used to calculate fair value. The Company is in the development stage and obtains its financing from sources that combine debt and equity instruments. This requires management to make estimates of real risk-adjusted discount rates of return.

Revenue Recognition

Revenue is recognized to the extent that revenues can be measured and it is probable that the economic benefits will accrue to the Company. In respect of the sale of nickel material, revenue is recognized when the significant risks and rewards of ownership passes to the buyer. This is determined to be when the material is loaded on to the buyer's vessel.

As the Company is in the development stage, all revenues have been offset against mineral properties and deferred exploration costs in accordance with the recommendations of the Emerging Issues Committee, EIC-27 "Revenues and Expenditures During the Pre-operating Period".

Loss Per Share

The Company uses the "Treasury Stock Method" to calculate loss per common share. Under this method, the basic loss per share is calculated based on the weighted average aggregate number of common shares outstanding during each year. The diluted loss per share assumes that the outstanding stock options and share purchase warrants had been exercised at the beginning of the year.

Income Taxes

Income taxes are calculated using the liability method of accounting. Temporary differences arising from the difference between the tax basis of an asset or liability and its carrying amount on the balance sheet are used to calculate future income tax liabilities or assets. Future income tax liabilities or assets are calculated using tax rates anticipated to apply in the periods that the temporary differences are expected to reverse. Future income tax assets are only recognized when it is more likely than not that the associated benefits on loss carry forwards will be realized.

Stock-based Compensation

Stock-based awards include stock-based compensation and other stock-based payments made in exchange for goods and services. Stock-based awards are measured and recognized in these consolidated financial statements using a fair value based method such as the Black-Scholes option pricing model. Under certain circumstances, the fair value of stock options granted to non-employees may be re-measured on each balance sheet date. Compensation expense for options granted to directors, officers and employees is recognized on the date the options vest.

Warrants

Share issuances during the year that include a warrant have been bifurcated into a share and warrant component for accounting purposes. The warrant component is recorded in contributed surplus and is reclassified to share capital when exercised.

MBMI RESOURCES INC. (A Development Stage Company)
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Stated in Canadian Dollars)

JANUARY 31, 2009 AND 2008

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Asset Retirement Obligation

The Company's proposed mining, development and exploration activities are subject to various laws and regulations for federal, regional and provincial jurisdictions governing the protection of the environment. These laws are continually changing. The Company believes its operations are in compliance with all applicable laws and regulations. The Company expects to make, in the future, expenditures to comply with such laws and regulations but cannot predict the full amount or timing of such future expenditures. Estimated future reclamation costs are based principally on legal and regulatory requirements. Reclamation and remediation obligations arise from the acquisition, development, construction and normal operation of mining property, plant and equipment.

The Company follows the recommendations of CICA Handbook section 3110, "Asset Retirement Obligations" which requires recording the fair value of an asset retirement obligation as a liability in the period in which it incurs a legal obligation associated with the retirement of tangible long-lived assets that result from the acquisition, construction, development, and/or normal use of the assets. The obligation is measured initially at fair value using present value methodology and the resulting costs are capitalized into the carrying amount of the related asset. In subsequent periods, the liability is adjusted for any changes in the amount or timing of the underlying future cash flows. Capitalized asset retirement costs will be depreciated on the same basis as the related asset and the discounted accretion of the liability is included in determining the results of operations.

At January 31, 2009 the Company has developed its Alpha property and, in respect of this property, has incurred a reclamation obligation. The Company has only performed exploratory work on its other mineral properties, and has not incurred significant reclamation obligations. As such, no asset retirement obligation accrual was made in these financial statements in respect of the Samar or Olympic properties.

Inventory

Inventories classifications include "stockpiled material" and "materials and supplies." All of our inventories are recorded at the lower of cost and net realizable value. The stated value of all inventories include direct production costs and attributable overhead and depreciation, except for materials and supplies inventories.

Stockpiled material represents nickel material that has been extracted from the mine and is ready for further processing, crushing and benefaction. Stockpile ore is measured by estimating the number of tonnes (via truck counts or by physical surveys) added or removed from the stockpile, and the percentage Nickel material and number of contained dry metric tonnes (based on assay data).

Stockpiled material value is based on the costs incurred (including depreciation and amortization) in bringing nickel material to the stockpile. Costs are added to stockpiled material based on current mining costs per tonne and are removed at the average cost per tonne in the stockpile.

Materials and supplies inventories consist mostly of equipment parts, fuel and lubricants and reagents consumed in laboratory testing and nickel material processing. Materials and supplies are valued at the lower of average cost and net realizable value.

JANUARY 31, 2009 AND 2008

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Financial Instruments

The Company classifies all financial instruments into one of the five following categories: "held-for-trading", "held-to-maturity", "available-for-sale", "loans and receivables" or "other financial liabilities". Held-to-maturity, loans and receivables and other financial liabilities are measured at amortized cost using the effective interest rate method. Held-for-trading instruments are measured at fair value with changes in fair value recognized in the statement of operations. Available-for-sale instruments are measured at fair value with changes in fair value excluded from earnings and reported as other comprehensive income until the financial asset is derecognized or impaired, at which time the gain or loss previously recognized in accumulated other comprehensive income is recognized in net earnings for the period. The Company has classified its financial instruments as follows:

| | |
|---|-----------------------------|
| Cash and cash equivalents | Held-for-trading |
| Receivables, notes receivable | Loans and receivables |
| Investments | Available-for-sale |
| Accounts payable and accrued liabilities, due to related parties | Other financial liabilities |

The Company accounts for purchases and sales of financial assets at the trade date. Transaction costs for financial assets and liabilities classified or designated as held-for-trading are recognized immediately in net income. Transaction costs for financial assets classified as available-for-sale or loans and receivables are added to the value of the instrument at acquisition and recognized in net earnings on a systematic basis using the effective interest rate method.

The Company does not enter into financial instrument contracts to hedge foreign exchange positions.

Changes in Accounting Policies

Capital Disclosures and Financial Instruments

At February 1, 2008, the Company adopted three new presentation and disclosure standards that were issued by the CICA, Handbook Section 1535, "Capital Disclosures" ("Section 1535"), Handbook Section 3862, "Financial Instruments - Disclosures" ("Section 3862") and Handbook Section 3863, "Financial Instruments - Presentation" ("Section 3863").

Section 1535 requires the disclosure of both qualitative and quantitative information that enables users of financial statements to evaluate (i) an entity's objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance. The Company has provided the required disclosures under Section 1535 in Note 21 of these consolidated financial statements.

Sections 3862 and 3863 replace Handbook Section 3861, "Financial Instruments, Financial Instruments - Disclosure and Presentation", revising and enhancing its disclosure requirements and carrying forward unchanged its presentation requirements for financial instruments. Sections 3862 and 3863 place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks. The Company has provided the required disclosures under Section 3862 in Note 20 of these consolidated financial statements.

MBMI RESOURCES INC. (A Development Stage Company)
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Stated in Canadian Dollars)

JANUARY 31, 2009 AND 2008

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Changes in Accounting Policies - Continued

Inventories

Section 3031, "Inventories" ("Section 3031"), which replaces Section 3030, establishes standards for the measurement and disclosure of inventories. The new standard provides more extensive guidance on the determination of cost, including allocation of overhead and requires impairment testing. The adoption of Section 3031 did not result in a material impact on the Company's consolidated financial statements.

Future Accounting Pronouncements

Goodwill and Intangible Assets

In January 2008, the CICA issued Section 3064, "Goodwill and Intangible Assets", which will replace Section 3062, "Goodwill and Other Intangible Assets". The standard provides guidance on the recognition of intangible assets in accordance with the definition of an asset and the criteria for asset recognition as well as clarifying the application of the concept of matching revenues and expenses, whether these assets are separately acquired or internally developed. Section 1000, "Financial Statement Concepts", was also amended to provide consistency with this new standard. This standard will apply to the Company's interim and annual financial statements beginning on February 1, 2009. The Company determined that the adoption of this standard will have no impact on the Company's consolidated financial statements.

Business Combinations

In December 2008, the CICA issued Section 1582, "Business Combinations", which will replace Section 1581, "Business Combinations". This section establishes revised standards for the accounting for a business combination which are aligned with International Financial Reporting Standard ("IFRS") on business combinations. Section 1582 applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011.

In January 2009, the CICA issued Section 1601, "Consolidated Financial Statements". This section, together with Section 1602, replaces the former Section 1600, "Consolidated Financial Statements", and establishes standards for the preparation of consolidated financial statements. The Section applies to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Earlier adoption is permitted as of the beginning of a fiscal year. An entity adopting this Section for a fiscal year beginning before January 1, 2011 also adopts Section 1582, "Business Combinations", and Section 1602, "Non-controlling Interests".

In January 2009, the CICA issued CICA HB Section 1602, "Non-controlling Interests". This new Section establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. It is equivalent to the corresponding provisions of International Financial Reporting Standard IAS 27, "Consolidated and Separate Financial Statements". This Section applies to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Earlier adoption is permitted as of the beginning of a fiscal year. An entity adopting this Section for a fiscal year beginning before January 1, 2011 also adopts Section 1582, "Business Combinations" and Section 1601, "Consolidated Financial Statements".

The Company has not yet determined the impact of adopting these standards on the Company's consolidated financial statements.

JANUARY 31, 2009 AND 2008

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Future Accounting Pronouncements - Continued

International Financial Reporting Standards (“IFRS”)

The Accounting Standards Board of the CICA announced that Canadian Generally Accepted Accounting Principles (“Canadian GAAP”) for publicly accountable enterprises will be replaced with International Financial Reporting Standards (IFRS) for fiscal years beginning on or after January 1, 2011. Early conversion to IFRS for fiscal years beginning on or after January 1, 2009 may also be permitted.

Implementing IFRS will have an impact on accounting, financial reporting and supporting IT systems and processes. It may also have an impact on taxes, contractual commitments involving Canadian GAAP based clauses, long-term employee compensation plans and performance metrics. Accordingly, when the Company develops its IFRS implementation plan, it will have to include measures to provide extensive training to key finance personnel, to review contracts and agreements and to increase the level of awareness and knowledge amongst management, the Board of Directors and Audit Committee. Additional resources may be engaged to ensure the timely conversion to IFRS

3. RESTATEMENT OF 2008 COMPARATIVE FINANCIAL STATEMENTS

The Company has restated its consolidated balance sheet as at January 31, 2008 to correct an error in the accounting for a note receivable of \$450,794 (Note 7). These funds were advanced to a director of one of the Company's Philippine joint ventures in fiscal 2008 to acquire land used by the Company's joint venture for stockyard facilities. The director retains title to the land because of legal restrictions preventing the Company's joint venture company from owning land. The 2008 consolidated balance sheet and consolidated statement of cash flows have been restated to correctly report the advance as a note receivable as opposed to property, plant and equipment. This restatement did not result in any changes to the consolidated statements of operations and comprehensive loss and shareholders' equity for the year ended January 31, 2008.

MBMI RESOURCES INC. (A Development Stage Company)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Stated in Canadian Dollars)

JANUARY 31, 2009 AND 2008

4. RECEIVABLES

| | 2009 | | 2008 |
|-----------------------------|------------------|-----------|----------------|
| Trade and other receivables | \$ 916,919 | \$ | 810,566 |
| Allowance for impairment | (821,580) | | — |
| | <u>\$ 95,339</u> | <u>\$</u> | <u>810,566</u> |

5. INVENTORY

| | 2009 | | 2008 |
|-------------------------------|------------|----|---------|
| Nickel material in stockpiles | \$ 824,983 | \$ | 582,431 |

There are approximately 60,995 wet metric tonnes of stockpiled nickel material at January 31, 2009 (2008: 90,942 wet metric tonnes).

6. INVESTMENTS

| | 2009 | | 2008 |
|--|-----------|----|--------|
| 264,227 common shares in Garson Gold Corp., a company with directors in common (2008: 264,227 common shares) - fair value. | \$ 18,496 | \$ | 25,110 |

7. NOTES RECEIVABLES

| | 2009 | | 2008 (Restated - Note 3) |
|--|-------------------|-----------|--------------------------------|
| Note - life of mine purchase agreement | \$ 530,197 | \$ | 394,175 |
| Note - land purchase | 470,522 | | 450,794 |
| | <u>1,000,719</u> | | <u>844,969</u> |
| Less: Current portion | 14,188 | | 11,416 |
| | <u>\$ 986,531</u> | <u>\$</u> | <u>833,553</u> |

Life of Mine Purchase Agreement

On June 6, 2007, the Company entered into a long-term Purchase Agreement for Nickel Material in regards to a nickel project on Dinagat Island, Philippines held by a private Philippine company. A facility of up to US\$1 million (approximately \$1,125,000) has been made available to the counterparty, of which \$607,996 (2008: \$394,175) has been drawn down for exploratory and permitting expenditures before year end. The facility is non-interest bearing and has no security over the assets of the Philippine company. The amortized cost of these advances at January 31, 2009 is \$530,197 (2008: \$394,175).

MBMI RESOURCES INC. (A Development Stage Company)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Stated in Canadian Dollars)

JANUARY 31, 2009 AND 2008

7. NOTES RECEIVABLE - CONTINUED

The counterparty agrees to repay these advances from the net proceeds of sale of nickel material from the property. The Company will provide financial and technical services; marketing and transaction services with respect to the liquidation of the mineral products produced. In return for the provision of the facility, the Company will receive a return based upon the operating profit of the counterparty, after loan repayments (the "distributable return"), for various commitment, service, facility management and interest fees, marketing and transaction services and for technical services. As at the date of these financial statements, the Company has not yet earned income from this agreement.

The agreement term is for the life of the exploration, development, and exploitation of the property. The Company will provide pre-export financing for the project which will be secured by the nickel product stockpiles. The counterparty to this agreement holds a Mineral Production Sharing Agreement ("MPSA") over the property. The price the parties could receive for nickel product is calculated as a percentage of the LME price.

Land Purchase

During the year ended January 31, 2008, the Company advanced funds of PHP30,282,815 (C\$751,323, of which the Company's joint venture share is C\$450,794) to a director of one of the Company's Philippine subsidiaries for the acquisition of land necessary for the development of the Alpha property. The Company maintains a mortgage over the land. The note receivable bears interest at a rate of 12% per annum and is being repaid monthly over a term of 15 years.

8. MINERAL PROPERTIES AND DEFERRED EXPLORATION CODE

| | Philippines | | | Total |
|--|----------------|--------------------|------------------|---------------|
| | Alpha Property | Olympic Properties | Samar Properties | |
| Balance - | | | | |
| February 1, 2007 | \$ 3,278,875 | \$ 1,544,416 | \$ 545,237 | \$ 5,368,528 |
| Additions: | | | | |
| Acquisition, property maintenance & option costs | 145,257 | 425,686 | - | 570,943 |
| Exploration and development costs | 4,549,388 | 186,364 | (23,482) | 4,712,270 |
| Asset retirement costs (Note 10) | 184,120 | - | - | 184,120 |
| Revenue earned in the development stage | (2,536,593) | - | - | (2,536,593) |
| Advances to joint venture partners | 4,057,314 | 1,067,666 | 74,910 | 5,199,890 |
| | | | | - |
| Balance - | | | | |
| January 31, 2008 | 9,678,361 | 3,224,132 | 596,665 | 13,499,158 |
| Additions: | | | | |
| Acquisition, property maintenance & option costs | - | - | - | - |
| Exploration and development costs | 6,563,736 | - | - | 6,563,736 |
| Asset retirement costs (Note 10) | 90,283 | - | - | 90,283 |
| Revenue earned in the development stage | (5,102,390) | - | - | (5,102,390) |
| Advances to joint venture partners | 2,744,396 | - | - | 2,744,396 |
| | | | | |
| Balance - | | | | |
| January 31, 2009 | \$ 13,974,386 | \$ 3,224,132 | \$ 596,665 | \$ 17,795,183 |

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8. MINERAL PROPERTIES AND DEFERRED EXPLORATION COSTS - CONTINUED

| | 2009 | 2008 |
|---|----------------------|---------------|
| Mineral property costs | | |
| Acquisitions, property maintenance and option payments | \$ — | \$ 570,944 |
| Exploration and development costs | | |
| Assays, sampling and metallurgical test fees | 3,182 | 17,065 |
| Camp and supplies | 45,628 | 42,417 |
| Consulting (Note 11(a)) | 780,423 | 19,819 |
| Drilling | — | 565,736 |
| Equipment | — | 198,048 |
| Foreign exchange loss (gain) | 31,517 | (38,067) |
| Geological consulting | 25,763 | 37,073 |
| Geophysical & surveying | 2,386 | 95,313 |
| Helicopter and automobile | 4,055 | 134,547 |
| Miscellaneous | 5,900 | 24,821 |
| Wages and salaries | 1,352 | 85,657 |
| Mine capital costs | 395,424 | 1,434,478 |
| Pre-production costs: | | |
| Shipping | 1,333,879 | 1,157,861 |
| Cost of sales, amortization and other direct pre-production costs | 3,934,227 | 937,501 |
| | 6,563,736 | 5,283,213 |
| Asset retirement costs (Note 10) | 90,283 | 184,120 |
| Advances to joint ventures | 2,744,396 | 5,199,890 |
| | 9,398,415 | 10,667,223 |
| Revenues earned in the development stage | (5,102,390) | (2,536,593) |
| | 4,296,025 | 8,130,630 |
| Mineral properties and deferred exploration costs, beginning of year | 13,499,158 | 5,368,528 |
| Mineral properties and deferred exploration costs, end of year | \$ 17,795,183 | \$ 13,499,158 |

(a) Alpha Property

On May 24 2005, the Company and Palawan Alpha South Development Corporation (“Alpha”) entered into a series of agreements including a Property Purchase and Development Agreement (“the Alpha Transaction Documents”) with respect to the “Alpha” nickel laterite property in Narra, Palawan, Philippines (“the Alpha Property”). The Alpha Transaction Documents effectively establishes a joint venture for purposes of developing the Alpha Property. The Company is entitled to hold directly and indirectly an initial 60% interest in the joint venture. The Company maintained its interest in the joint venture by making a total of US\$250,000 (approximately \$270,000 - paid) in property payments on a phased basis and by financing exploration and development costs through to production.

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8. MINERAL PROPERTIES AND DEFERRED EXPLORATION COSTS - CONTINUED

(a) Alpha Property - Continued

On April 23, 2007, the Company's Philippine venture was granted all requisite mining, and environmental permits to commence development and mining on the Alpha Property under a Small Scale Mining Operation ("SSMO") permit. This allows the Company to extract a total of 300,000 dMT over the two year life of the SSMO permit, which expired in August, 2008. In September, 2008, two (2) of the three (3) SSMO permits were renewed, thus allowing the Company to extract a further 200,000 DMT over the two year life of the permits.

The Company's joint venture, Narra Nickel Mining and Development Corp, has applied for a Financial and Technical Assistance Agreement ("FTAA").

On June 19, 2007 the Company negotiated a modification to the Alpha Transaction Documents in respect of the Alpha Property.

The modification gives the Company the right to increase its direct and indirect interest from the current 60% (while Alpha shall retain a 5.5% net revenue return royalty) upon the issuance of an FTAA, or the Company's decision to allocate interest to a qualified Philippine Partner(s).

(b) Olympic Properties

On September 9, 2004, the Company and Olympic Mines & Development Corporation ("Olympic") entered into a series of agreements including a Property Purchase and Development Agreement ("the Olympic Transaction Documents") with respect to three nickel laterite properties in Palawan, Philippines ("the Olympic Properties"). The Olympic Transaction Documents effectively establish a joint venture between the Company and Olympic for purposes of developing the Olympic Properties. The Company holds directly and indirectly an initial 60% interest in the joint venture.

The Company has determined that each of the properties shall be advanced to production status, and paid the remaining US\$520,000 (\$564,158) property payments and has applied for an FTAA.

After the point of a mine feasibility study, and should Olympic fail to make any required capital contributions, then, with their consent, and subject to compliance with Philippine Law, Olympic's interest in the Olympic Properties could be diluted to a 5.5% net revenue return royalty. On June 13, 2007, the Company negotiated a modification to the Olympic Transaction Documents. The modification gives the Company the right to increase its direct and indirect interest above the current 60% when the Company is issued an FTAA, or decides to allocate a portion of its interest to a qualified Philippine Partner(s). As a result of this modification, Olympic shall retain a 5.5% net revenue return royalty. As consideration for this modification, the Company paid PHP4,500,000 (\$109,806). On September 18, 2007, the Olympic Group assigned their interest in the Olympic Properties to an unrelated party. In order to effect this transfer the Company paid an incentive fee of US\$75,000 (\$78,592).

(c) Samar Properties

The Company entered into a Memorandum of Agreement ("MOA") with Falcon Ridge Resources Management Corporation ("Falcon Ridge") of the Philippines on April 9, 2005, revised June 14, 2005, and July 20, 2005, through which the Company can maintain up to a 92% interest in four properties located in Samar, Philippines. The Company holds directly and indirectly a 64% interest and will have an exclusive option, under certain circumstances, for a period of 10 years to earn up to a 92% interest. The modified MOA contemplates entering into a joint venture, which will be structured in a series of phases. The Company can maintain its interest in the joint venture by making a total of US\$208,000 (approximately \$234,166) in property payments per property on a phased basis and by financing exploration costs through to production.

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8. MINERAL PROPERTIES AND DEFERRED EXPLORATION COSTS - CONTINUED

(c) Samar Properties - Continued

The Company has made total property payments of US\$140,000 (approximately \$165,000), including an advance of US\$18,000 (approximately \$23,000), to maintain its interest in the properties pursuant to the final agreement.

On March 2, 2006 the Company received TSX Venture Exchange approval for a definitive joint venture agreement entered into between the Company and Falcon Ridge. On March 13, 2006, the Company issued 876,691 common shares and 438,345 warrants (exercisable at \$0.65 per warrant for a period of two years) in connection with this transaction.

9. PROPERTY, PLANT AND EQUIPMENT

| | 2009 | | |
|-------------------------|-------------------------|-----------------------------|---------------------|
| | Cost | Accumulated Amortization | Net Book Value |
| Mining equipment | \$ 3,073,982 | \$ 836,075 | \$ 2,237,907 |
| Communication equipment | 18,341 | 7,163 | 11,178 |
| Furniture and equipment | 157,958 | 68,389 | 89,569 |
| Automotive equipment | 35,549 | 14,645 | 20,904 |
| Leasehold improvements | 64,938 | 32,839 | 32,099 |
| | \$ 3,350,768 | \$ 959,111 | \$ 2,391,657 |
| | 2008 (restated, Note 3) | | |
| | Cost | Accumulated Amortization | Net Book Value |
| Mining equipment | \$ 2,752,665 | \$ 234,988 | \$ 2,517,677 |
| Communication equipment | 27,474 | 12,506 | 14,968 |
| Furniture and equipment | 116,350 | 15,678 | 100,672 |
| Automotive equipment | 33,354 | 8,732 | 24,622 |
| Leasehold improvements | 45,902 | 7,146 | 38,756 |
| | \$ 2,975,745 | \$ 279,050 | \$ 2,696,695 |

Amortization expense related to mining equipment of \$601,087 (2008: \$234,988) was capitalized in mineral properties and deferred exploration costs.

10. ASSET RETIREMENT OBLIGATIONS

During the year, the Company, in developing its Alpha Property, has incurred significant reclamation obligations. These expenditures are required under local, provincial and federal Philippine laws and regulations. Additionally, the Company is required to internally restrict funds based upon future mining operations.

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10. ASSET RETIREMENT OBLIGATIONS - CONTINUED

Expenses for community development may be credited to or charged against this royalty, including required contributions of a minimum of one percent (1%) of the direct mining and milling costs to a Social Development Management Program. Total contributions of PHP4,167,970 (approximately \$104,200) (2008: \$Nil) were expensed during the year.

Additionally, the total present value of cash flows required to settle reclamation obligations is estimated to be 17,154,964 Philippine pesos (of which the Company's discounted joint venture portion is \$279,477). Future cash flows have been discounted over a term that, approximates the most probable timing for payment and at credit adjusted risk free rates of interest reflective of the Company's experience and type of operations. Weighted average assumptions used in the calculation of deferred retirement costs and long-term asset retirement obligations are as follows:

| | |
|---------------------------------|-------------|
| Term: | 4 years |
| Compounding term: | Yearly |
| Credit-adjusted risk free rate: | 5.875% p.a. |
| Rate of inflation: | 7.1% p.a. |

Accretion expense is recognized during the year to account for the time-based increases in the value of retirement costs and the associated asset retirement obligation.

| | 2009 | 2008 |
|---|------------|------------|
| Asset Retirement Obligations, | | |
| Balance, beginning of year | \$ 189,194 | \$ — |
| Initial recognition | — | 184,120 |
| Foreign exchange difference on opening balance | 13,544 | — |
| Increase in deferred asset retirement costs due to changes in assumptions | 76,739 | — |
| Accretion expense | 34,872 | 5,074 |
| Balance, end of year | \$ 314,349 | \$ 189,194 |

11. RELATED PARTY TRANSACTIONS

Related party transactions not disclosed elsewhere in these consolidated financial statements were as follows:

(a) Related party transactions

The Company has undertaken the following transactions with related parties:

- Incurred legal services of \$49,953 (2008: \$111,492) from a law firm whose principal is a director of the Company.
- Incurred administration services of \$397,582 (2008: \$550,904) from directors.
- Incurred accounting services of \$78,500 (2008: \$64,584) from an officer of the Company.
- Incurred consulting fees with directors of the Company's Philippine joint ventures of approximately \$53,485 (2008: approximately \$67,615).

All of the above transactions are recorded at exchange amounts, being the amount agreed upon by the related parties.

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11. RELATED PARTY TRANSACTIONS - CONTINUED

(b) Related party balances

Due to related parties:

At January 31, 2009 the balance due to certain directors and officers inclusive of management fees and reimbursable expenses was \$154,196 (2008: \$63,072). At January 31, 2009 the amount due to related parties also includes \$48,503 (2008: \$7,795) due to a law firm whose principal is a director of the Company and \$14,034 (2008: \$Nil) due to a company with common directors for the reimbursement of shared office expenses.

During the year ended January 31, 2008 directors advanced subscriptions totalling \$692,140, settled in the same year through the issue of common shares of the Company. Interest of \$4,205 was paid on the advanced funds at a rate of 10% per annum. These funds were advanced for the temporary funding of the Philippine operations and working capital.

During the year ended January 31, 2008, the Company advanced funds to a director of one of the Company's Philippine subsidiaries for the acquisition of stockyard land (Note 7).

12. COMMON SHARES

Authorized

Unlimited Common shares without par value

Loss Per Share

In prior years, diluted net loss per common share was calculated by adjusting reported net loss by the net charge to retained earnings related to the accretion of the equity component of certain 10% convertible notes (Note 12(f)). These notes were converted in fiscal 2008. Diluted net income per common share assumes the dilutive effect of the stock-based compensation plans (Note 14) and the dilutive effect of the conversion of the 10% convertible notes as of the beginning of each period that the convertible notes were outstanding at the Conversion Price for fiscal 2008 and prior.

| | 2009 | 2008 |
|--|---------------------|----------------------|
| Basic | | |
| Net loss attributable to common shareholders | <u>\$ 7,835,837</u> | <u>\$ 10,430,160</u> |
| Diluted | | |
| Net Loss | \$ 7,835,837 | \$ 10,430,160 |
| Convertible debt - Net charge to loss | — | (179,052) |
| Net loss attributable to common shareholders | <u>\$ 7,835,837</u> | <u>\$ 10,251,108</u> |

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12. COMMON SHARES - CONTINUED

Common equivalent shares shown below were not included in the computation of diluted earnings per share because the effect was anti-dilutive:

| Common equivalent dilutive shares: | 2009 | 2008 |
|---|-------------------|------------|
| Issued on the assumed exercising of warrants | 19,058,643 | 17,564,190 |
| Issued on the assumed exercising of stock options | 5,407,500 | 5,397,500 |

- (a) On March 2, 2007, the Company completed a private placement financing of 4,300,000 units at \$0.70 per unit for gross proceeds of \$3,010,000. Each unit consists of one common share and one half (1/2) common share purchase warrant. Each full warrant entitles the holder to purchase one common share until March 2, 2009 at a price of \$0.90. All units issued are subject to a four month hold period expiring on July 3, 2008. The fair value of warrants of \$925,832 was bifurcated to contributed surplus.
- (b) On March 19, 2007, the Company completed a second and final tranche of a private placement financing of 714,286 units at \$0.70 per unit for gross proceeds of \$500,000. Each unit consists of one common share and one half (1/2) common share purchase warrant. Each full warrant entitles the holder to purchase one common share until March 16, 2009 at a price of \$0.90. Finders fees of \$35,000, financing fees of \$17,513, and 42,857 broker warrants having the same terms as the placees warrants have been paid in connection with this placement. All units issued are subject to a four month hold period expiring on July 17, 2008. The fair value of warrants of \$116,257 was bifurcated to contributed surplus.
- (c) On December 5, 2007, the Company closed a non-brokered private placement financing of 8,283,261 units at \$1.15 per unit for gross proceeds of \$9,525,750. Each unit consists of one common share and one common share purchase warrant. Each full warrant entitles the holder to purchase one common share for a period of 2 years at a price of \$1.40. Finders' fees of \$608,300 and 453,383 broker warrants were paid in connection with this financing. The broker warrants have the same terms as the placees warrants. Other financing fees of \$22,628 were paid in connection with this financing. The fair value of warrants of \$5,703,503 was bifurcated to contributed surplus.
- (d) On January 27, 2009, the Company closed a non-brokered private placement of 7,782,000 units at \$0.05 per unit for gross proceeds of \$389,100. Each unit consisted of one common share and one full common share purchase warrant. Each full warrant entitles the holder to purchase one common share at a price of \$0.10 and has an expiry period of two years. The common shares issued in the first two tranches were subject to a four month hold period that expired in April 2009, and the common shares issued in connection with the third tranche were subject to a hold period which expired in May 2009. Finders' fees of \$4,862 and financing fees of \$3,241 were paid in connection with this financing. The fair value of warrants of \$185,361 was bifurcated to contributed surplus.
- (e) During the year, the Company issued 140,000 (2008: 1,127,500) common shares on the exercise of 140,000 (2008: 1,127,500) stock options for total proceeds of \$21,000 (2008: \$280,550).
- (f) On December 1, 2006, the Company closed a non-brokered private placement financing consisting of \$1,850,000 in 10% 2-year convertible debenture units (the "Debentures"). The Debentures were exchanged into common shares of the Company in fiscal 2008. The convertible debentures were bifurcated into a liability and an equity component for accounting purposes. The liability component was recorded as debt and the equity component recorded as part of shareholders' equity. The liability component was accreted over the life of the convertible debentures through periodic charges to expense.

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12. COMMON SHARES - CONTINUED

(g) The fair value of warrants was determined using the Black-Scholes option pricing model. Weighted average assumptions used in calculating fair value were as below:

| | 2009 | 2008 |
|---|----------------|-------------|
| Risk-free rate | 1.46% | 3.869% |
| Dividend yield | Nil% | Nil% |
| Volatility factor of the expected market price of the Company's common shares | 129.3% | 111.6% |
| Expected life of the options | 2 years | 2 years |

13. STOCK OPTIONS

During the year ended January 31, 2009, the change in stock options outstanding was as follows:

| | 2009 | | 2008 | |
|--------------------------------|------------------|--|-------------|---------------------------------|
| | Number | Weighted Average Exercise Price | Number | Weighted Average Exercise Price |
| Outstanding, beginning of year | 5,397,500 | \$ 1.49 | 3,685,000 | \$ 0.55 |
| Forfeited | - | - | - | - |
| Granted | 150,000 | \$ 0.80 | 2,840,000 | \$ 2.99 |
| Exercised | (140,000) | \$ 0.15 | (1,127,500) | \$ 0.25 |
| Outstanding, end of year | 5,407,500 | \$ 1.91 | 5,397,500 | \$ 1.49 |
| Exercisable, end of year | 4,474,367 | \$ 1.70 | 2,971,242 | \$ 1.42 |

At January 31, 2009, the following stock options were outstanding:

| Options Outstanding | Exercise Price | Expiry Date |
|---------------------|----------------|---------------|
| 375,000 | \$ 0.15 | October 2009 |
| 100,000 | \$ 0.29 | August 2010 |
| 1,867,500 | \$ 0.84 | August 2011 |
| 75,000 | \$ 0.84 | December 2009 |
| 150,000 | \$ 0.80 | May 2011 |
| 1,750,000 | \$ 3.60 | June 2012 |
| 1,090,000 | \$ 2.00 | August 2012 |
| 5,407,500 | | |

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14. STOCK-BASED COMPENSATION

The Board of Directors adopted a Stock Option Plan dated October 20, 2000, amended by resolution of the shareholders on September 30, 2003, and further amended on March 31, 2005, pursuant to which the directors were authorized to grant stock options to directors, officers, consultants and employees. The granting term and pricing of such options shall be in accordance with the prevailing policies of the regulatory bodies and security exchanges having jurisdiction over the Company.

A total of 1,641,875 options vested during fiscal 2009 at a fair value of \$2,315,750.

Unvested options will vest on the following schedule:

| Number of Options Vesting | Exercise Price | Vesting Date |
|------------------------------|-------------------|-----------------|
| 25,000 | \$ 0.80 | February 2009 |
| 25,000 | \$ 0.80 | May 2009 |
| 552,088 | \$ 3.60 | June 2009 |
| 331,045 | \$ 2.00 | August 2009 |

Compensation expense was determined using the Black-Scholes option pricing model and resulted in stock option compensation of \$2,315,750 (2008: \$5,526,404) for the year ended January 31, 2009. Weighted average assumptions used in calculating compensation expense in respect of the remaining year for the vesting of the options were as below:

| | 2009 | 2008 |
|---|----------------|---------|
| Risk-free rate | 2.74% | 4.58% |
| Dividend yield | Nil% | Nil% |
| Volatility factor of the expected market price of the Company's common shares | 112.8% | 148% |
| Expected life of the options | 3 years | 5 years |

15. SHARE PURCHASE WARRANTS

During the year ended January 31, 2009, changes in warrants outstanding were as follows:

| | 2009 | | 2008 | |
|-----------------------------------|--------------------|---------------------------------------|-------------|---------------------------------------|
| | Number | Weighted Average Exercise Price | Number | Weighted Average Exercise Price |
| Outstanding, beginning of year | 17,564,190 | \$ 1.16 | 9,492,634 | \$ 0.95 |
| Issued | 7,782,000 | \$ 0.10 | 11,286,643 | \$ 1.29 |
| Exercised | — | \$ — | (3,131,337) | \$ 0.95 |
| Forfeited | (6,287,547) | \$ 0.94 | (83,750) | \$ 1.00 |
| Outstanding, end of year | 19,058,643 | \$ 0.80 | 17,564,190 | \$ 1.16 |

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15. SHARE PURCHASE WARRANTS - CONTINUED

At January 31, 2009, the following warrants were outstanding and exercisable:

| Warrants Outstanding | Exercise Price | Expiry Date |
|-------------------------|-------------------|----------------|
| 2,539,999 | \$ 0.90 | March 2009 |
| 8,736,644 | \$ 1.40 | November 2009 |
| 3,968,000 | \$ 0.10 | December 2010 |
| 3,814,000 | \$ 0.10 | January 2011 |
| 19,058,643 | | |

16. INCOME TAXES

The income tax expense shown in the consolidated statements of operations differ from the amounts obtained by applying statutory rates due to the following:

| | 2009 | 2008 |
|---|-----------------------|-----------------|
| Statutory tax rate | 31.03% | 33.14% |
| Net loss for the year before income taxes | \$ (6,877,799) | \$ (10,369,343) |
| Net Canadian tax benefit based on statutory rates | \$ (2,134,181) | \$ (3,436,400) |
| Effect of changes in effective tax rates | 385,692 | 709,035 |
| Permanent differences | 1,567,153 | 2,040,221 |
| Tax rate differences | (159,314) | (49,859) |
| Loss expiry | (88,314) | (222,280) |
| Increase in valuation allowance | 1,011,229 | 1,207,093 |
| Other adjustments | 375,773 | (186,993) |
| | \$ 958,038 | \$ 60,817 |

The tax effect of temporary differences that give rise to the Company's future income tax assets and liabilities are as follows:

| | 2009 | 2008 |
|---|---------------------|--------------|
| Future income tax assets related to temporary differences in: | | |
| Tax loss carry forwards | \$ 3,827,476 | \$ 2,357,781 |
| Resource properties | 521,883 | 992,948 |
| Property and equipment | (40,422) | 5,438 |
| Other | 290,169 | 3,159,155 |
| FIT liability set off against assets | — | (2,108,785) |
| Valuation allowance | (4,599,106) | (4,406,537) |
| Net future tax assets | \$ — | \$ — |
| FIT liability not set against assets | \$ (694,238) | \$ (75,997) |

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16. INCOME TAXES - CONTINUED

The Company estimates its valuation allowance based on its ability to realize benefits of its future income tax assets. When circumstances change and this causes a change in management's judgment about the recoverability of future income tax assets, the valuation allowance will be adjusted accordingly and the impact of the change is included in the statements of operations.

The Company has non-capital losses of \$13,440,873 to reduce future taxable income in Canada and the Philippines. These losses, if unused, will expire in the following years:

Non capital loss expiration:

| | | |
|------|----|-------------------|
| 2010 | \$ | 1,037,612 |
| 2011 | | 2,450,347 |
| 2012 | | 4,498,879 |
| 2014 | | 513,717 |
| 2025 | | 820,706 |
| 2026 | | 1,577,074 |
| 2027 | | 2,542,538 |
| | | <hr/> |
| | \$ | <u>13,440,873</u> |

In addition, the Company has approximately \$1,771,342 of Canadian Exploration Expenses, Canadian Development Expenses, Foreign Exploration and Development Expenses and Foreign Resource Expenses that could be used to reduce taxable income for Canadian income tax purposes and have no expiration.

17. SUPPLEMENTAL CASH FLOW INFORMATION

Supplemental information not disclosed elsewhere in the consolidated financial statements is as follows:

| | 2009 | 2008 |
|--|------------|------------|
| Non-cash investing and financing activities | | |
| Amortization expense capitalized to mineral properties and deferred exploration costs | \$ 601,087 | \$ 234,988 |
| Increase to asset retirement costs | \$ 99,283 | \$ 184,120 |
| Common shares issued for payment of interest on convertible long-term debt | \$ — | \$ 62,288 |
| Impairment of inventory included in pre-production costs | \$ 540,987 | \$ — |
| Provision for impairment of receivables capitalized to mineral property and deferred exploration costs | \$ 734,391 | \$ — |
| Payments for lease of land | \$ 61,828 | \$ — |
| Repayments on long-term note receivable | \$ 61,828 | \$ — |
| Other cash items | | |
| Interest paid | \$ 134,958 | \$ 41,192 |
| Taxes paid | \$ 339,797 | \$ — |

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18. COMMITMENTS

The Company and its joint venture operations have various contracts for office rental, land and property leases, shipping operations and machinery leases. Total contractual commitments over the next five fiscal years are summarized in the table below:

| | 2009 |
|------------|--------------|
| 2010 | \$ 286,441 |
| 2011 | 172,769 |
| 2012 | 137,657 |
| 2013 | 129,977 |
| 2014 | 129,977 |
| After 2014 | 1,173,900 |
| | <hr/> |
| | \$ 2,030,721 |

19. CONTINGENCIES

The Company is aware of certain cases involving its joint ventures concerning the legitimacy of tenure over the Company's Philippine mineral properties. All of the cases have been raised on a similar premise and can be broadly categorized as follows:

- (a) Cases questioning the Company's qualification to own mining interests in the Philippines.

These cases are premised on the question under the Philippine Mining Act (1995) (the "Mining Act") as to qualification of the Company's joint venture companies as "Filipino Corporations". The Company believes that the ownership of each of the Philippine joint venture corporations is consistent with accepted practice in the Philippines, namely that the Mining Act considers only the maximum 40% direct foreign ownership interest of each of the joint venture companies. These cases have been brought against the Company through the federal and provincial regulatory boards. The right of appeal exists for both parties to the Supreme Court. During September, 2008, the Company's Philippine partners received a favourable ruling from their appeal to the Mines Adjudication Board of the Philippines Department of Environment and Natural Resources related to the Alpha Property, Bethlehem Property, and the two Rio Tuba Properties all located in the Province of Palawan. The MAB ruling overturns a "status quo order" issued previously by a regional Panel Of Arbitrators in 2007 pursuant to a challenge initiated by a 'shell company' known as Redmont Consolidated Mines Corp ("Redmont"). The Company and its Philippine legal counsel maintained that this challenge had no legal merit and was an attempt by Redmont and its backers to illegally gain an interest in these projects. This ruling validates the Philippine corporate ownership structure of MBMI and its Philippine partners and confirms this structure is consistent with accepted practice in the Philippines and is in compliance with the requirements of Philippine law. The Alpha and Olympic Properties are subject to an FTAA permit application (Notes 8(a) and 8(b)), and two of the four Samar properties are the subject of an exploration permit (EP), not an MPSA. Under the Mining Act, even a foreign corporation is able to wholly own an FTAA and EP.

On August 14, 2008, a case was filed by Redmont with the Philippine corporate securities registry ("the SEC") requesting cancellation of the Company's certificate of registration on similar grounds as above, again citing restrictions in foreign ownership. The Company filed an answer to this case on January 12, 2009, and maintains that the complaint states no cause of action against the Company, as the SEC has no jurisdiction over the Canadian parent, and that the Company's joint venture corporations duly qualify as Filipino Corporations, as has been consistently upheld by the SEC.

JANUARY 31, 2009 AND 2008

19. CONTINGENCIES - CONTINUED

(b) Case concerning the environmental sustainability of mining operations on the Company's Alpha Property.

The Company has obtained all requisite permits associated with its Alpha Property, including those for environmental compliance and believes the case has no merit.

20. FINANCIAL INSTRUMENTS

For certain of the Company's financial assets and liabilities, including cash and cash equivalents, receivables, accounts payable and accrued liabilities, the carrying amounts approximate their fair values due to the relatively short periods to maturity of the instruments. The classification and fair values of the Company's financial instruments at January 31, 2009 and 2008 are summarized as follows:

| | 2009 | | 2008 | |
|-----------------------------|----------------|------------|----------------|--------------|
| | Carrying Value | Fair Value | Carrying Value | Fair Value |
| Held-for-trading | \$ 146,901 | \$ 146,901 | \$ 5,276,007 | \$ 5,276,007 |
| Loans and receivables | 1,096,058 | 1,096,058 | 1,655,535 | 1,655,535 |
| Available-for-sale | 18,496 | 18,496 | 25,110 | 25,110 |
| Other financial liabilities | 3,209,861 | 3,209,861 | 817,142 | 817,142 |

Currency Risk

The functional currency of the Company is the Canadian dollar. The Olympic, Alpha and Samar Groups report to the Company in Philippine pesos. This gives rise to significant exposure to market risks from changes in foreign currency rates. The financial risk is the risk to the Company's operations that arises from fluctuations in foreign exchange rates and the degree of volatility of these rates. Currently, the Company does not use derivative instruments to reduce its exposure to foreign currency risk. The Company mitigates its risk to fluctuations in the Philippine peso by maintaining minimal cash balances in Philippine pesos. The Company is also exposed to fluctuations between the US and Canadian dollars as many of its property-related commitments are denominated in US dollars. Net financial liabilities of the Company denominated in Philippine Pesos (presented in Canadian dollars) at January 31, 2009 were PHP88,512,311 (\$2,354,427) and net financial assets of US\$651,426 (\$732,854). A 100 basis points change in the value of the US dollar and Philippine peso would result in a foreign exchange gain or loss of \$7,300 and \$23,500, respectively.

Interest Rate Risk

The Company is not exposed to interest rate risk on its long-term note receivable since this note bears interest at a fixed rate.

JANUARY 31, 2009 AND 2008

20. FINANCIAL INSTRUMENTS - CONTINUED

Credit Risk

Financial instruments which potentially subject the Company to concentrations of credit risk consist of cash equivalents and receivables. The cash equivalents consist mainly of short-term money market deposits. The Company has deposited the cash equivalents with reputable financial institutions, from which management believes the risk of loss to be remote. The table below shows the credit quality of our financial assets, not including receivables, as at January 31, 2009:

| | Moody's credit rating | | | | | | |
|---------------------------|-----------------------|---------|----------|---|-------------|--------|------------|
| | A- or higher | | C- to B+ | | D+ or lower | | Total |
| Cash and cash equivalents | \$ | 105,454 | \$ | — | \$ | 41,447 | \$ 146,901 |

The Company's Philippine joint venture operations maintain bank deposits (\$41,447) with the Rizal Commercial Banking Corporation ("RCBC"), and is rated a D-, however, remains a reputable financial institution in the Philippines.

The Company has trade receivables from customers engaged in the steel and manufacturing industries, and are concentrated in China, Korea and Japan. These specific industries may be affected by economic factors which may impact collectability of trade receivables. Management mitigates the credit risk associated with the concentration on few industries by limiting its credit exposure on the fair value of each shipment, receiving most funds on loading of the buyer's ship. The Company places letters of credit with reputable financial institutions up to the fair value of each shipment. There was no letter of credit outstanding at January 31, 2009.

At January 31, 2009, one customer accounted for 88% (2008: 100%) of total trade receivables and 30% (2008: 100%) of total revenues earned in the development stage. A specific allowance of \$821,580 was made in respect of one trade receivables. Factors considered by management were the age of the balance outstanding as well as management's opinion as to the likelihood of collection within an operating cycle of three months. Other allowances for doubtful accounts in the Philippines amounted to \$8,760 for miscellaneous items.

The Company entered into a long-term Purchase Agreement for Nickel Material in regards to a nickel project on Dinagat Island, Philippines held by a private Philippine company (Note 7). The advances made under this agreement of \$530,197 are treated as a long-term note receivable. Collection of these advances is dependent upon the maintenance of legal ownership, and the attainment of successful production from the property or from the proceeds of its disposal. At this time management believes these advances to be recoverable and mitigates credit risk through regular monitoring of development budgets and permitting activities.

The table below shows the aging of trade receivables.

| | Aging of Trade Receivables | | | | | | |
|--------------------------|----------------------------|---|---------|---|----------|-----------|------------|
| | Current | | 60 days | | 90+ days | | Total |
| Trade receivables | \$ | — | \$ | — | \$ | 916,919 | \$ 916,919 |
| Allowance for Impairment | | — | | — | | (821,580) | (821,580) |
| | \$ | — | \$ | — | \$ | 95,339 | \$ 95,339 |

JANUARY 31, 2009 AND 2008

20. FINANCIAL INSTRUMENTS - CONTINUED

The Company has advances receivable of \$470,522 from a director of one of the Company's Philippine subsidiaries for the acquisition of land necessary for the development of the Alpha property (Note 7). The advances are repaid by the director from funds provided by the Company in an offsetting lease of the land for use as a stockyard facility. The risk of loss is determined to be remote on the basis of this offsetting provision. The loan is amortized over a 15 year period commencing February 1, 2008. All repayments receivable are current.

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's approach to liquidity risk is to ensure that it always has sufficient cash and credit facilities to meet its obligations when due, under both normal and stressed conditions, without incurring unacceptable losses or damage to the Company's reputation. Management typically forecasts cash flows for a period of three to six months to identify financing requirements. These requirements are then addressed primarily through access to capital markets.

The Company's financial liabilities mature as follows:

| January 31, 2009 | Due within 1 year | Due between 1 and 5 years | Due after 5 years | Total |
|--------------------------|---------------------|------------------------------|-------------------|---------------------|
| Trade and other payables | \$ 2,993,128 | \$ - | \$ - | \$ 2,993,128 |
| Due to related parties | 216,733 | - | - | 216,733 |
| | \$ 3,209,861 | \$ - | \$ - | \$ 3,209,861 |

All financial liabilities are non-interest bearing.

21. CAPITAL MANAGEMENT DISCLOSURES

The Company's objectives when managing capital are to:

- (a) Provide an adequate return to shareholders;
- (b) Provide adequate and efficient funding for operations;
- (c) Continue the development and exploration of its mineral properties;
- (d) Support any expansion plans;
- (e) Allow flexibility to investment in other mineral revenues; and
- (f) Maintain a capital structure which optimizes the cost of capital at acceptable risk.

In the management of capital, the Company includes shareholders' equity. As at January 31, 2009, the Company had no bank indebtedness.

The Company is not subject to any externally imposed capital requirements and there has been no change with respect to the overall capital risk management strategy during the fiscal year.

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22. SEGMENT DISCLOSURE

The Company has one operating segment which is mineral exploration and all mining properties and capital assets of the Company are located in the Philippines. All revenues have been generated in the Philippines.

23. SUBSEQUENT EVENTS

Subsequent events not disclosed elsewhere in these consolidated financial statements are as follows:

- (a) On April 15, 2009, the Company granted options to acquire up to 2,280,000 common shares for \$0.10 until April 15, 2014.
- (b) On May 25, 2009 the Company executed a Term Sheet pertaining to a secured 2 year convertible debenture ("the Debenture") for up to \$1.5 million and a 2 year bridge loan for up to \$1.5 million for a total of up to \$3 million.

The principal amount of the Debenture is convertible into units of the Company at the option of the Lender at a fixed conversion price of \$0.09 per unit. The units are comprised of a common share and one common share purchase warrant. One warrant will entitle the holder to purchase one Common Share at a price of \$0.13 per share for a period of 2 years from the date of conversion. Interest of 10% per annum will be payable, and the Company will issue to the bridge loan lenders up to 4,800,000 common shares on closing. Closing of the financing is subject to completion of due diligence by the lender, execution of definitive loan documents and TSX Venture exchange and other regulatory approvals as may be required.

- (c) On May 25, 2009, the Company arranged a non-brokered private placement financing of up to 7,000,000 units at \$0.075 per unit for gross proceeds of \$525,000. Each unit consists of one common share and one full common share purchase warrant. Each full warrant entitles the holder to purchase one common share at a price of \$0.10 and has an expiry period of 2 years. All common shares issued are subject to a four month hold period, and subject to TSX Venture exchange approval.

24. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform to the current year's presentation.