

ANNUAL REPORT 2009/10



TSX-V  
MBR

Ni

EMERGING NICKEL SUPPLIER

# Nickel



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## MESSAGE FROM THE PRESIDENT

During the fiscal year as the world emerged from one of the worst market downturns in recent history, the Company's primary objectives were to continue to decrease operational expenditures, raise sufficient capital to recommence nickel material operations and finalize approval of the Financial or Technical Assistance Agreement ("FTAA") application with the Philippine Government.

I am pleased to report that as of the date of this letter, the Company achieved these objectives and has commenced activities leading to the next phase of development in positioning itself as an emerging nickel supplier.

Primarily from the issuance of equity and loans, the Company raised in excess of \$4 Million during the fiscal year. Proceeds from the financings were largely directed towards the recommencement of operations to fulfill sales agreements and advancement of the FTAA application.

Subsequent to fiscal yearend, MBMI and its Philippine affiliates received official documentation pursuant to the FTAA. The execution of this agreement is the culmination of a process that began approximately two years ago when the Company initiated four separate applications with respect to the Alpha, Bethlehem and Rio Tuba properties in the first quarter of 2008. The four applications were consolidated into one agreement covering all four properties in Palawan, Philippines, and was approved as only the fifth FTAA executed by the Philippine government for mineral projects since it has allowed such arrangements. The FTAA paves the way for MBMI and its Philippine affiliates to commence large-scale exploration, development and utilization of nickel and other minerals within the four Palawan, Philippine mineral project areas.

The Company enters the current fiscal year with the ability to advance its four Palawan projects considerably. MBMI's ongoing negotiations with several major international nickel industry consumers and strategic industry partners who wish to secure long-term stable sources of raw and value-added nickel materials has progressed considerably. The recent FTAA could accelerate the completion of a strategic partnership agreement that may lead to an expanded Direct Shipping Operation and development of a "downstream" value-added processing facility in the Philippines.

Base metals, particularly nickel, have benefitted from strong fundamentals and showed significant gains over 2009. With the full spectrum of nickel and chrome products which are anticipated to be generated from its Philippine operations, the Company has an outstanding opportunity to advance its projects and further develop as a nickel supplier.

On behalf of the board, I would like to thank all our shareholders, financiers, key stakeholders, local partners and employees for their support, commitment and contribution.

Respectfully,

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

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

MANAGEMENT'S DISCUSSION  
AND ANALYSIS



NICKEL  
EMERGING NICKEL SUPPLIER

## MANAGEMENT'S DISCUSSION AND ANALYSIS

For The Year Ended January 31, 2010

The following discussion and analysis is for the year ended January 31, 2010 ("2010") compared with the year ended January 31, 2009 ("2009"). Unless otherwise stated, information is current to May 31, 2010, and all amounts are stated in Canadian dollars. Additional information relating to the Company may be found on SEDAR at [www.sedar.com](http://www.sedar.com) or on the Company's website at [www.mbmresources.com](http://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, 2010 and 2009 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.

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

## MANAGEMENT'S DISCUSSION AND ANALYSIS

For The Year Ended January 31, 2010

### FINANCIAL OR TECHNICAL ASSISTANCE AGREEMENT ("FTAA"):

The Company with its Philippine partners applied for a Financial or Technical Assistance Agreement ("FTAA") application with respect to the Alpha, Bethlehem and Rio Tuba properties (collectively, "the Palawan properties"). The final approval and issuance of an FTAA will allow MBMI and its Philippine Partners to substantially increase exploration activities and to progress toward development of full-scale operational programs at each property. An FTAA is granted for a period of 25 years (and renewable for a further period of up to 25 years). Under an FTAA, the Company is entitled to own an interest of up to 100% in the properties. The Company is currently operating under the renewal of two (2) permits to conduct Small Scale Mining Operations ("SSMO" permits) on the Alpha Nickel Project which allows the excavation and sale of nickel laterite material on a limited basis of up to 100,000 metric tons per year (50,000 metric tons per permit) for a period of two years. These are to expire in September 2010 but will be superseded upon official grant of the FTAA.

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.

Redmont Consolidated Mines Corp ("Redmont") continues to instigate a number of legal and administrative proceedings all of which essentially allege that the Company and its Philippine partners are not in compliance with Philippine corporate law and as a result were not allegedly entitled to apply for MPSA or FTAA permits for their properties. The Company and its Philippine legal counsel maintained that Redmont's various legal challenges have no legal merit and continue to be an attempt by Redmont to illegally gain an interest in these projects.

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 and are consistent with accepted practice in the Philippines.

### INVESTMENT IN MINERAL EXPLORATION AND DEVELOPMENT

The Company's share of total expenditures on mineral properties during the year ended January 31, 2010 was \$933,036 (2009: \$9,398,415). Overall, costs in the year are consistent with maintenance of the Alpha property permits, as well as consulting fees and wages for site personnel. Moreover, amortization of property, plant and equipment is included as a deferred cost in accordance with Canadian GAAP accounting for development enterprises.

Development work in the year was limited by the Company as it rationalized operations in anticipation of receipt of its FTAA permit.

#### Alpha:

All activity was focused on Alpha during the year.

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 advance toward full-scale commercial production.

In March 2008 the Company executed 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 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.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

For The Year Ended January 31, 2010

### DEPLETED MINERAL RESOURCES

	Tonnes	Nickel (Ni) %	Cobalt (Co) %	Iron (Fe) %
Measured	1,782,000	1.34	0.031	13.7
Indicated	646,000	1.22	0.039	17.6
<b>Total</b>	<b>2,428,000</b>	<b>1.31</b>	<b>0.033</b>	<b>14.7</b>
Inferred	293,000	1.23	0.044	19.1

The Mineral Resource was estimated as at 31 December, 2008 using a cut-off grade of 0.5% Nickel.

### UNDEPLETED TOTAL INFERRED

Cut Off	Volume	Density	DMT	Nickel (Ni) %	Cobalt (Co) %	Iron (Fe) %
> 2.00	13,640	1.05	14,321	2.45	0.076	18.04
> 1.60	36,371	1.05	38,189	2.04	0.054	18.88
> 1.00	184,047	1.05	193,249	1.41	0.047	20.47
> 0.50	279,026	1.05	292,977	1.23	0.044	19.14

### UNDEPLETED TOTAL MEASURED AND INDICATED

Cut Off	Volume	Density	DMT	Nickel (Ni) %	Cobalt (Co) %	Iron (Fe) %
> 2.00	179,337	1.05	188,304	2.24	0.034	12.56
> 1.60	622,950	1.05	654,098	1.91	0.03	13.26
> 1.00	1,936,799	1.05	2,033,639	1.49	0.034	14.74
> 0.50	2,548,856	1.05	2,676,299	1.34	0.033	14.7

NI43-101 Technical Report on the Alpha Nickel Project in Palawan Island, Philippines, completed for MBMI Resources Inc. by Pierre Fourie, Dexter Ferreira and Darryl Mapleson of Lower Quartile Solutions Inc. May, 2009.

Technical Report is available at [www.mbmresources.com](http://www.mbmresources.com).

Mineral resources which are not mineral reserves do not have demonstrated economic viability.

#### **Samar:**

The Company can maintain its interest in the joint venture by making a total of US\$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, including an advance of US\$18,000, to maintain its interest in the properties pursuant to the final agreement.

#### **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, 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

## MANAGEMENT'S DISCUSSION AND ANALYSIS

For The Year Ended January 31, 2010

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 has been made available to the counterparty, of which \$607,996 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, 2010 is approximately \$577,314 (2009: \$530,197). 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, 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 primarily from the issuance of equity and loans.

- (a) 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.
- (b) On July 16, 2009, the Company closed a non-brokered private placement financing of 11,243,815 units at \$0.075 per unit for gross proceeds of \$843,285. 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 were subject to a hold period which expired in September 28, 2009 and October 15, 2009. Total finders' fees of \$22,085 cash and 60,000 broker warrants (having the same terms as the participants) have been paid. The fair value of warrants of \$685,910 was bifurcated to contributed surplus.
- (c) During the year ended January 31, 2010, the Company issued 911,666 (2009: 140,000) common shares on the exercise of 351,666 (2009: 140,000) stock options and 560,000 warrants for total proceeds of \$104,917 (2009: \$21,000).
- (d) On May 25, 2009, and amended on July 27, 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. This transaction was completed in three (3) tranches on August 4, September 14 and September 21, 2009 for total proceeds of \$2,600,000. A total of 2,785,184 common shares of the Company, and structuring fees of \$26,000 and finder's fees of \$200,000 were paid in respect of this financing.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

For The Year Ended January 31, 2010

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 \$0.10 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 is payable monthly on the loan.

Refer Note 12.

### OPERATING ACTIVITIES

The Company recorded a comprehensive loss for the year ended January 31, 2010 of \$2,224,880 (\$0.02 per share), compared with \$7,842,450 (\$0.10 per share) for 2009. The decrease in comprehensive loss is mostly due to rationalization of administration and project consulting and communications, with Canadian and Philippine director and officer roles accepting a 50% cut in remuneration effective May 1, 2009, as well as a reduction in travel costs to the Philippines and to the property due to a reduction in development activities in the year. Additionally, the decrease in loss is due to lower stock based compensation. Although more options were granted in the current fiscal period, lower number of options vesting in the year resulted in a lower expense.

Specific items:

- (a) Administration (\$680,175): The Company incurred administration services of \$205,267 (2009: \$397,582) 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 item also includes the Company's proportionate share of wages and salaries paid by Philippines joint venture corporations. Year on year decreases are a result of pay reductions, effective May 1, 2009.
- (b) Amortization (\$32,610): This has decreased as a result of a lower opening cost base for administrative assets in the current fiscal year.
- (c) Accretion (\$232,581): Relates to accretion and discount interest on long-term and convertible debt issued during the year. Refer Note 12.
- (d) Project management fees and communications (\$584,535): Includes continuing representation in respect of the Alpha FTAA permitting process and fees paid to the Company's full time representatives in the Philippines. Philippine directors received a total of \$99,084 (2009: \$53,485) during the year and Philippine payments for project consulting and permit application reduced by PHP18,595,075 (approximately \$323,217), reflecting the Company's lessened activities during the current year.
- (e) Duties and taxes (\$66,108): Relates to freight on various permitting and other documents and excise taxes. The expected reduction is consistent with the decrease in operational activities in the year.
- (f) General exploration (Recovery \$762): Fiscal 2009 recovery of \$115,597 relates to the refund of deposits paid in fiscal 2008 for Philippine production sharing contracts that had been expensed.
- (g) Legal and accounting (\$551,433): 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. Slight decrease in accounting fees paid to the CFO and auditors of the Company.

Legal fees of \$69,240 were paid to a firm in which a director of the Company is a partner (2009: \$49,953). Accounting fees include \$48,750 (2009: \$78,500) paid to an officer of the corporation for accounting services.

- (h) Rent (\$38,942) decreased as a result of lower equipment rentals at the Narra administration site..

## MANAGEMENT'S DISCUSSION AND ANALYSIS

For The Year Ended January 31, 2010

- (i) Stock based compensation (\$799,991): The decrease in stock based compensation expense was due to the vesting of options in the previous year (granted in fiscal 2008).
- (j) Travel, entertainment and general consulting (\$139,409): 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. The expected decrease results from the lower need for management travel to site and visits to customers due to the decrease in operational and shipping activities in the period.
- (k) Office and miscellaneous (\$144,827): Included site supplies (approximately \$150,000) plus security, office utilities, computers, and miscellaneous construction costs (approximately \$158,000) in the previous year (2009: \$464,631). The decrease is due to lower number of staff at the site.

Foreign exchange gain of \$480,304 (2009: \$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.

Increases in interest expense relate to coupon interest on long-term and convertible debt (refer Note 12).

Income tax recoveries relate to changes in future income tax liabilities.

Other comprehensive gains arose as a result of the sale of marketable securities that were restated downward to fair value in the previous year.

### FINANCIAL SUMMARY

Yearly Results	Comprehensive Loss	Loss per share	Total Assets	Long term Liabilities
Year ended January 31, 2010	\$2,224,880	\$0.02	\$23,198,902	\$2,442,856
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

Quarterly Results	Q-1	Q-2	Q-3	Q-4
<b>2010</b>				
<b>Net loss</b>	(\$510,660)	(\$1,582,254)	(\$1,460,179)	\$1,321,599
<b>Other comprehensive income/(loss)</b>	\$ —	\$ —	\$ —	\$6,614
<b>Basic &amp; diluted loss per share</b>	(\$0.01)	(\$0.02)	(\$0.01)	\$0.01
<b>2009</b>				
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)

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.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

For The Year Ended January 31, 2010

### 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, 2010, the Company had a working capital surplus of \$233,558 versus a deficiency of \$2,001,092 on January 31, 2009. During the fiscal year, the Company's share of proceeds received from the sale of nickel material was \$Nil (2009: \$5,836,781), \$2,228,245 (2009: \$Nil) from the advance of convertible and long-term debt, net of financing fees paid, and \$913,388 (2009: \$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 (\$2,960,641), the exploration and development of the Company's properties (\$281,247) and purchases of property and equipment (\$6,481).

The accumulated deficit increased to \$34,207,053 from \$31,975,559 on January 31, 2009. Losses for the year are discussed above in "Operating Activities".

Cash used in operating activities increased year on year from \$2,532,078 in 2009 to \$2,960,641 in 2010 on the repayment of accounts payable and management of working capital. Significant operating items are discussed above. Items of note include decreases in administration travel, office and miscellaneous as well as project consulting and communications expenses, associated with the ongoing rationalization and permitting of the Company's Philippine properties and overall administration overhead. Head office management accepted a 50% reduction in remuneration from May 1, 2009.

Cash used in investing activities in 2010 were \$257,642 compared to \$2,960,641 in the prior year. Costs associated with mineral exploration and acquisitions decreased year over year due to the reduction of exploration activities on the Alpha property. Development activities were kept to a minimum as the Company awaited the grant of an FTAA permit on the Palawan properties. In the comparative period, the Company invested in capital infrastructure and development of mining assets in Narra to facilitate production and sales in Q4 2007/08 and Q1 2008/09. Proceeds of \$5,836,781 had been received in the comparative year and deducted from the cash outflows from investing activities. Cash expenditures and advances on mineral properties were \$281,247 in 2010 versus \$8,104,228 in 2009.

### FINANCIAL AND OTHER 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
Long-term debt	Other financial liabilities

## MANAGEMENT'S DISCUSSION AND ANALYSIS

For The Year Ended January 31, 2010

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.

Refer Note 20 of the Consolidated Financial Statements for further information on financial instruments.

### 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.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

For The Year Ended January 31, 2010

### 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.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

For The Year Ended January 31, 2010

### *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 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.

### *Determination of fair value*

CICA Handbook Section 3862 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The three levels of the fair value hierarchy are described below:

- (a) Level 1 inputs are quoted prices in active markets for identical assets or liabilities at the measurement date.
- (b) Level 2 inputs are observable inputs other than quoted prices included within Level 1, such as quoted prices for similar assets or liabilities in active markets, quoted prices for identical assets or liabilities in markets that are not active, or other inputs that are observable directly or indirectly.
- (c) Level 3 inputs are unobservable inputs for the asset or liability that reflect the reporting entity's own assumptions and are not based on observable market data.

Management is required to make certain estimates and assumptions that factor into the calculation of fair value, including the determination of appropriate discount and market rates of interest from sources that combine debt and equity instruments. This requires management to make estimates of real risk-adjusted discount rates of return.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

For The Year Ended January 31, 2010

### CHANGES IN ACCOUNTING POLICIES

#### Going Concern

Effective February 1, 2009, the Company adopted the amendments to the guidelines of CICA Handbook Section 1400, *General Standards of Financial Statement Presentation*. The Canadian Accounting Standards Board amended Section 1400, to include requirements for management to assess and disclose an entity's ability to continue as a going concern. The adoption of these amendments resulted in no disclosure changes to the Company's financial statements.

#### Credit Risk and the Fair Value of Financial Assets and Financial Liabilities

In January 2009, the CICA approved EIC-173 *Credit Risk and the Fair Value of Financial Assets and Financial Liabilities*. This guidance clarified that an entity's own credit risk and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and financial liabilities including derivative instruments. This guidance is applicable to fiscal periods ending on or after January 12, 2009. The adoption of this guidance resulted in no changes to the Company's consolidated financial statements.

#### Financial Instruments - Disclosures

The Company adopted amendments to CICA Handbook Section 3862 - *Financial Instruments - Disclosures* which provides enhanced disclosures about liquidity and fair value measurements. These additional disclosures are included in Note 20. The Company is not required to provide comparative information for disclosures in the first year of adoption.

#### Mining Exploration Costs

On March 27, 2009, the CICA approved EIC-174 *"Mining Exploration Costs."* This guidance clarified that an entity that has initially capitalized exploration costs has an obligation in the current and subsequent accounting periods to test such costs for recoverability whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. Also, it clarified when exploration costs related to mining properties may be capitalized, in particular when the company has not established mineral reserves objectively. The adoption of this guidance resulted in no changes to the Company's consolidated financial statements.

### FUTURE ACCOUNTING PRONOUNCEMENTS

#### 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. Early adoption is permitted.

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"*. Early adoption is permitted.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

For The Year Ended January 31, 2010

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

### **International Financial Reporting Standards ("IFRS")**

Effective in the fiscal year beginning on February 1, 2011 the Company will be required to prepare its financial statements in accordance with International Financial Reporting Standards ("IFRS"), instead of current Canadian GAAP. This mandate is first applicable to interim reporting periods in the fiscal year beginning 2011 and includes the requirement to present comparative financial information for the 2010 year also based on IFRS. Accordingly, although we will first report our result under IFRS in 2011, the underlying conversion will be based on an effective transition date of February 1, 2010. We have prepared a detailed IFRS conversion plan, which will continue to evolve to accommodate the expected development of IFRS accounting standards past 2011.

We have identified four phases to our conversion: scoping and planning, detailed assessment, implementation and post implementation. The scoping and planning phase entails an initial assessment of the key areas where IFRS transition may have a significant impact and present significant challenges. The scoping and planning phase has been completed. This also included establishing a project timeline and organizational structure, including oversight of the process by the Audit Committee. Areas of potential significant impact have been determined to be in the identification of significant depreciable units of property, plant and equipment, revaluation to fair value of property, plant and equipment, changes to recognition criteria in the deferral of pre-acquisition mineral property costs and development costs, changes to impairment calculations, stock based compensation as well as in the selection of functional currencies of foreign entities.

The second phase, detailed assessment, involves in-depth technical analysis that will result in understanding potential impacts, decisions on accounting policy choices and the drafting of accounting policies. In addition, this will result in identifying resource and training requirements, processes for preparing financial statements, establishing IT system requirements and preparing detailed transition plans. This phase is in process and we expect to complete the remaining technical analysis by the fall this year. During the implementation phase, we will identify and carry out the implementation requirements to effect management's accounting choices, develop sample financial statements, implement business and internal control requirements, calculate the opening balance sheet at February 1, 2010 and other transitional reconciliations and disclosure requirements. The implementation phase of the conversion is expected to be initiated by Q3 2010. The last phase of post implementation will involve continuous monitoring of changes in IFRS throughout the implementation process (through to 2011). We will continually assess training and resource requirements as the project progresses.

### **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 favorable ruling from their appeal to the Mines Adjudication Board

## MANAGEMENT'S DISCUSSION AND ANALYSIS

For The Year Ended January 31, 2010

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 7(a) and 7(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 SEC has recently ruled that Redmont was guilty of forum shopping with respect to the applications against Narra Nickel Mining and Development Corp. (Alpha property) McArthur Mining Inc (Rio Tuba properties) and Tesoro Mining Inc. (Bethlehem property) and dismissed the applications - effectively the SEC's ruling suggests that Redmont's numerous legal and administrative actions are attempting to retry the same issue in different legal venues. With respect to the balance of the Company's Philippine Partners the SEC requested that they be reviewed by the SEC's internal compliance department. The Company has appealed the SEC decision.

Redmont continues to instigate legal and administrative proceedings all of which essentially allege that the Company and its Philippine partners are not in compliance with Philippine corporate law and as a result were not allegedly entitled to apply for MPSA or FTAA permits for their properties.

The Company recognizes that it will face both legal and administrative challenges to the development of its projects in the Philippines. However, the Company is of the opinion that Redmont's harassing tactics are simply an attempt to frustrate the Company's and its Philippine partners' attempts to develop their mining properties in an orderly and legal manner in full compliance with Philippine mining and environmental laws and policies.

- (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 10 in the consolidated financial statements.

### OUTSTANDING SHARE DATA

The Company has one class of common shares. As at January 31, 2010 the Company had 102,323,710 shares outstanding. As at May 31, 2010, there were 118,641,710 common shares; 33,438,815 warrants; and 7,127,834 stock options outstanding. Additionally, there were convertible debentures outstanding at the date of this MD&A representing, on conversion, a total of 7,500,000 common shares as well as an additional 7,500,000 common share purchase warrants.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

For The Year Ended January 31, 2010

### SUBSEQUENT EVENTS

On April 26, 2010 the Company closed a non-brokered private placement financing of 7,320,000 Units at \$0.20 per Unit for gross proceeds of \$1,464,000. 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 \$0.30 and has an expiry period of three years. All common shares have been issued subject to a hold period ending on August 26, 2010.

### 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.
- (d) 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.
- (e) 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.

### OTHER INFORMATION:

Additional information is available on the Company's website at [www.mbmresources.com](http://www.mbmresources.com) or on SEDAR at [www.sedar.com](http://www.sedar.com).

## MANAGEMENT'S DISCUSSION AND ANALYSIS

For The Year Ended January 31, 2010

### 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 G 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 <sup>th</sup> 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, 2010 AND 2009

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EMERGING NICKEL SUPPLIER

# AUDITORS' REPORT



**GRANT THORNTON LLP**  
SUITE 1600, GRANT THORNTON PLACE  
333 SEYMOUR STREET  
VANCOUVER, BC  
V6B 0A4

T (604) 687-2711  
F (604) 685-6569  
WWW.GRANTTHORNTON.CA

## To the Shareholders MBMI Resources Inc.

We have audited the consolidated balance sheet of MBMI Resources Inc. as at January 31, 2010 and 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 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, 2010 and 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

*Grant Thornton LLP*

Vancouver, Canada  
May 7, 2010

Chartered Accountants

### **Audit • Tax • Advisory**

Grant Thornton LLP. A Canadian Member of Grant Thornton International Ltd

**CONSOLIDATED BALANCE SHEETS**

See Going Concern Note 1  
(Stated in Canadian Dollars)

As at January 31	2010	2009
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 70,251	\$ 146,901
Receivables (Note 3)	518,159	95,339
Prepaid expenses and refundable deposits	356,729	108,862
Inventory (Note 4)	1,635,806	824,983
Investment (Note 5)	—	18,496
Current portion of notes receivable (Note 6)	13,749	14,188
	<u>2,594,694</u>	1,208,769
<b>Mineral properties and deferred exploration costs</b> (Notes 7 and 9)	<b>17,200,802</b>	16,267,766
<b>Notes receivable</b> (Note 6)	<b>957,289</b>	986,531
<b>Property, plant and equipment</b> (Note 8)	<b>2,446,117</b>	3,919,074
	<u>\$ 23,198,902</u>	\$ 22,382,140
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	\$ 2,096,488	\$ 2,993,128
Due to related parties (Note 10(b))	264,648	216,733
	<u>2,361,136</u>	3,209,861
<b>Long-term debt</b> (Note 12)	<b>1,718,106</b>	—
<b>Asset retirement obligations</b> (Note 9)	<b>287,162</b>	314,349
<b>Future income tax liability</b> (Note 16)	<b>437,588</b>	694,238
	<u>4,803,992</u>	4,218,448
<b>Shareholders' Equity</b>		
Common shares (Note 11)	32,763,246	31,641,708
Contributed surplus	19,838,717	18,504,157
Deficit accumulated in the development stage	(34,207,053)	(31,975,559)
Accumulated other comprehensive loss	—	(6,614)
	<u>18,394,910</u>	18,163,692
	<u>\$ 23,198,902</u>	\$ 22,382,140

Approved by the Board:

"Michael T. Mason" \_\_\_\_\_ Director

"David G. Tafel" \_\_\_\_\_ Director

**Nature of operations and going concern** (Note 1)

**Commitments** (Note 18)

**Contingencies** (Note 19)

**Subsequent Events** (Note 23)

The accompanying notes are an integral part of these consolidated financial statements.

**MBMI RESOURCES INC.** (A Development Stage Company)  
**CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS**  
(Stated in Canadian Dollars)

For the years ended January 31	2010	2009
<b>General and administrative expenses</b>		
Administration (Note 10(a))	\$ 680,175	\$ 1,177,688
Accretion on asset retirement obligations (Note 9)	15,947	34,872
Accretion on long-term debt (Note 12)	232,581	—
Amortization	32,610	109,008
Bad debt	3,829	87,189
Project consulting and communications (Note 10(a))	584,535	1,003,100
Duties and taxes	66,108	164,173
General exploration (recovery)	(762)	(115,597)
Insurance	44,431	51,924
Legal and accounting (Note 10(a))	551,433	565,475
Office and miscellaneous	144,827	464,631
Rent	38,942	141,132
Stock-based compensation (Note 14)	799,991	2,315,750
Telephone	40,979	65,872
Transfer agent and filing	33,434	27,558
Travel	139,409	670,402
<b>Loss before undernoted</b>	<b>(3,408,469)</b>	<b>(6,763,177)</b>
<b>Other income (expenses)</b>		
Foreign exchange gain	480,304	433,582
Inventory recovery (impairment)	456,405	(541,169)
Interest and other income	53,174	86,936
Interest expense	(116,675)	(134,958)
Accreted interest income (Note 6)	47,117	40,987
<b>Loss for the year before provision for income taxes</b>	<b>(2,488,144)</b>	<b>(6,877,799)</b>
Income tax recovery (expense) (Note 16)	256,650	(958,038)
<b>Net loss for the year</b>	<b>(2,231,494)</b>	<b>(7,835,837)</b>
<b>Other comprehensive gain (loss)</b>		
Realized gain on sale of investments	6,614	—
Unrealized loss on investments	—	(6,614)
<b>Comprehensive loss for the year</b>	<b>\$ (2,224,880)</b>	<b>\$ (7,842,451)</b>
Loss per share - basic and diluted (Note 11)	\$ (0.02)	\$ (0.10)
Weighted average shares outstanding	94,922,171	79,230,497

The accompanying notes are an integral part of these consolidated financial statements.

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

	Share Capital		Contributed Surplus	Accumulated Other Comprehensive Income	Deficit Accumulated in the Development Stage	Total Shareholders' Equity
	Number of Shares	Amount				
Balance, February 1, 2009	86,533,045	\$ 31,641,708	\$ 18,504,157	\$ (6,614)	\$ (31,975,559)	\$18,163,692
Bonus shares issued on advance of long-term debt (Note 12)	2,785,184	557,037	—	—	—	557,037
Equity component of convertible long-term debt (Note 12)	—	—	175,489	—	—	175,489
Financing fees on convertible long-term debt (Note 12)	—	—	(62,400)	—	—	(62,400)
Issued on conversion of convertible debenture (Note 12)	850,000	85,000	(12,408)	—	—	72,592
Issued by private placement, net of issuance costs of \$34,814 (Note 11(b))	11,243,815	808,472	—	—	—	808,472
Fair value of warrants issued (Note 11(b))	—	(685,910)	685,910	—	—	—
Issued on the exercise of warrants	560,000	56,000	—	—	—	56,000
Fair value of warrants exercised	—	11,493	(11,493)	—	—	—
Issued on the exercise of stock options	351,666	48,917	—	—	—	48,917
Fair value of options exercised	—	240,529	(240,529)	—	—	—
Stock-based compensation	—	—	799,991	—	—	799,991
Net loss and comprehensive loss for the year	—	—	—	6,614	(2,231,494)	(2,224,880)
<b>Balance, January 31, 2010</b>	<b>102,323,710</b>	<b>\$ 32,763,246</b>	<b>\$19,838,717</b>	<b>\$ —</b>	<b>\$ (34,207,053)</b>	<b>\$ 18,394,910</b>

The accompanying notes are an integral part of these consolidated financial statements.

**MBMI RESOURCES INC.** (A Development Stage Company)  
**CONSOLIDATED STATEMENTS OF CHANGES IN 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, 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 11(a))	7,782,000	380,997	—	—	—	380,997
Fair value of warrants issued (Note 11(a))	—	(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)
<b>Balance, January 31, 2009</b>	<b>86,533,045</b>	<b>\$ 31,641,708</b>	<b>\$18,504,157</b>	<b>\$ (6,614)</b>	<b>\$ (31,975,559)</b>	<b>\$ 18,163,692</b>

The accompanying notes are an integral part of these consolidated financial statements.

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

<b>For the years ended January 31</b>	<b>2010</b>	<b>2009</b>
Cash flows provided by (used in) operating activities		
Net loss for the year	\$ (2,231,494)	\$ (7,835,837)
Non-cash items:		
Inventory (recovery) impairment	(456,405)	541,169
Gain on sale of marketable securities	(4,976)	—
Bad debt	3,829	87,189
Future Income tax expense (recovery)	(137,217)	618,241
Amortization	32,610	109,008
Accretion expense	201,411	34,872
Unrealized foreign exchange	530,336	31,144
Stock-based compensation	799,991	2,315,750
Stockyard lease	59,057	61,828
Interest on notes receivable	(48,198)	15,971
	<b>(1,251,056)</b>	<b>(4,020,665)</b>
Changes in non-cash working capital		
Receivables	(313,801)	(106,353)
Prepaid expenses and refundable deposits	(328,717)	(14,238)
Inventory	(467,621)	(783,541)
Accounts payable and accrued liabilities	(647,361)	2,246,853
Due to related parties	47,915	145,866
	<b>(2,960,641)</b>	<b>(2,532,078)</b>
<b>Cash flows provided by financing activities</b>		
Net proceeds from issuance of common shares and share subscriptions, net of issue costs	913,388	401,997
Net proceeds from loan, net of financing fees	990,645	—
Net proceeds from convertible debenture, net of financing fees	1,237,600	—
	<b>3,141,633</b>	<b>401,997</b>
<b>Cash flows provided by (used in) investing activities</b>		
Proceeds on sale of marketable securities	30,086	—
Payments to acquire property, plant and equipment	(6,481)	(405,057)
Expenditures and advances on mineral properties	(281,247)	(8,104,228)
Advances on life of mine agreement	—	(326,521)
Cash received on sales in the development stage	—	5,836,781
	<b>(257,642)</b>	<b>(2,999,025)</b>
<b>Decrease in cash and cash equivalents</b>	<b>(76,650)</b>	<b>(5,129,106)</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>146,901</b>	<b>5,276,007</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 70,251</b>	<b>\$ 146,901</b>
<b>Supplemental cash flow information</b> (Note 17)		

The accompanying 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, 2010 AND 2009

## **1. NATURE OF OPERATIONS AND GOING CONCERN**

MBMI Resources Inc. ("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 in prior years earned revenues from its exploration and development activities on the Alpha property (Note 7) and is considered to be in the development stage.

Current and planned exploration and development activities are being conducted in the Philippines (Note 7). The Company's main properties are the Alpha Properties (the "Alpha Group") which are 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 working toward advancing a Financial or Technical Assistance Agreement ("FTAA") application covering properties operated by some of the Company's Philippine ventures. The consolidated FTAA application covers the Alpha, Bethlehem and Rio Tuba properties (collectively, "the Palawan properties"). Approval of this FTAA application will allow MBMI and its Philippine Partners to substantially increase exploration activities and to progress toward development of full-scale operational programs at each property. An FTAA is granted for a period of 25 years (and renewable for a further period of up to 25 years). Under an FTAA, the Company is entitled to own an interest of up to 100% in the properties. The Company is currently operating under the renewal of two (2) 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 100,000 metric tons per year (50,000 metric tons per permit) for a period of two years. These are to expire in September 2010 but will be superseded upon official grant of the FTAA.

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

At January 31, 2010, the Company had an accumulated deficit of \$34,207,053 and a working capital surplus of \$233,558. 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 on terms that will be acceptable to the Company. 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, maintain interest in such properties, obtain 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.

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.

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

(Stated in Canadian Dollars)

JANUARY 31, 2010 AND 2009

## 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 the latter subsidiaries were incorporated by the Company. All intercompany balances and transactions are eliminated on consolidation.

At January 31, 2010 and 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. Substantially all the Company's exploration and development activities are carried out through joint ventures.

#### **(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.

#### **(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.

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

(Stated in Canadian Dollars)

JANUARY 31, 2010 AND 2009

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (c) Samar Group (Continued)

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 startup 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 the 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 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.

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.

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

(Stated in Canadian Dollars)

JANUARY 31, 2010 AND 2009

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### **Mineral Properties and Deferred Exploration Costs (Continued)**

#### *Impairment of long-lived assets*

The Company reviews the recoverability of its long-lived assets annually and where events and circumstances indicate an impairment event may have occurred. The Company assesses the recoverability of its long-lived assets by determining whether their carrying value can be recovered over their remaining lives thorough undiscounted future cash flows. In the event that future recoverability is not supported an impairment loss is measured and recorded to the extent that estimated discounted future cash flows are less than the carrying value. Management considered the guidance in Emerging Issues Committee EIC-174 "Mining Exploration Costs" to determine whether conditions existed that indicated an impairment may exist and a write-down may be required. There was no impairment write-down required at January 31, 2010.

#### *Realization of assets*

The investment in and expenditures on mineral properties 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 the cost 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.

### **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.

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

(Stated in Canadian Dollars)

JANUARY 31, 2010 AND 2009

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### **Convertible Loan**

The convertible loan is allocated between the debt and equity components at the date of issuance and is recorded net of transaction costs. The equity component is estimated using the residual method and the debt component is accreted to face value using the effective interest rate method, with the resulting charge recorded as accretion on the convertible loan. The liability component is initially recorded at fair value and subsequently measured at amortized cost.

### **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 the valuation of receivables, amounts recorded as stock-based compensation expense, the valuation of mineral properties and deferred exploration costs, accounts payable and accrued liabilities, asset retirement obligations, the bifurcation of financial instruments and contingent liabilities.

### **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 pass 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.

### **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. Fully diluted amounts are not reported when the effect of the computation is anti-dilutive.

### **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. 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, 2010 AND 2009

## 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 expenditures in the future 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, 2010 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**

Inventory classifications include "stockpiled material" and "materials and supplies." All of our inventories are recorded at the lower of cost and net realizable value determined by reference to current resources pricing. 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.

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

(Stated in Canadian Dollars)

JANUARY 31, 2010 AND 2009

## 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
Long-term debt	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 and other financial liabilities adjust the value of the instrument at acquisition and are recognized in net earnings on a systematic basis using the effective interest rate method.

### Changes in Accounting Policies

#### Going Concern

Effective February 1, 2008, the Company adopted the amendments to the guidelines of CICA Handbook Section 1400, *General Standards of Financial Statement Presentation*. The Canadian Accounting Standards Board amended Section 1400, to include requirements for management to assess and disclose an entity's ability to continue as a going concern. The adoption of these amendments resulted in no disclosure changes to the Company's financial statements.

#### Credit Risk and the Fair Value of Financial Assets and Financial Liabilities

In January 2009, the CICA approved EIC-173 *Credit Risk and the Fair Value of Financial Assets and Financial Liabilities*. This guidance clarified that an entity's own credit risk and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and financial liabilities including derivative instruments. This guidance is applicable to fiscal periods ending on or after January 20, 2009. The adoption of this guidance resulted in no changes to the Company's consolidated financial statements.

#### Mining Exploration Costs

On March 27, 2009, the CICA approved EIC-174 *"Mining Exploration Costs."* This guidance clarified that an entity that has initially capitalized exploration costs has an obligation in the current and subsequent accounting periods to test such costs for recoverability whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. Also, it clarified when exploration costs related to mining properties may be capitalized, in particular when the company has not established mineral reserves objectively. The adoption of this guidance resulted in no changes to the Company's consolidated financial statements.

#### Financial Instruments - Disclosures

The Company adopted amendments to CICA Handbook Section 3862 - *Financial Instruments - Disclosures* which provides enhanced disclosures about liquidity and fair value measurements. These additional disclosures are included in Note 20. The Company is not required to provide comparative information for disclosures in the first year of adoption.

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

(Stated in Canadian Dollars)

JANUARY 31, 2010 AND 2009

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Changes in Accounting Policies (Continued)**

**Future Accounting Pronouncements**

***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. Early adoption is permitted.

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*". Early adoption is permitted.

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*". Early adoption is permitted.

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

**3. RECEIVABLES**

	2010	2009
Trade and other receivables	\$ 1,230,721	\$ 916,919
Allowance for impairment	(712,562)	(821,580)
	\$ 518,159	\$ 95,339
Allowance for impairment, as at February 1	\$ (821,580)	\$ —
Provision	(3,829)	(821,580)
Foreign exchange differences	112,847	—
Allowance for impairment, as at January 31	\$ (712,562)	\$ (821,580)

**4. INVENTORY**

	2010	2009
Nickel material in stockpiles	\$ 1,635,806	\$ 824,983

There are approximately 70,011 wet metric tonnes of stockpiled nickel material at January 31, 2010 (2009: 60,995 wet metric tonnes).

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

(Stated in Canadian Dollars)

JANUARY 31, 2010 AND 2009

**5. INVESTMENTS**

	2010	2009
Nil common shares in Garson Gold Corp., a company with directors in common (2009: 264,227 common shares) – fair value.	\$ —	\$ 18,496

**6. NOTES RECEIVABLE**

	2010			2009		
	Life of Mine	Land Purchase	Total	Life of Mine	Land Purchase	Total
Balance, February 1	\$ 530,197	\$ 470,522	\$ 1,000,719	\$ 394,175	\$ 450,794	\$ 844,969
Advances	—	—	—	95,035	—	95,035
(Discount) Accreted interest income	47,117	48,198	95,315	40,987	50,412	91,399
Stockyard lease	—	(59,057)	(59,057)	—	(61,828)	(61,828)
Unrealized foreign exchange (loss) gain	—	(65,939)	(65,939)	—	31,144	31,144
	<b>577,314</b>	<b>393,724</b>	<b>971,038</b>	530,197	470,522	1,000,719
Current portion	—	13,749	13,749	—	14,188	14,188
<b>Balance, January 31</b>	<b>\$ 577,314</b>	<b>\$ 379,975</b>	<b>\$ 957,289</b>	\$ 530,197	\$ 456,334	\$ 986,531

**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 (2009: \$607,996) 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, 2010 is \$577,314 (2009: \$530,197).

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.

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

(Stated in Canadian Dollars)

JANUARY 31, 2010 AND 2009

**6. NOTES RECEIVABLE (CONTINUED)**

**Land Purchase**

During the year ended January 31, 2008, the Company advanced funds of PHP30,282,815 (\$751,323, of which the Company's joint venture share is \$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 repayable in blended monthly payments of PHP357,185 (approximately \$8,197) over a term of 15 years.

The Company leases the mortgaged land for matching payments of PHP357,185 (approximately \$8,197) per month. The land is used by the Company for its stockyard facilities on the Alpha property.

**7. MINERAL PROPERTIES AND DEFERRED EXPLORATION COSTS**

	Philippines			Total
	Alpha Property	Olympic Properties	Samar Properties	
Balance -				
January 31, 2008	\$8,150,944	\$3,224,132	\$596,665	\$11,971,741
Exploration and development costs	6,563,736	—	—	6,563,736
Asset retirement costs (Note 9)	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	12,446,969	3,224,132	596,665	16,267,766
Exploration and development costs	749,172	—	—	749,172
Advances to joint venture partners	183,864	—	—	183,864
Balance -				
January 31, 2010	\$13,380,005	\$3,224,132	\$596,665	\$17,200,802

**Reclassification:**

During the 2010 fiscal year, the Company reclassified property, plant and equipment with a net book value of \$818,443 (2009: \$1,527,417) previously recorded in deferred exploration costs to property, plant and equipment. As the amortization of these assets is capitalized to mineral properties and deferred exploration costs, the reclassification did not result in any changes to the consolidated statements of operations and comprehensive loss and shareholders' equity for the years ended January 31, 2010 and 2009 (refer Note 8).

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**7. MINERAL PROPERTIES AND DEFERRED EXPLORATION COSTS (CONTINUED)**

	2010	2009
<b>Exploration and development costs</b>		
Assays, sampling and metallurgical test fees	\$ —	\$ 3,182
Camp and supplies	<b>96,348</b>	45,628
Consulting (Note 10(a))	—	780,423
Foreign exchange loss (gain)	—	31,517
Geological consulting	—	25,763
Geophysical & surveying	—	2,386
Helicopter and automobile	—	4,055
Miscellaneous	—	5,900
Wages and salaries	—	1,352
Mine capital costs	—	395,424
Pre-production costs:		
Shipping	—	1,333,879
Cost of sales, amortization and other direct pre-production costs	<b>652,824</b>	3,934,227
	<b>749,172</b>	6,563,736
Asset retirement costs (Note 9)	—	90,283
Advances to joint ventures	<b>183,864</b>	2,744,396
	<b>933,036</b>	9,398,415
<b>Revenues earned in the development stage</b>	<b>—</b>	(5,102,390)
	<b>933,036</b>	4,296,025
<b>Mineral properties and deferred exploration costs,</b> beginning of year	<b>16,267,766</b>	11,971,741
<b>Mineral properties and deferred exploration costs,</b> end of year	<b>\$ 17,200,802</b>	\$ 16,267,766

**(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 establish a joint venture for the 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.

The Company is advancing toward the approval of a Financial or Technical Assistance Agreement (“FTAA”) application covering the Alpha property. Approval of this FTAA application will allow MBMI and its Philippine Partners to substantially increase exploration activities and to progress toward development of full-scale operational programs at Alpha. An FTAA is granted for a period of 25 years (and renewable for a further period of up to 25 years). Under an FTAA, the Company is entitled to own an interest of up to 100% in the properties.

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**7. 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 allowed the Company to extract a total of 200,000 dMT over the two year life of the SSMO permit, which was to expire in September, 2010 and will be superseded upon grant of the 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 upon 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 the 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 earn 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.

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.

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**8. PROPERTY, PLANT AND EQUIPMENT**

	2010		
	Cost	Accumulated Amortization	Net Book Value
Mining equipment	\$ 3,614,568	\$ 1,914,384	\$ 1,700,184
Communication equipment	88,711	70,409	18,302
Site buildings	464,040	120,726	343,314
Furniture and equipment	88,400	70,633	17,767
Automotive equipment	34,758	27,272	7,486
Leasehold improvements	63,600	51,326	12,274
Plant and fixed equipment	1,405,523	1,067,972	337,551
Land	9,239	—	9,239
	<b>\$ 5,768,839</b>	<b>\$ 3,322,722</b>	<b>\$ 2,446,117</b>
	2009		
	Cost	Accumulated Amortization	Net Book Value
Mining equipment	\$ 3,254,507	\$ 902,252	\$ 2,352,255
Communication equipment	18,341	7,163	11,178
Site buildings	375,948	54,870	321,078
Furniture and equipment	162,023	68,389	93,634
Automotive equipment	35,549	14,645	20,904
Leasehold improvements	64,938	32,839	32,099
Plant and fixed equipment	1,883,474	803,056	1,080,418
Land	7,508	—	7,508
	<b>\$ 5,802,288</b>	<b>\$ 1,883,214</b>	<b>\$ 3,919,074</b>

**Reclassification:**

Amortization expense related to mining equipment of \$651,789 (2009: \$601,087) was capitalized in mineral properties and deferred exploration costs.

As a result of the reclassification of certain property, plant and equipment costs from mineral properties and deferred exploration costs to property, plant and equipment (Note 7), the following changes were made to the presentation of components in the foregoing tables:

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**8. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)**

**2010**

	Cost before reclassification	Adjustment	Cost as amended	Accumulated amortization before reclassification	Adjustment	Accumulated amortization as amended
Mining equipment	\$ 3,003,856	\$ 610,712	\$ 3,614,568	\$ 1,432,011	\$ 482,373	\$ 1,914,384
Site buildings	—	464,040	464,040	—	120,726	120,726
Furniture and equipment	88,400	—	88,400	70,633	—	70,633
Plant and fixed equipment	—	1,405,523	1,405,523	—	1,067,972	1,067,972
Land	—	9,239	9,239	—	—	—
	\$ 3,092,256	\$ 2,489,514	\$ 5,581,770	\$ 1,502,644	\$ 1,671,071	\$ 3,173,715

**2009**

	Cost as previously reported	Adjustment	Cost as amended	Accumulated amortization as previously reported	Adjustment	Accumulated amortization as amended
Mining equipment	\$ 3,073,982	\$ 180,525	\$ 3,254,507	\$ 836,075	\$ 66,177	\$ 902,252
Site buildings	—	375,948	375,948	—	54,870	54,870
Furniture and equipment	157,958	4,065	162,023	68,389	—	68,389
Plant and fixed equipment	—	1,883,474	1,883,474	—	803,056	803,056
Land	—	7,508	7,508	—	—	—
	\$ 3,231,940	\$ 2,451,520	\$ 5,683,460	\$ 904,464	\$ 924,103	\$ 1,828,567

	2010	2009
Adjustment to cost	\$ 2,489,514	\$ 2,451,520
Adjustment to accumulated amortization	(1,671,071)	(924,103)
	\$ 818,443	\$ 1,527,417

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**9. ASSET RETIREMENT OBLIGATIONS**

During the previous year, the Company, in developing its Alpha Property, 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.

Expenses for community development may be credited to or charged against these obligations, including required contributions of a minimum of one percent (1%) of the direct mining and milling costs to a Social Development Management Program. No contributions (2009: PHP4,167,970, approximately \$104,200) were expensed during the year as no activities were conducted during the year.

Additionally, the total present value of cash flows required to settle reclamation obligations is estimated to be PHP 17,154,964 (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 risk free rates of interest that are 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
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.

	2010	2009
Asset Retirement Obligations,		
Balance, beginning of year	\$ 314,349	\$ 189,194
Foreign exchange difference on opening balance	(43,134)	13,544
Increase in deferred asset retirement costs due to changes in assumptions	—	76,739
Accretion expense	15,947	34,872
Balance, end of year	\$ 287,162	\$ 314,349

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**10. RELATED PARTY TRANSACTIONS**

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

**(a) Related party transactions**

The Company has undertaken the following transactions with related parties:

- Incurred legal services of \$69,240 (2009: \$49,953) from a law firm whose principal is a director of the Company.
- Incurred administration services of \$205,267 (2009: \$397,582) from directors.
- Incurred accounting services of \$48,750 (2009: \$78,500) from an officer of the Company.
- Incurred consulting fees with directors of the Company's Philippine joint ventures of approximately \$99,084 (2009: approximately \$53,485).

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

**(b) Related party balances**

At January 31, 2010 the balance due to certain directors and officers, inclusive of management fees and reimbursable expenses, was \$186,160 (2009: \$154,196). At January 31, 2010 the amount due to related parties also includes \$78,488 (2009: \$48,503) due to a law firm whose principal is a director of the Company and \$Nil (2009: \$14,034) due to a company with common directors for the reimbursement of shared office expenses. Amounts due to related parties earn no interest, are unsecured and are repayable upon demand.

The Company has made advances to a director of a joint venture company. The advances have been used for the purchase of land on which the Company operates its stockyard facilities (Note 6).

**11. COMMON SHARES**

Authorized  
Unlimited Common shares without par value

- (a) 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.
- (b) On July 16, 2009, the Company closed a non-brokered private placement financing of 11,243,815 units at \$0.075 per unit for gross proceeds of \$843,285. 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 were subject to a hold period which expired in September 28, 2009 and October 15, 2009. Total finders' fees of \$22,085 cash and 60,000 broker warrants valued at \$12,729 (having the same terms as the participants) have been paid. The fair value of warrants of \$685,910 was bifurcated to contributed surplus.
- (c) During the year, the Company issued 911,666 (2009: 140,000) common shares on the exercise of 351,666 (2009: 140,000) stock options and 560,000 warrants for total proceeds of \$104,917 (2009: \$21,000).
- (d) The fair value of warrants issued was determined using the Black-Scholes option pricing model. Weighted average assumptions used in calculating fair value are shown below:

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**11. COMMON SHARES (CONTINUED)**

	2010	2009
Risk-free rate	1.09%	1.46%
Dividend yield	Nil%	Nil%
Volatility factor of the expected market price of the Company's common shares	140.5%	129.3%
Expected life of the warrants	2 years	2 years

**12. LONG-TERM DEBT**

During fiscal 2010, the Company executed a loan agreement for a collateralized 2 year convertible debenture ("the Debenture") for up to \$1.5 million and also executed a 2 year bridge loan ("the Loan") for up to \$1.5 million for a total facility of up to \$3 million. The Company obtained \$1,300,000 under each of the Debenture and the Loan from the same group of lenders ("the Lenders"). The Debenture and the Loan are collectively referred to as "the Long Term Debt".

The Long Term Debt financing was completed in three tranches on August 4, September 14 and September 21, 2009 for total proceeds of \$2,600,000. Transaction costs related to the Long Term Debt financing were as follows:

2,785,184 common shares of the Company issued to the Lenders valued at \$0.20 per share	\$ 557,036
Structuring fees	26,000
Legal and other fees	145,757
Finder's fees	200,000
	<u>\$ 928,794</u>

Financing fees of \$928,794 were apportioned between debt (\$866,394) and contributed surplus (\$62,400) to reflect the split of convertible long-term debt between debt and equity.

**The Debenture**

The Debenture is repayable on various dates from August to September 2011 and is collateralized as disclosed below. The \$1,300,000 principal amount of the Debenture is convertible into units of the Company at the option of the Lender at a fixed conversion price of \$0.10 per unit. The units are comprised of one 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.

As the Debenture is convertible into units at a fixed conversion price, it has been bifurcated into a principal component (presented as a liability) and a conversion option component (presented as equity) for accounting purposes. The fair value of the liability component was determined by discounting the stream of future payments of interest and principal amounts at the estimated prevailing market rate at the date of issuance of 17.71% for a debt instrument of similar maturity and credit quality, but without any share conversion option for the Lenders.

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**12. LONG-TERM DEBT (CONTINUED)**

**The Loan**

The Loan is repayable on July 31, 2011 and is collateralized as disclosed below. The Loan bears interest at 10% per annum, payable monthly in arrears.

**Long Term Debt**

The principal component of the Long Term Debt accretes over the life of the Debentures through periodic charges to interest expense using the effective interest rate method. Including the impact of the costs of issuance and applying the effective interest rate method, the liability component of the Long Term Debt bears interest at an effective annual interest rate of 29.23%. During the year, the Company accounted for the Long Term Debt as follows:

	<b>2010</b>
Gross proceeds on issuance	\$ <b>2,600,000</b>
Cost of issuance applied to debt component	<b>(866,394)</b>
Equity component at the date of issuance	<b>(175,489)</b>
Liability component of Long-term Debt	<b>1,558,117</b>
Accretion during fiscal 2010	<b>232,581</b>
Conversion of Debentures during fiscal 2010	<b>(72,592)</b>
Long Term Debt, end of year	<b>\$ 1,718,106</b>

In January 2010 a total of 850,000 of the Company's common shares were issued upon conversion of \$85,000 of the unamortized principal amount of the Debenture. The conversion was accounted for as follows:

Reduction in long-term debt	\$ <b>72,592</b>
Reduction in equity component	<b>12,408</b>
Increase in share capital	<b>\$ 85,000</b>

The Company has entered into an agreement with the Lenders granting a general security interest over all of the Company's existing properties and properties to be acquired after the date of the Long Term Debt financing. Accordingly, the Company entered into a Chattel Mortgage Agreement with the Lenders whereby all of the Company's mining equipment (Note 8) existing at that date was mortgaged to the lender until the outstanding balance of the Long Term Debt is fully paid. Furthermore, on July 20, 2009, the Company entered into a Share Pledge Agreement with the Lenders whereby the investment of the Company in shares of its Philippine subsidiary was pledged as security for the Long Term Debt.

The Company is required to maintain certain loan covenants under the Long Term Debt agreements. As at the date of these financial statements, the Company is not aware of any non-compliance with the below Long Term Debt covenants:

- (a) The Company shall at all times maintain its corporate existence.
- (b) The Company shall pay, on a timely basis and within the prescribed period of time, all Philippine government remittances to any government authority as prescribed by law.

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**13. STOCK OPTIONS**

During the year ended January 31, 2010, the change in stock options outstanding was as follows:

	2010		2009	
	Number	Weighted Average Exercise Price	Number	Weighted Average Exercise Price
Outstanding, beginning of year	5,407,500	\$ 1.91	5,397,500	\$ 1.49
Expired	(175,000)	\$ 0.45	—	\$ —
Granted	2,280,000	\$ 0.10	150,000	\$ 0.80
Exercised	(351,666)	\$ 0.14	(140,000)	\$ 0.15
Outstanding, end of year	<b>7,160,834</b>	<b>\$ 1.45</b>	5,407,500	\$ 1.91
Exercisable, end of year	<b>6,379,992</b>	<b>\$ 1.62</b>	4,474,367	\$ 1.70

At January 31, 2010, the following stock options were outstanding:

Options Exercise	Expiry Price	Expiry Date
100,000	\$ 0.29	August 2010
1,867,500	\$ 0.84	August 2011
150,000	\$ 0.80	May 2011
1,750,000	\$ 3.60	June 2012
1,090,000	\$ 2.00	August 2012
2,203,334	\$ 0.10	April 2014
<b>7,160,834</b>		

**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 2,432,291 options vested during fiscal 2010. Compensation expense was determined using the Black-Scholes option pricing model and resulted in stock option compensation of \$799,991 (2009: \$2,315,750) for the year ended January 31, 2010. Weighted average assumptions used in calculating compensation expense in respect of the remaining year for the vesting of the options were as below:

	2010	2009
Risk-free rate	<b>1.69%</b>	2.74%
Dividend yield	<b>Nil%</b>	Nil%
Volatility factor of the expected market price of the Company's common shares	<b>138.8%</b>	112.8%
Expected life of the options	<b>5 years</b>	3 years

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**15. SHARE PURCHASE WARRANTS**

During the year ended January 31, 2010, changes in warrants outstanding were as follows:

	2010		2009	
	Number	Weighted Average Exercise Price	Number	Weighted Average Exercise Price
Outstanding, beginning of year	19,058,643	\$ 0.80	17,564,190	\$ 1.16
Issued	12,153,815	\$ 0.10	7,782,000	\$ 0.10
Exercised	(560,000)	\$ 0.10	—	\$ —
Expired	(11,276,643)	\$ 1.29	(6,287,547)	\$ 0.94
Outstanding, end of year	19,375,815	\$ 0.10	19,058,643	\$ 0.80

At January 31, 2010, the following warrants were outstanding and exercisable:

Warrants Outstanding	Exercise Price	Expiry Date
3,568,000	\$ 0.10	December 2010
3,714,000	\$ 0.10	January 2011
4,963,318	\$ 0.10	May 2011
6,280,497	\$ 0.10	July 2011
250,000	\$ 0.13	July 2011
600,000	\$ 0.13	September 2011
<b>19,375,815</b>		

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**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:

	2010	2009
Statutory tax rate	<b>31.42%</b>	31.03%
Net loss for the year before income taxes	<b>\$ (2,488,144)</b>	\$ (6,877,799)
Net Canadian tax benefit based on statutory rates	<b>\$ (781,791)</b>	\$ (2,134,181)
Effect of changes in effective tax rates	<b>(30,101)</b>	385,692
Permanent differences	<b>162,394</b>	1,567,153
Tax rate differences	<b>—</b>	(159,314)
Loss expiry	<b>326,018</b>	(88,314)
Share issue costs	<b>(302,499)</b>	—
Increase in valuation allowance	<b>852,361</b>	1,011,229
Other adjustments	<b>(483,033)</b>	375,773
	<b>\$ (256,650)</b>	\$ 958,038

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

	2010	2009
Future income tax assets related to temporary differences in:		
Tax loss carry forwards	<b>\$ 4,649,545</b>	\$ 3,827,476
Resource properties	<b>407,919</b>	<b>521,883</b>
Property and equipment	<b>7,004</b>	<b>(40,422)</b>
Other	<b>387,000</b>	<b>290,169</b>
Valuation allowance	<b>(5,451,468)</b>	<b>(4,599,106)</b>
Net future tax assets	<b>\$ —</b>	\$ —
FIT liability not set against assets	<b>\$ (437,588)</b>	\$ (694,238)

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.

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**16. INCOME TAXES (CONTINUED)**

The Company has noncapital losses of \$16,246,374 to reduce future taxable income in Canada and the Philippines. These losses, if unused, will expire in the following years:

Non capital loss expiration:	Canada	Philippines
2011	\$ 381,251	\$ 2,298,631
2012	—	4,809,794
2013	—	3,578,529
2015	513,717	—
2025	820,706	—
2027	1,435,035	—
2028	2,144,127	—
2030	264,584	—
	<b>\$ 5,559,420</b>	<b>\$ 10,686,954</b>

In addition, the Company has approximately \$1,606,460 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:

	2010	2009
<b>Non-cash investing and financing activities</b>		
Amortization expense capitalized to mineral properties and deferred exploration costs	\$ 651,789	\$ 601,087
(Decrease) increase to asset retirement costs	\$ (43,134)	\$ 99,283
Common shares issued as fees for long-term debt	\$ 557,037	\$ —
Provision for impairment of receivables capitalized to mineral property and deferred exploration costs	\$ —	\$ 734,391
Shares issued as finders' fees	\$ 11,866	\$ —
<b>Other cash items</b>		
Interest paid	\$ 132,622	\$ 134,958
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:

	2010
2011	\$ 81,985
2012	81,985
2013	81,985
2014	74,054
2015	74,054
After 2015	576,470
	<u>\$ 970,533</u>

**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 favorable 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 7(a) and 7(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.

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**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.

The outcomes of the foregoing matters is not known at this time and, as such, management has not accrued any amounts in the financial statements.

**20. RISK MANAGEMENT**

**Financial Risk Management**

For certain of the Company's financial assets and liabilities, including cash and cash equivalents, receivables, accounts payable and accrued liabilities and long term debt, the carrying amounts approximate their fair values due to the relatively short maturity periods for these instruments. The classification and fair values of the Company's financial instruments at January 31, 2010 and 2009 are summarized as follows:

	2010		2009	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Held-for-trading	\$ 70,251	\$ 70,251	\$ 146,901	\$ 146,901
Loans and receivables	1,489,197	1,489,197	1,096,058	1,096,058
Available-for-sale	—	—	18,496	18,496
Other financial liabilities	4,079,242	4,079,242	3,209,861	3,209,861

**Fair Value**

CICA Handbook Section 3862 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The three levels of the fair value hierarchy are described below:

- (a) Level 1 inputs are quoted prices in active markets for identical assets or liabilities at the measurement date.
- (b) Level 2 inputs are observable inputs other than quoted prices included within Level 1, such as quoted prices for similar assets or liabilities in active markets, quoted prices for identical assets or liabilities in markets that are not active, or other inputs that are observable directly or indirectly.
- (c) Level 3 inputs are unobservable inputs for the asset or liability that reflect the reporting entity's own assumptions and are not based on observable market data.

The Company's financial instruments at January 31, 2010 classified as "Level 1 - quoted prices in active markets" is cash and cash equivalents.

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**20. RISK MANAGEMENT (CONTINUED)**

**Currency Risk**

Currency risk is the risk that the future cash flows or fair value of the Company's financial instruments that are denominated in a currency that is not the Company's functional currency will fluctuate due to the change in foreign exchange rate.

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, 2010 were PHP13,438,610 (\$308,416) and US\$21,202 (\$22,272). 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 \$3,084 and \$223, respectively.

**Interest Rate Risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to interest rate risk on its long-term note receivable or long-term debt since these bear interest at fixed rates.

**Credit Risk**

Credit risk is the risk of unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. Financial instruments which potentially subject the Company to concentrations of credit risk consist of cash equivalents and receivables and notes receivable. 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, 2010:

	<b>Moody's credit rating</b>			
	<b>A- or higher</b>	<b>C- to B+</b>	<b>D+ or lower</b>	<b>Total</b>
Cash and cash equivalents	\$ 49,612	\$ —	\$ 20,639	\$ 70,251

The Company's Philippine joint venture operations maintain bank deposits (\$19,260) 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, 2010.

At January 31, 2010, one customer accounted for total trade receivables (2009: 88%) and Nil% (2009: 30%) of total revenues earned in the development stage. A specific allowance of \$712,562 (2009: \$821,580) was made in respect of this trade receivable. 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. Collection action is being undertaken in respect of this receivable. Other allowances for doubtful accounts in the Philippines amounted to \$3,829 for miscellaneous items.

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**20. RISK MANAGEMENT (CONTINUED)**

**Credit Risk (Continued)**

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 6). The advances made under this agreement of \$577,314 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.

		<b>Aging of Trade Receivables</b>			
		<b>Current</b>	<b>60 days</b>	<b>90+ days</b>	<b>Total</b>
Trade receivables	\$	—	\$ —	\$ 712,562	\$ 712,562
Allowance for Impairment		—	—	(712,562)	(712,562)
	<b>\$</b>	<b>—</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>

Receivables of \$518,159 relate to recoveries of consumption taxes paid by the Company or advances to employees and consultants. As with any tax receivable, collection is subject to changes in tax law, tax audit and changes in applicable tax rates. The Company mitigates this risk by recording only those amounts that management considers to be reasonably certain of collection. The Company has advances receivable of \$393,724 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 6). 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:

	<b>Due within 1 year</b>	<b>Due between 1 and 5 years</b>	<b>Due after 5 years</b>	<b>Total</b>
<b>January 31, 2010</b>				
Trade and other payables	\$ 2,096,488	\$ —	\$ —	\$ 2,096,488
Due to related parties	264,648	—	—	264,648
Long-term debt	—	2,515,000	—	2,515,000
	<b>\$ 2,361,136</b>	<b>\$ 2,515,000</b>	<b>\$ —</b>	<b>\$ 4,876,136</b>

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## **20. RISK MANAGEMENT (CONTINUED)**

### **Liquidity Risk (continued)**

Long-term debt bears interest at a coupon on 10% per annum, payable monthly in arrears (Note 12). The Loan and Debenture were discounted using the weighted average cost of capital of 17.71%. Interest accretion charges during the year totaled \$232,581 and the coupon paid during the period was \$111,434.

### **Other Price Risk**

Other price risk is the risk that changes in market prices including commodity or equity prices will have an effect on future cash flows associated with financial instruments. The Company has no forward purchase or sale contracts negotiated at January 31, 2010.

## **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 of \$32,763,246 and long-term debt of \$1,718,106. As at January 31, 2010, the Company had no bank indebtedness.

The Company is not subject to any externally imposed capital requirements other than as noted in Note 20 and there has been no change with respect to the overall capital risk management strategy during the fiscal year.

## **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**

On April 26, 2010 the Company closed a non-brokered private placement financing of 7,320,000 Units at \$0.20 per Unit for gross proceeds of \$1,464,000. 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 \$0.30 and has an expiry period of three years. All common shares have been issued subject to a four month hold period.

## **24. COMPARATIVE AMOUNTS**

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



## C O R P O R A T E I N F O R M A T I O N

### HEAD OFFICE

Suite 322 – 470 Granville Street  
Vancouver, BC V6C 1V5

Tel: 604.683.1991

Fax: 604.683.8544

Toll Free: 1.877.399.1991

Email: [mbr@mbmiresources.com](mailto:mbr@mbmiresources.com)

Web: [www.mbmiresources.com](http://www.mbmiresources.com)

### 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

8th Floor, GMA Lou-Bel Plaza

Chino Roces Ave. cor. Bagtikan Street

San Antonio Village, Makati City

Metro Manila, Philippines.

### TRANSFER AGENT

Computershare Investor Services

2nd Floor – 510 Burrard Street

Vancouver, BC V6C 3B9

### ANNUAL GENERAL MEETING

The Annual General Meeting of

MBMI Resources Inc. will be held at:

Wednesday, July 28, 2010 10:00 AM

Hotel Le Soleil

Les Étoiles Room

2nd Floor – 567 Hornby St.

Vancouver, BC V6C 2E8

Tel: 604.632.3000

### EXCHANGE INFORMATION

TSX Venture Exchange: MBR

For further information visit the MBMI website:

[www.mbmiresources.com](http://www.mbmiresources.com)

### CAUTIONARY STATEMENT

This document may contain forward-looking information including, but not limited to, comments regarding the timing and content of upcoming financings, work programs, geological interpretations, receipt of property titles, potential mineral recovery processes, etc. Forward-looking information includes disclosure regarding possible future events, or conditions or results of operations that are based on assumptions about future economic conditions and courses of action, and therefore, involves inherent risks and uncertainties. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those anticipated, believed, estimated or expected. Although management has a reasonable basis for the conclusions drawn, actual results may differ materially from those currently anticipated in such statements.

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