



Annual Report 2010

Consolidated Financial Statements
For the years ended January 31, 2010 and 2009

Management Discussion and Analysis
For the year ended January 31, 2010

MESSAGE FROM THE PRESIDENT

As 2010 began it was our goal at MBMI Resources Inc. to finalize approval of the Financial or Technical Assistance Agreement (“FTAA”) application with the Philippine Government and recommence activities related to large scale exploration and development in Palawan, Philippines.

On June 2nd, 2010, MBMI and its Philippine affiliates announced that we had received official documentation from the Philippine Department of Environment and Natural Resources’ Mines and Geosciences Bureau executing the FTAA. The agreement covers the Company’s four properties in Palawan, Philippines, and was approved as only the fifth FTAA executed by the Philippine government for mineral projects since it had allowed such arrangements.

With the approval of the FTAA, the Company secured funding to implement its plan to advance the Palawan nickel projects to full scale development. An integral part of this funding was the execution of pre-advance payment of up to US\$7 million to be utilized for equipment purchases such as excavating, heavy earth moving equipment and haulage trucks. The funding is intended to be repaid through proceeds of future nickel material deliveries to Japanese nickel consumers who have arranged the financing at a negotiated rate of the net sales.

The company and several Chinese firms agreed to an infusion of funds into the firm that would allow rapid commissioning of the firm’s development and operational programs avoiding immediate reliance upon cash-flow from operations as developed.

The FTAA agreement paved 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, Philippines mineral project areas: Alpha, Bethlehem and Rio Tuba properties. Hiring of a qualified workforce from the Narra region of Palawan was initiated in order to expand activities on the Alpha and Bethlehem properties. A drill program for Alpha was outlined with the objective of detailed mine planning as well as exploration beyond the limits of the 60 hectare area previously permitted.

Upon issuance of the FTAA, the Company commenced an environmental program focused upon containment of discharge of water and materials from the Alpha property and has continued to enhance these installations which will allow for ease of implementation of the development program. These check dams, catch basins and siltation ponds safeguard and provide additional security for outflow drainage during the wet season.

As progress is made in the development of large-scale operations, the Company and its Philippine affiliates continue to be committed in taking positive action to conserve natural resources and minimize the impact of activities on the environment and local communities. The Company’s dedication to diligent application of appropriate technology and responsible conduct at all stages of exploration and development are designed to ensure compliance with applicable environmental regulations and commitments. MBMI continues to allocate additional funding to activities designated to improve the general welfare of local Palawan communities. One of the

many components of the long-term community sustainability program has been the rehabilitation and maintenance of the Company's seedling nursery which allows for planting of disturbed areas in order to return the areas to conditions equal to or exceeding their original state.

As fiscal 2010 came to an end, MBMI was well on its way to achieving its goal of becoming a leading supplier of nickel materials to primary industrial consumers in Asia. Just as progress was being made in the development of large scale operations, and subsequent to year-end, the Company received a decision by the Office of the President of the Philippines cancelling the FTAA.

The Company on advice of its legal counsel believes that the decision is not in accordance with legal procedures of the Philippines; violates legal due process and the contractual agreement between the Philippine Government and the Company under the FTAA. MBMI has officially filed a Motion for Reconsideration with the Office of the President and will exhaust all options available including an appeal in the Court of Appeals and, if necessary, in the Supreme Court of the Philippines.

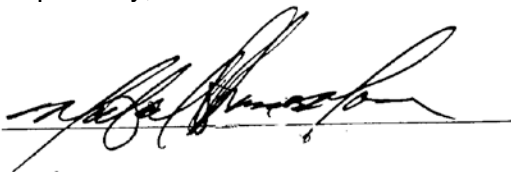
During the appeal process the Company is entitled to operate on a business as usual basis and it will be a priority to sell the existing stock of products already established within our stockyard facility. However, in light of the Decision, the Company has temporarily suspended all exploration programs related to the Alpha property and has reduced and/or terminated all unnecessary expenditures unfortunately including the employment of a number of dedicated employees. The Company is continuing all environmental and safety controls to ensure the sustainability programs continue and the local community welfare is not damaged by this decision of the Office of the President.

The FTAA, a contract between the Philippine Government and MBMI's affiliates, also has a defined procedure for resolving disputes in the international venue which is currently being evaluated by the Company's legal counsel.

MBMI will continue to vigorously fight the decision by the Office of the President and will exhaust all options at our disposal to reverse the action. We have received strong encouragement from our legal counsel and we firmly believe that the likelihood of a successful result is good.

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

Respectfully,

A handwritten signature in black ink, appearing to read "Michael T. Mason", written over a horizontal line.

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

Consolidated Financial Statements
(Expressed in Canadian dollars)

MBMI RESOURCES INC.

(A Development Stage Company)

For the years ended January 31, 2011 and 2010

Independent auditor's report

To the Shareholders
MBMI Resources Inc.

We have audited the accompanying financial statements of MBMI Resources Inc., which comprises the consolidated balance sheets as at January 31, 2011 and 2010, and the consolidated statements of operations and comprehensive loss, changes in shareholder's equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of MBMI Resources Inc. as at January 31, 2011 and 2010, and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Emphasis of matter

Without qualifying our opinion, we draw attention to Note 1 in the financial statements which indicates that the Company had a deficit of \$39,556,610 as at January 31, 2011. This condition, along with other matters as set forth in Note 1 indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

Vancouver, Canada
May 23, 2011



Chartered accountants

MBMI RESOURCES INC.

(A Development Stage Company)
 Consolidated Balance Sheets
 (Expressed in Canadian dollars)

	Note	January 31, 2011	January 31, 2010
Assets			
Current assets			
Cash and cash equivalents		\$ 5,498,142	\$ 70,251
Receivables	3	482,502	518,159
Prepaid expenses and refundable deposits	10	371,132	356,729
Inventory	4	1,458,293	1,635,806
Current portion of notes receivable	5	15,228	13,749
		7,825,297	2,594,694
Notes receivable	5	359,455	957,289
Property, plant and equipment	6	1,307,548	2,446,117
Mineral properties and deferred exploration costs	7	23,797,987	17,200,802
		\$ 33,290,287	\$ 23,198,902
Liabilities and Shareholders' Equity			
Current liabilities			
Accounts payable and accrued liabilities		\$ 3,577,296	\$ 2,058,971
Due to related parties	8	515,833	302,165
Current portion of long-term debt	9	1,938,725	-
		6,031,854	2,361,136
Long-term debt	9	-	1,718,106
Asset retirement obligations	10	4,118,720	287,162
Future income tax liability	11	392,044	437,588
		10,542,618	4,803,992
Shareholders' equity (deficiency)			
Common shares	12	41,018,022	32,763,246
Contributed surplus	12	21,286,257	19,838,717
Deficit accumulated in the development stage		(39,556,610)	(34,207,053)
		22,747,669	18,394,910
		\$ 33,290,287	\$ 23,198,902
Nature of operations and going concern	1		
Commitments	14		
Contingencies	15		
Subsequent events	18		

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

Approved by the board:

 "John Cook"
 Director

 "John Seaman"
 Director

MBMI RESOURCES INC.

(A Development Stage Company)

Consolidated Statements of Operations and Comprehensive Loss

(Expressed in Canadian dollars)

	Note	Year ended January 31,	
		2011	2010
General and administrative expenses			
Accretion on asset retirement obligation	10	\$ 238,195	\$ 15,947
Accretion on long-term debt	9	490,638	232,581
Administration	8	761,272	680,175
Amortization		10,733	32,610
Bad debt		-	3,829
Project consulting and communications	8	804,558	584,535
Duties and taxes		88,297	66,108
General exploration (recovery)		256,652	(762)
Insurance		48,070	44,431
Legal and accounting	8	273,830	551,433
Office and miscellaneous		535,490	144,827
Rent		90,268	38,942
Stock based compensation	12	249,206	799,991
Telephone		42,011	40,979
Transfer agent and filing		42,790	33,434
Travel		197,021	139,409
		(4,129,031)	(3,408,469)
Other income (loss)			
Foreign exchange (loss) gain		(120,665)	480,304
Inventory (impairment) recovery		(126,784)	456,405
Write off of notes receivable	5	(607,996)	-
Impairment loss on receivables		(241,042)	-
Interest and other income		50,885	53,174
Interest expense		(251,150)	(116,675)
Accreted interest income		30,682	47,117
		(1,266,070)	920,325
Loss before provision for income taxes			
		(5,395,101)	(2,488,144)
Future income tax recovery	11	45,544	256,650
Net loss for the year			
		(5,349,557)	(2,231,494)
Other comprehensive gain (loss)			
Realized gain on sale of investments		-	6,614
Comprehensive loss for the year			
		\$ (5,349,557)	\$ (2,224,880)
Basic and diluted loss per share amounts	12	\$ (0.04)	\$ (0.02)
Weighted average common shares outstanding		120,287,984	94,922,171

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

MBMI RESOURCES INC.

(A Development Stage Company)
Consolidated Statements of Changes in Shareholder's Equity
(Expressed in Canadian dollars)

	Note	Number of shares	Share capital	Contributed surplus	Accumulated deficit in the development stage	Accumulated other comprehensive income	Total
Balances, January 31, 2009							
Bonus shares issued on advance of long-term debt	12	86,533,045	\$ 31,641,708	\$ 18,504,157	\$ (31,975,559)	\$ (6,614)	\$ 18,163,692
Equity component of convertible long-term debt	12	2,785,184	557,037	-	-	-	557,037
Financing fees on convertible long-term debt	12	-	-	175,489	-	-	175,489
Shares issued on conversion of convertible debenture	12	850,000	-	(62,400)	-	-	(62,400)
Shares issued by private placement, net of issue costs	12	11,243,815	808,472	(12,408)	-	-	72,592
Fair value of warrants issued	12	-	(685,910)	-	-	-	808,472
Shares issued on the exercise of warrants	12	560,000	56,000	685,910	-	-	-
Fair value of warrants exercised	12	-	11,493	(11,493)	-	-	56,000
Shares issued on the exercise of stock options	12	351,666	48,917	-	-	-	-
Fair value of options exercised	12	-	240,529	(240,529)	-	-	48,917
Stock-based compensation	12	-	-	799,991	-	-	799,991
Net loss and comprehensive gain for the year		-	-	-	(2,231,494)	6,614	(2,224,880)
Balances, January 31, 2010		102,323,710	32,763,246	19,838,717	(34,207,053)	-	18,394,910
Shares issued on conversion of convertible debenture	12	8,150,000	815,000	(114,904)	-	-	700,096
Shares issued on advance of long-term debt	12	600,000	99,000	-	-	-	99,000
Shares issued by private placement, net of issue costs	12	49,221,014	7,748,615	-	-	-	7,748,615
Fair value of warrants issued	12	-	(1,642,852)	1,642,852	-	-	-
Shares issued on exercise of warrants	12	8,720,992	902,099	-	-	-	902,099
Fair value of warrants exercised	12	-	326,696	(326,696)	-	-	-
Shares issued on exercise of stock options	12	33,000	3,300	-	-	-	3,300
Fair value of options exercised	12	-	2,918	(2,918)	-	-	-
Stock-based compensation	12	-	-	249,206	-	-	249,206
Net loss and comprehensive loss for the year		-	-	-	(5,349,557)	-	(5,349,557)
Balances, January 31, 2011		169,048,716	\$ 41,018,022	\$ 21,286,257	\$ (39,556,610)	\$ -	\$ 22,747,669

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

MBMI RESOURCES INC.

(A Development Stage Company)
Consolidated Statement of Cash Flows
(Expressed in Canadian dollars)

	Year ended January 31,	
	2011	2010
Operating activities:		
Net loss for the year	\$ (5,349,557)	\$ (2,231,494)
Items not involving cash:		
Accretion on asset retirement obligation	238,195	15,947
Accretion on long term debt	490,638	232,581
Accreted interest income	(75,720)	(95,315)
Amortization	10,733	32,610
Bad debt	-	3,829
Gain on sale of investments	-	(4,976)
Inventory (recovery) impairment	126,784	(456,405)
Write off of notes receivable	607,996	-
Impairment loss on receivables	241,042	-
Future income tax expense (recovery)	(45,544)	(137,217)
Impairment of receivables	1,580	-
Stock-based compensation	249,206	799,991
Stockyard lease	58,716	59,057
Unrealized foreign exchange	391,568	530,336
Changes in non-cash operating working capital:		
Receivables	44,025	(313,801)
Prepaid expenses and refundable deposits	(240,664)	(328,717)
Inventory	29,301	(467,621)
Accounts payable and accrued liabilities	1,090,314	(647,361)
Due to related parties	251,185	47,915
	(1,880,202)	(2,960,641)
Financing activities:		
Net proceeds from issuance of common shares and share subscriptions, net of issue costs	8,654,014	913,388
Net proceeds from loan, net of financing fees	529,077	990,645
Net proceeds from convertible debenture, net of financing fees	-	1,237,600
	9,183,091	3,141,633
Investing activities:		
Proceeds on sale of marketable securities	-	30,086
Expenditures and advances on mineral properties	(2,107,406)	(281,247)
Payments to acquire property, plant and equipment	(2,290)	(6,481)
Cash received on sales in the development stage	234,698	-
	(1,874,998)	(257,642)
Net Increase (decrease) in cash and cash equivalents	5,427,891	(76,650)
Cash and cash equivalents, beginning of year	70,251	146,901
Cash and cash equivalents, end of year	\$ 5,498,142	\$ 70,251
Supplementary cash flow information		
Amortization expense capitalized to mineral properties and deferred exploration costs	\$ 1,099,202	\$ 651,789
Common shares issued as fees for long-term debt	\$ 99,000	\$ 557,037
Increase (decrease) in asset retirement obligation	\$ 3,631,451	\$ (43,134)
Shares issued as finders' fees	\$ -	\$ 11,866
Other cash items:		
Interest paid	\$ 219,445	\$ 132,622

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

MBMI RESOURCES INC.

(A Development Stage Company)
Notes to Consolidated Financial Statements
(Expressed in Canadian dollars)

For the years ended January 31, 2011 and 2010

1. Nature of operations and going concern:

MBMI Resources Inc. ("MBMI" or "the Company") is a publicly listed Company on the TSX Venture Exchange and incorporated under the laws of the Province of British Columbia. The Company is engaged in the acquisition, exploration, and development of mineral properties.

Currently, MBMI is exploring its eight Philippine properties held within the "Olympic", "Alpha", and "Samar" joint ventures and is developing its Alpha property. MBMI has in prior years earned revenues from its exploration and development activities on the Alpha property. (Note 7). MBMI'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").

As at January 31, 2011 MBMI had received an executed Financial or Technical Assistance Agreement ("FTAA") covering properties operated by some of MBMI's Philippine ventures. The consolidated FTAA application covered the Alpha, Bethlehem and Rio Tuba properties (collectively, "the Palawan properties"). Approval of this FTAA application allowed 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). FTAA also enables MBMI to own a controlling interest in the properties.

On April 19, 2011, the Company was notified through the Office of the President of the Philippines that a decision by the Executive Secretary was issued, cancelling the FTAA of the Company. The Company has the right to exhaust all legal efforts to reverse the Executive Secretary's Order. The Company has filed a Motion For Reconsideration with the Office of the President and is awaiting a response to this action. Should the Motion be denied, the Company may then appeal the Order in the Court of Appeals. Assuming all efforts are exhausted within the Court of Appeals, the Company may then appeal to the Supreme Court. The time frame for the appeals could be extensive. The FTAA, a contract between the Philippine Government and MBMI, has a defined procedure for resolving disputes in the international venue which is currently being evaluated by the Company's Canadian counsel. During the appeals process, the Company is entitled to operate on a business as usual basis. However, in light of this decision, the Company immediately put the following action plan in place:

- i) Suspended exploration programs related to the Alpha property and has curtailed and/or terminated all unnecessary expenditures to conserve cash in the short term;
- ii) Retained major legal firms both in Canada and the Philippines;
- iii) Commenced legal action in the Philippines in accordance with Philippine legal procedures; and
- iv) Commenced discussions with various stakeholders and interest groups to assist with the legal process.

The Company has put a plan of action in place to defend its right to the FTAA as previously issued. Management believes it has a strong case and will vigorously defend its position. Should the Company not be successful in the appeals process, the carrying value of the Palawan properties may be materially impaired as the cancellation will affect the Company's ability to develop and advance the properties into commercial production.

At January 31, 2011, MBMI had an accumulated deficit of \$39,556,610. MBMI requires additional financing 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 is not obtained, or if the appeals process with respect to the cancellation of the FTAA is unsuccessful, there is substantial doubt about the ability of MBMI to continue as a going concern.

MBMI RESOURCES INC.

(A Development Stage Company)
Notes to Consolidated Financial Statements
(Expressed in Canadian dollars)

For the years ended January 31, 2011 and 2010

1. Nature of operations and going concern (continued):

The ability of MBMI to realize its assets and discharge its financial obligations and commitments is dependent upon the ability of MBMI 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 MBMI 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 MBMI be unable to continue as a going concern.

2. Summary of Significant Accounting Policies:

(a) 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, 2011 and 2010, all of the Company's exploration and development activities are conducted through joint ventures.

(b) 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.

(c) 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.

(d) Investments:

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

(e) 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. All the Company's exploration and development activities are carried out through joint ventures.

(i) 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.

MBMI RESOURCES INC.

(A Development Stage Company)
Notes to Consolidated Financial Statements
(Expressed in Canadian dollars)

For the years ended January 31, 2011 and 2010

2. Summary of Significant Accounting Policies (continued):

(e) Joint Ventures (continued):

(ii) 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.

(iii) Samar Group

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

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

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

(f) 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, site buildings and plant and fixed 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.

(g) Mineral properties and deferred exploration costs:

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

MBMI RESOURCES INC.

(A Development Stage Company)
Notes to Consolidated Financial Statements
(Expressed in Canadian dollars)

For the years ended January 31, 2011 and 2010

2. Summary of Significant Accounting Policies (continued):

(g) Mineral properties and deferred exploration costs (continued):

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.

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 through 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, 2011.

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.

MBMI RESOURCES INC.

(A Development Stage Company)
Notes to Consolidated Financial Statements
(Expressed in Canadian dollars)

For the years ended January 31, 2011 and 2010

2. Summary of Significant Accounting Policies (continued):

(g) Mineral properties and deferred exploration costs (continued):

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.

(h) Foreign currency transactions and translation:

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

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

(i) 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.

(j) 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.

(k) 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.

(l) 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.

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2. Summary of Significant Accounting Policies (continued):

(m) Income taxes:

Income taxes are accounted for under the liability method. Future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying values of assets and liabilities and their respective income tax bases (temporary differences) and operation loss and tax credit carry forwards. Future income tax assets and liabilities are measured using substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are likely to reverse. The effect on the future tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the substantive enactment date. Future tax assets are reduced by a valuation allowance to the extent that the recoverability of the asset is not considered to be more likely than not that the future income tax assets will be realized.

(n) 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 over the vesting period.

In the event stock options are forfeited prior to vesting, the associated fair value recorded to date is reversed from the consolidated statement of operations or balance sheet item to which the fair value was originally charged in the period which the stock options are forfeited. The fair value of any vested stock options that expire remain in contributed surplus.

(o) 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.

(p) 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, 2011 the Company has developed its Alpha property and, in respect of this property and the Olympic properties, 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 properties.

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2. Summary of Significant Accounting Policies (continued):

(q) Inventory:

Inventory classifications include "stockpiled material" and "materials and supplies." All of the Company's 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.

(r) 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
• Accounts payable and accrued liabilities	Other financial 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.

(s) Future accounting pronouncements:

In February 2008, the CICA Accounting Standards Board (AcSB) confirmed the changeover to International Financial Reporting Standards from Canadian Generally Accepted Accounting Principles (GAAP) will be required for publicly accountanble enterprises for annual financial statements effective for fiscal years beginning on or after January 1, 2011. Accordingly, effective February 1, 2011 the Company's financial statements will be presented in accordance with IFRS and comparative figures for the year ended January 31, 2010 will be restated to conform to IFRS.

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3. Receivables:

	January 31, 2011		January 31, 2010	
Trade and other receivables	\$	1,186,696	\$	1,230,721
Allowance for impairment		(704,194)		(712,562)
	\$	482,502	\$	518,159
Allowance for impairment, opening	\$	(712,562)	\$	(821,580)
Provision		(1,580)		(3,829)
Foreign exchange gain		9,948		112,847
Allowance for impairment, closing	\$	(704,194)	\$	(712,562)

4. Inventory:

	January 31, 2011		January 31, 2010	
Nickel material in stockpiles	\$	1,458,293	\$	1,635,806

At January 31, 2011 stockpiled nickel material consisted of 61,619 wet metric tonnes (2010 – 70,011 wet metric tonnes).

5. Notes Receivable:

	January 31, 2011			January 31, 2010		
	Life of mine	Land purchase	Total	Life of mine	Land purchase	Total
Opening balance	\$ 577,314	\$ 393,724	\$ 971,038	\$ 530,197	\$ 470,522	\$ 1,000,719
Accreted interest income	30,682	45,038	75,720	47,117	48,198	95,315
Stockyard lease	-	(58,716)	(58,716)	-	(59,057)	(59,057)
Unrealized foreign exchange loss	-	(5,363)	(5,363)	-	(65,939)	(65,939)
Impairment loss	(607,996)	-	(607,996)	-	-	-
	-	374,683	374,683	577,314	393,724	971,038
Less: Current portion	-	15,228	15,228	-	13,749	13,749
Closing balance	\$ -	\$ 359,455	\$ 359,455	\$ 577,314	\$ 379,975	\$ 957,289

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 (2010: \$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, 2011 is \$607,996 (2010: \$577,314).

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5. Notes Receivable (continued):

The counterparty agrees to repay these advances from the net proceeds of sale of nickel material from the property. Under certain conditions, the Company will receive a return based upon the operating profit of the counterparty. As at the date of these financial statements, the Company has not yet earned income from this agreement. In fiscal 2011, management deemed the note receivable to be uncollectible due to the lack of progress on the property.

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.

6. Property, plant and equipment:

	January 31, 2011		
	Cost	Accumulated	
		Amortization	Net Book Value
Mining equipment	\$ 3,706,284	\$ 2,715,504	\$ 990,780
Communication equipment	93,768	90,715	3,053
Site buildings	475,156	178,879	296,277
Furniture and equipment	94,719	86,851	7,868
Automotive equipment	35,591	35,591	-
Leasehold improvements	65,124	65,014	110
Plant and fixed equipment	1,439,192	1,439,192	-
Land	9,460	-	9,460
	\$ 5,919,294	\$ 4,611,746	\$ 1,307,548

	January 31, 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
	\$ 5,768,839	\$ 3,322,722	\$ 2,446,117

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7. Mineral properties and deferred exploration costs:

	Alpha Property	Olympic Properties	Samar Properties	Total
Balances, January 31, 2009	\$ 12,446,969	\$ 3,224,132	\$ 596,665	\$ 16,267,766
Exploration and development:				
Camp and supplies	96,348	-	-	96,348
Permitting and environmental costs	-	-	-	-
Cost of sales, amortization and other direct pre-production costs	652,824	-	-	652,824
Advances to joint venture partners	183,864	-	-	183,864
Balances, January 31, 2010	13,380,005	3,224,132	596,665	17,200,802
Asset retirement obligation	854,909	2,770,366	-	3,625,275
Exploration and development:				
Camp and supplies	36,769	-	-	36,769
Cost of sales, amortization and other direct pre-production costs	1,263,249	-	-	1,263,249
Advances to joint venture partners	1,906,590	-	-	1,906,590
Revenues earned in the development stage	(234,698)	-	-	(234,698)
Balances, January 31, 2011	\$ 17,206,824	\$ 5,994,498	\$ 596,665	\$ 23,797,987

(a) Alpha Property:

The Company is entitled to hold directly and indirectly an initial 60% interest in a joint venture with respect to the "Alpha" nickel laterite property in Narra, Palawan, Philippines ("the Alpha Property"). The Company has maintained its interest in the joint venture by making property payments on a phased basis and by financing exploration and development costs through to production.

At January 31, 2011 the Company had executed an FTAA with the Philippine government covering the Alpha 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. Subsequent to year-end, the Office of the President of the Philippines has issued a decision cancelling the FTAA (Note 1).

The property is subject to a 5.5% net revenue return royalty.

(b) Olympic Properties:

The Company is entitled to hold directly and indirectly an initial 60% interest in a joint venture with respect three nickel and laterite properties in Palawan, Philippines ("the Olympic Properties"). At January 31, 2011, the Company's FTAA also covered these properties. Subsequent to year-end, the Office of the President of the Philippines has issued a decision cancelling the FTAA (Note 1).

The properties are subject to a 5.5% net revenue return royalty.

(c) Samar Properties:

The Company holds directly and indirectly a 64% interest in a joint venture with respect to four properties located in Samar, Philippines. The Company has an exclusive option for a period of 10 years to earn up to a 92% interest in these properties.

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8. Related party transactions:

Included in legal and accounting, debt issuance costs, and share issuance costs are fees of \$69,457 (2010: \$69,240) paid for legal services to a law firm whose principal is a director of the Company, of which \$139,561 (2010: \$78,488) is payable at year-end.

Included in administration are fees of \$228,376 (2010: \$205,267) paid to directors of the Company, of which \$75,481 (2010: \$47,845) is payable at year-end.

Included in legal and accounting are fees of \$37,500 (2010: \$48,750) paid for accounting services to an officer of the Company, of which nil (2010: nil) is payable at year-end.

Included in project consulting and communications are fees of \$442,367 (2010: \$260,480) paid to directors of the Company's Philippine joint ventures, of which \$300,791 (2010: \$175,832) is payable at year-end.

All of the above transactions are recorded at exchange amounts, being the amount agreed upon by the related parties. Amounts due to related parties earn no interest, are unsecured and are repayable upon demand.

9. Long term debt:

	January 31, 2011	January 31, 2010
Long Term Debt	\$ 1,473,164	\$ 1,718,106
Bridge Loan	465,561	-
	1,938,725	1,718,106
Current portion of long term debt	1,938,725	-
Long term debt	\$ -	\$ 1,718,106

Long Term Debt

During fiscal 2010, the Company executed a loan agreement for a collateralized two year convertible debenture ("the Debenture") for \$1.3 million and also executed a two year bridge loan ("the Loan") for \$1.3 million for a total facility of up to \$2.6 million. The Debenture and the Loan were obtained from the same group of lenders ("the Lenders") and 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 at \$0.20/share	\$ 557,037
Structuring fees	26,000
Legal and other fees	145,757
Finder's fees	200,000
	\$ 928,794

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.

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9. Long term debt (continued):

(a) 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 was 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.

(b) 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.

(c) Long Term Debt:

The principal component of the Long Term Debt accretes over the life of the Debenture 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:

	January 31, 2011	January 31, 2010
Long-term debt, beginning of year	\$ 1,718,106	\$ -
Advance of loan	-	2,600,000
Cost of issuance applied to debt component	-	(866,394)
Equity component at the date of issuance	-	(175,489)
Accretion	402,537	232,581
Conversion of Debentures	(647,479)	(72,592)
	1,473,164	1,718,106
Current portion of long-term debt	1,473,164	-
Long-term debt, end of year	\$ -	\$ 1,718,106

During the year a total of 8,150,000 (2010: 850,000) of the Company's common shares were issued upon conversion of \$815,000 (2010: \$85,000) of the unamortized principal amount of the Debenture. The fair value of warrants of \$411,192 (2010: \$135,348) was bifurcated to contributed surplus. The conversion was accounted for as follows:

	January 31, 2011	January 31, 2010
Reduction in long-term debt	\$ 647,479	\$ 72,592
Reduction in equity component	114,904	12,408
Accreted on conversion	52,617	-
Increase in share capital	\$ 815,000	\$ 85,000

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9. Long term debt (continued):

(d) Bridge Loan:

On October 20, 2010, the Company entered into a loan agreement ("the Bridge Loan") with the Lenders for bridge financing of \$600,000 for a term of 12 months and bearing interest at 10% per annum compounding and payable monthly. Transaction costs related to the Bridge Loan financing were as follows:

600,000 common shares of the Company issued to the Lenders at \$0.165/share	\$	99,000
Structuring fees		12,000
Legal and other fees		58,923
	\$	169,923

During the year, the Bridge Loan was accounted as follows:

	January 31, 2011
Bridge Loan, beginning of year	\$ -
Advance of loan	600,000
Cost of issuance applied to debt component	(169,923)
Accretion	35,484
	465,561
Current portion of long-term debt	465,561
Bridge Loan, end of year	\$ -

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 and Bridge Loan financing. Accordingly, the Company entered into a Chattel Mortgage Agreement with the Lenders whereby all of the Company's mining equipment (Note 6) existing at that date was mortgaged to the lender until the outstanding balance of the Long Term Debt and Bridge Loan are fully paid. Furthermore, the Company entered into a Share Pledge Agreement with the Lenders whereby the investment of the Company in shares of its Philippine subsidiaries was pledged as security for the Long Term Debt and Bridge Loan.

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

- (i) The Company shall at all times maintain its corporate existence.
- (ii) 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.

10. Asset Retirement Obligations:

The Company, in developing its Alpha and Olympic Properties, has incurred significant reclamation obligations. These expenditures are required under local, provincial and federal Philippine laws and regulations. Additionally, the Company is required to internally restrict funds based upon future mining operations. Included in prepaid expenses are refundable deposits are restricted funds in the amount of \$349,360 (2010: \$351,710).

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 (2010: Nil) were expensed during the year as no activities were conducted during the year.

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10. Asset Retirement Obligations (continued):

Additionally, the total present value of cash flows required to settle reclamation obligations is estimated to be PHP 303,438,034 (of which the Company's discounted joint venture portion is \$4,118,720). Future cash flows have been discounted over a term that approximates the most probable timing for payment and at credit adjusted risk free rates of interest 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:	25 years
Compounding term:	Yearly
Risk free rate:	8.1% p.a
Rate of inflation:	3.5% 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.

	January 31, 2011	January 31, 2010
Balance, beginning of year	\$ 287,162	\$ 314,349
Increase in reclamation obligations	3,631,451	-
Accretion expense	238,195	15,947
Foreign exchange difference	(38,088)	(43,134)
Balance, end of year	\$ 4,118,720	\$ 287,162

11. Income taxes:

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

	January 31, 2011	January 31, 2010
Statutory tax rate	28.33%	31.42%
Net loss before income taxes	\$ (5,395,101)	\$ (2,488,144)
Expected tax recovery	(1,528,432)	(781,791)
Tax effect of		
Change in valuation allowance	310,311	549,862
Change in tax rates	44,533	(30,100)
Expiring tax losses	752,005	326,018
Permanent differences	574,189	162,394
Other	(198,150)	(483,033)
	1,482,888	525,141
Future income tax recovery	(45,544)	(256,650)

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11. Income taxes (continued):

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

	January 31, 2011	January 31, 2010
Tax loss carry forwards and other deductions	\$ 5,185,456	\$ 4,649,545
Property and equipment	3,420	7,004
Resource properties	516,617	407,919
Other	403,733	387,000
Valuation allowance	(6,109,226)	(5,451,468)
Net future tax assets	\$ -	\$ -
FIT liability not set against assets	\$ (392,044)	\$ (437,588)
Future income tax rate	25.00%	25.46%

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

The Company has non-capital losses of \$18,396,204 to reduce future taxable income in Canada and the Philippines. These losses, if unused, will expire in the following years:

	Canada	Philippines
2012	\$ -	\$ 4,740,390
2013	-	3,523,608
2015	-	3,188,860
2025	513,717	-
2026	820,706	-
2027	1,435,035	-
2028	2,144,127	-
2030	100,917	-
2031	1,928,844	-
	\$ 6,943,346	\$ 11,452,858

In addition, the Company has approximately \$1,772,256 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.

12. Share capital:

(a) Authorized:

Unlimited common shares without par value

(b) Share capital:

- (i) During the year, the Company closed non-brokered private placement financings for 10,265,000 units at \$0.20 per unit for gross proceeds of \$2,053,000. 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 were issued subject to a four month hold period. Finder's fees of \$112,910 and a total of 518,000 broker's warrants were paid in respect of these financings. The fair value of warrants of \$957,171 was bifurcated to contributed surplus.

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12. Share capital (continued):

(b) Share capital (continued):

During the year, the Company closed non-brokered private placement financings for 6,576,666 units at \$0.18 per unit for gross proceeds of \$1,183,800. Each unit consists of one common share and one half common share purchase warrant. Each full warrant entitles the holder to purchase one common share at a price of \$0.25 and has an expiry period of two years. All common shares were issued subject to a four month hold period. Finder's fees of \$95,760 and a total of 329,600 broker's warrants were paid in respect of these financings. The fair value of warrants of \$274,489 was bifurcated to contributed surplus.

During the year, the Company closed non-brokered private placement financing for 32,379,348 shares prices at \$0.16 per share for gross proceeds of \$5,180,695. The shares are subject to a four month hold period. Finder's fees of \$259,034 and 719,541 (issued subsequent to year-end) broker warrants exercisable for two years at \$0.18 have been paid.

In addition to the foregoing finder's fees paid, an additional \$201,176 in financing fees was paid with respect to the private placements issued during the year.

(ii) During the year, the Company issued 33,000 shares (2010: 351,666 shares) on the exercise of stock options for total proceeds of \$3,300 (2010: \$48,917). The fair value of the options exercised of \$2,918 (2010: \$240,529) was reclassified from contributed surplus to share capital.

(iii) During the year, the Company issued 8,720,992 shares (2010: 560,000 shares) on the exercise of warrants for total proceeds of \$902,099 (2010: \$56,000). The fair value of the warrants exercised of \$326,696 (2010: \$11,493) was reclassified from contributed surplus to share capital.

(iv) During fiscal 2011 nil (2010: 11,276,643) warrants expired.

(v) In fiscal 2010, the Company closed a non-brokered private placement financing for 11,243,815 units for gross proceeds of \$843,285. Each unit consisting 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. Total finders' fee of \$22,085 cash and 60,000 broker warrants valued at \$12,728 (having the same terms as the participants) have been paid. The fair value of warrants of \$550,562 was bifurcated to contributed surplus.

(c) Warrants:

Balances, January 31, 2009	19,058,643
Issued, conversion of convertible debenture (note 9)	850,000
Issued, private placement	11,303,815
Exercised	(560,000)
Expired warrants	(11,276,643)
Balances, January 31, 2010	19,375,815
Issued, conversion of convertible debenture (note 9)	8,150,000
Issued, private placement	14,400,933
Exercised	(8,720,992)
Balances, January 31, 2011	33,205,756

MBMI RESOURCES INC.

(A Development Stage Company)
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For the years ended January 31, 2011 and 2010

12. Share capital (continued):

(c) Warrants (continued):

The following share purchase warrants were outstanding as at January 31, 2011:

Expiry date	Number of warrants	Exercise price
May 29, 2011	4,713,318	\$ 0.100
July 14, 2011	6,091,505	\$ 0.100
July 31, 2011	5,000,000	\$ 0.130
September 11, 2011	3,000,000	\$ 0.130
October 28, 2012	3,272,933	\$ 0.252
December 8, 2012	345,000	\$ 0.250
February 6, 2013	1,188,000	\$ 0.300
April 3, 2013	1,775,000	\$ 0.300
April 19, 2013	7,820,000	\$ 0.300
	33,205,756	

Assumptions applied to determine the fair value of warrants granted were:

	Year ended January 31,	
	2011	2010
Risk-free interest rate	1 - 2%	1.09%
Expected life	2 - 3 years	2 years
Annualized volatility	97 - 170%	140.50%
Dividend rate	-	-

(d) Stock options:

At January 31, 2011, the Company had a fixed stock-based compensation plan (the Plan) providing for the grant of stock options to purchase a maximum of 10% of outstanding Common Shares to eligible recipients. Generally, the options vest over a period of three years and the term of an option may not exceed ten years. The number of shares reserved for grant may be altered by a general meeting of shareholders.

A summary of the status of the Plan as of January 31, 2011, and changes during the two year period ended on that date is as follows:

	Number of shares	Weighted average exercise price in Canadian dollars
Balance, January 31, 2009	5,407,500	\$ 1.91
Granted	2,280,000	0.10
Expired	(175,000)	0.45
Exercised	(351,666)	0.14
Balance, January 31, 2010	7,160,834	1.45
Granted	2,360,000	0.26
Expired	(100,000)	0.29
Exercised	(33,000)	0.10
Balance, January 31, 2011	9,387,834	\$ 1.17

MBMI RESOURCES INC.

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Notes to Consolidated Financial Statements
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For the years ended January 31, 2011 and 2010

12. Share capital (continued):

(d) Stock options (continued):

The following table summarizes information about the options outstanding at January 31, 2011:

Options outstanding	Options exercisable	Exercise price	Remaining contractual life (years)	Expiry date
150,000	150,000	\$ 0.80	0.28	May 12, 2011
1,867,500	1,867,500	0.84	0.54	August 17, 2011
1,750,000	1,750,000	3.60	1.38	June 19, 2012
1,090,000	1,090,000	2.00	1.57	August 27, 2012
2,170,334	2,157,834	0.10	3.20	April 13, 2014
2,300,000	948,328	0.26	4.37	June 15, 2015
60,000	20,000	0.26	4.49	July 27, 2015
9,387,834	7,983,662			

The fair value of each option granted is estimated at the time of the grant using the Black-Scholes option pricing model with weighted average assumptions for grants as follows:

	Year ended January 31,	
	2011	2010
Risk-free interest rate	2.28%	1.69%
Expected life	5 Years	5 Years
Annualized volatility	129.56%	138.80%
Dividend rate	-	-
Grant date fair value	\$ 0.20	\$ 0.09

(e) Loss per share:

The effect of dilutive securities including options, warrants and convertible debentures has not been shown as the effect of all such securities is anti-dilutive.

13. Segmented information:

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

14. 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:

2012	\$ 288,247
2013	87,599
2014	68,946
2015	58,178
2016 and thereafter	465,422

MBMI RESOURCES INC.

(A Development Stage Company)
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15. 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.

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 a Mineral Production Sharing Agreement ("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.

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. 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.

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 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.

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

16. Financial risk management:

The carrying amounts of certain financial assets and liabilities, including cash and cash equivalents, receivables, accounts payable and accrued liabilities and long term debt, approximate their fair values as they are short term in nature. The classification and fair values of the Company's financial instruments at January 31, 2011 and 2010 are summarized as follows:

	January 31, 2011		January 31, 2010	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Held-for-trading	\$ 5,498,142	\$ 5,498,142	\$ 70,251	\$ 70,251
Loans and receivables	841,957	841,957	1,489,197	1,489,197
Available-for-sale	-	-	-	-
Other financial liabilities	6,031,854	6,031,854	4,079,242	4,079,242

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For the years ended January 31, 2011 and 2010

16. Financial risk management (continued):

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:

- Level 1 inputs are quoted prices in active markets for identical assets or liabilities at the measurement date.
- 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.
- 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, 2011 classified as "Level 1 – quoted prices in active markets" is cash and cash equivalents.

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 low 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 year end were PHP 60,427,131 (\$1,367,470) and net financial assets were US\$68,174 (\$68,221). A 100 basis points change in the value of the Philippine peso and US dollar would result in net income or loss of \$1,367 and \$682, 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 Company's financial assets are held in institutions rated by Moody's as A- or higher. The Company's Philippine joint venture operations maintain bank deposits with the Rizal Commercial Banking Corporation ("RCBC"), and is rated a D-, however, remains a reputable financial institution in the Philippines.

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(A Development Stage Company)
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16. Financial risk management (continued):

The following table shows the credit quality of the Company's cash and cash equivalents at January 31, 2011:

	A- or higher	C- to B+	D+ or lower	Total
Cash and cash equivalents	\$ 5,059,251	\$ -	\$ 438,891	\$ 5,498,142

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, 2011.

At January 31, 2011, one customer accounted for 97% of trade receivables (January 31, 2010: 100%) and a separate customer for 100% (2010: Nil%) of total revenues earned in the development stage. A specific allowance of \$659,837 (January 31, 2010: \$712,562) 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.

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 5). The advances made under this agreement were \$607,996 and these advances 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 does not believe these advances to be recoverable and the note receivable has been fully impaired.

Receivables of \$206,717 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. Other receivables in the amount of \$275,785 relate to amounts due from sale of nickel product and other advances to employees. Amounts deemed to be uncollectible have been impaired. The Company has advances receivable of \$374,683 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 5). The loan is amortized over a 15 year period commencing February 1, 2008. Aging of trade receivables at January 31, 2011 is as follows:

	Current	60 days	90+ days	Total
Trade receivables	\$ 507,620	\$ -	\$ 679,076	\$ 1,186,696
Allowance for impairment	(44,357)	-	(659,837)	(704,194)
	\$ 463,263	\$ -	\$ 19,239	\$ 482,502

The carrying value of receivables and cash and cash equivalents represents the maximum exposure to credit risk.

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.

MBMI RESOURCES INC.

(A Development Stage Company)
Notes to Consolidated Financial Statements
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For the years ended January 31, 2011 and 2010

16. Financial risk management (continued):

All of the Company's financial liabilities mature within one year.

Long-Term Debt bears interest at a coupon on 10% per annum, payable monthly in arrears (Note 9). The Loan and Debenture were discounted using a weighted average cost of capital of 17.71%. The Bridge Loan was discounted using an effective interest rate of 22.66%. Interest accretion charges during the year totaled \$490,638 (2010: \$232,581) and the coupon paid during the period was \$219,445 (2010: \$132,622).

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, 2011.

17. Capital management:

The Company's objectives when managing capital are to:

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

In the management of capital, the Company includes shareholders' equity of \$22,747,669 (2010: \$18,394,910) and long-term debt of \$1,938,725 (2010: \$1,718,106). As at January 31, 2011, the Company had no bank indebtedness (2010: no bank indebtedness).

The Company is not subject to any externally imposed capital requirements other than as noted in Note 9 and there has been no change with respect to the overall capital risk management strategy during the fiscal year.

18. Subsequent events:

Subsequent to year end, the Company closed non-brokered private placement financing for 10,558,942 Units priced at \$0.18 per Unit for gross proceeds of \$1,900,610. Each Unit will consist of one common share and one warrant. Each warrant will be exercisable for one common share at \$0.25 for a period of one year following the closing.

Subsequent to year end, a total of 2,000,000 of the Company's common shares were issued upon conversion of \$200,000 of the unamortized principal of the Debenture. The Company also repaid \$700,000 of the outstanding principal balance of The Loan. In addition, the Company repaid the Bridge Loan in full.

19. Comparative amounts:

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

MBMI RESOURCES INC.

**MANAGEMENT DISCUSSION AND ANALYSIS FOR THE
YEAR ENDED JANUARY 31, 2011**

MBMI RESOURCES INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JANUARY 31, 2011

The following discussion and analysis is for the year ended January 31, 2011 ("2011") compared with the year ended January 31, 2010 ("2010"). Unless otherwise stated, information is current to June 13, 2011, and all amounts are stated in Canadian dollars. Additional information relating to the Company may be found on SEDAR at www.sedar.com or on the Company's website at www.mbmresources.com.

Introduction

The following discussion of performance and financial condition should be read in conjunction with the consolidated financial statements of the Company for the years ended January 31, 2011 and 2010 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, upon obtaining the necessary financing to 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 believes that commercial production on the Alpha property can be reached successfully, 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, Bethlehem & Rio Tuba Properties, and four properties in the Samar region of the Philippines (the "Samar Properties") 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.

MBMI RESOURCES INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JANUARY 31, 2011

Financial or Technical Assistance Agreement ("FTAA"):

The Company with its Philippine partners received an executed Financial or Technical Assistance Agreement ("FTAA") with respect to the Alpha, Bethlehem and Rio Tuba properties (collectively, "the Palawan properties"). The FTAA allows 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, a foreign company is entitled to own an interest of up to 100% in the properties.

The FTAA enables the Company and its Philippine partners (collectively, the "Company"), to undertake large-scale exploration, development and commercial utilization of minerals (including but not limited to Nickel, Chromite, and Iron) in the contract area, subject to meeting ongoing environmental and legal obligations of the Department of Environment and Natural Resources ("DENR"). The total contract area covers 12,381 hectares of the Alpha, Bethlehem and Rio Tuba properties.

A: Minimum Investment:

In order to fully comply with the FTAA, the Company must commit total minimum ground expenditures for each contract year during the exploration/pre-feasibility study period, as follows:

Year 1-2	US\$24,763
Year 3-4	US\$99,054
Year 5	US\$222,871
Year 6	US\$284,780

Expenditures are based upon the contract area held by the contractor at the beginning of each contract year. A reduction in contract area will represent a reduction in the above costs.

Additionally, a minimum investment of US\$50,000,000 must be made by the Company over the entire contract area on infrastructure and development, including all pre-operating expenses. To date, the Company has invested an estimated \$28,000,000 mineral property expenditures and deferred exploration costs, gross of the Company's share of revenues earned in the development stage of approximately \$9,000,000¹, and a total of approximately \$6,000,000 in property, plant and equipment.

The Company estimates that it will spend its required commitments in the further development of the Alpha and, in the short term, the Bethlehem projects through to commencement of commercial production.

B: Fiscal Regime:

The FTAA allows for a government sharing of net mining revenue from operations in the form of direct taxes, royalties, fees and other government charges. Deductible expenses include ocean freight, insurance and cash operating expenses incurred in the calendar year that are directly and reasonable related and are necessary to the mining operations in the contract area during the operating period.

The FTAA outlines Philippine government participation over the life of the contract of 25 years and allows for a taxation holiday on items such as income taxation, customs duties, value-added tax on imported goods and services, capital gains taxes and withholding taxes on dividends and interest until recovery of all pre-operating expenditures by the Company. The total taxation burden outlined in the FTAA is considered to be comparable to that in other mining jurisdictions in the world and similar to effective tax rates in Canada.

¹ Under Canadian GAAP, revenues earned in the pre-production (development) stage are considered a deduction from mineral property and deferred exploration costs in accordance with AcG11.

MBMI RESOURCES INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JANUARY 31, 2011

Properties Subject to the FTAA:

A: Alpha Property:

All activity was focused on Alpha during the year.

Pursuant to the Transactions Documents as modified in March 2008, upon the issuance of an FTAA and subject to the Company's decision to allocate an interest to a qualified mining partner(s), the Company may increase its direct and indirect interest from the current direct and indirect 60%, with the Philippine partners retaining a 5.5% net revenue return royalty. Pursuant to the property agreements, the Company has 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 previously permitted 60 hectare Small Scale Mining Operation permit section of the 3,200 hectare Alpha property.**

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
Total	2,428,000	1.31	0.033	14.7
Inferred	293,000	1.23	0.044	19.1

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

Undepleted Total Inferred Resources						
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	19.17

Undepleted Total Measured and Indicated Resources						
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.

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

With the FTAA agreement in place, plans for 2011, included expanding an exploration program beyond the previously limited 60 hectare permit area to cover the complete 3,200 hectare property.

MBMI RESOURCES INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JANUARY 31, 2011

Bethlehem and Rio Tuba Properties:

The Bethlehem and Rio Tuba properties are subject to a joint venture agreement. On September 18, 2007, the original joint venture partner, Olympic Mining and Development Corp., assigned their interest in the properties to an unrelated party.

Pursuant to the Transaction Documents, the Company has now completed the full US\$520,000 in property payments.

Upon completion of a mine feasibility study, should the joint venture partner fail to make any required capital contributions, then, with their consent, and subject to compliance with Philippine law, their interest in the properties could be diluted to a 5.5% net revenue return royalty. On June 13, 2007, the Company negotiated a modification to the joint venture agreement. 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 mining partner(s). The Company is working toward implementing this agreement modification. As a result of this modification, the joint venture partner shall retain a 5.5% net revenue return royalty.

On April 19, 2011, the Company was notified through the Office of the President of the Philippines that a decision by the Executive Secretary was issued, cancelling the FTAA of the Company. The Company has the right to exhaust all legal efforts to reverse the Executive Secretary's Order. The Company has filed a Motion For Reconsideration with the Office of the President and is awaiting a response to this action. Should the Motion be denied, the Company may then appeal the Order in the Court of Appeals. Assuming all efforts are exhausted within the Court of Appeals, the Company may then appeal to the Supreme Court. The time frame for the appeals could be extensive. The FTAA, a contract between the Philippine Government and MBMI, has a defined procedure for resolving disputes in the international venue which is currently being evaluated by the Company's Canadian counsel. During the appeals process, the Company is entitled to operate on a business as usual basis. However, in light of this decision, the Company immediately put the following action plan in place:

- i) Suspended exploration programs related to the Alpha property and has curtailed and/or terminated all unnecessary expenditures to conserve cash in the short term;
- ii) Retained major legal firms both in Canada and the Philippines;
- iii) Commenced legal action in the Philippines in accordance with Philippine legal procedures; and
- iv) Commenced discussions with various stakeholders and interest groups to assist with the legal process.

The Company has put a plan of action in place to defend its right to the FTAA as previously issued. Management believes it has a strong case and will vigorously defend its position. Should the Company not be successful in the appeals process, the carrying value of the Palawan properties may be materially impaired as the cancellation will affect the Company's ability to develop and advance the properties into commercial production.

Properties subject to an Exploration Permit:

Samar Properties:

The Company can maintain its interest in this 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.

MBMI RESOURCES INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
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Properties subject to Production-based Financing Agreements:

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, 2011 is approximately \$607,996 (January 31, 2010: \$577,314). As at the date of these financial statements, the Company has not yet earned income from this agreement. In addition, due to the lack of progress on the property, management deemed the note receivable to be uncollectible.

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.

Investment in Mineral Exploration and Development

The Company's share of total expenditures on mineral properties during the year ended January 31, 2011 was \$2,107,406 (2010: \$281,247). Overall, costs in the period are due to amortization of the Company's assets and deferral of joint venture advances as well as permitting and environmental reporting costs. Amortization of property, plant and equipment is included as a deferred cost in accordance with Canadian GAAP accounting for development enterprises.

Capital

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

- a) During the year, the Company closed non-brokered private placement financings totaling 10,265,000 Units at \$0.20 per Unit for gross proceeds of \$2,053,000. 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 were issued subject to a four month hold period. Finder's fees of \$112,910 and a total of 518,000 broker's warrants were paid in respect of this financing. The fair value of warrants of \$957,171 was bifurcated to contributed surplus.
- b) During the year, the Company closed non-brokered private placement financings for 6,576,666 units at \$0.18 per unit for gross proceeds of \$1,183,800. Each unit consists of one common share and one half common share purchase warrant. Each full warrant entitles the holder to purchase one common share at a price of \$0.25 and has an expiry period of two years. All common shares were issued subject to a four month hold period. Finder's fees of \$95,760 and a total of 329,600 broker's warrants were paid in respect of these financings. The fair value of warrants of \$274,489 was bifurcated to contributed surplus.
- c) During the year, the Company closed non-brokered private placement financing for 32,379,348 shares at \$0.18 per share for gross proceeds of \$5,830,286. The shares are subject to a four month hold period. Finder's fees of \$259,034 and 719,541 broker warrants exercisable for two years at \$0.18 have been paid.
- d) During the year, the Company issued 8,753,992 (2010: 911,666) common shares on the exercise of 33,000 (2009: 351,666) stock options and 8,720,992 (2010: 560,000) warrants for total proceeds of \$905,399 (2010:

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\$104,917).

- e) During the year, the Company entered into a loan agreement for bridge financing of \$600,000 for a term of 12 months and bearing interest at 10% per annum compounding and payable monthly. Transactions costs related to the financing were 600,000 common shares issued to the lender at \$0.165/share and structuring fees paid of \$12,000.
- f) During the year, the lenders of the convertible debentures have converted \$815,000 (2010: \$85,000) worth of debt into equity. The fair value of \$411,192 of warrants issued upon conversion was bifurcated to contributed surplus.

Operating Activities

The Company recorded a net loss and comprehensive loss for the year ended January 31, 2011 of \$5,349,557 (\$0.04 per share), compared with \$2,224,880 (\$0.02 per share) for 2010. The change in comprehensive loss is mostly due to the effect of changes in foreign exchange rates, financing fees, project consulting fees, stock-based compensation and accretion of convertible and long-term debt obligations.

Specific items:

- a) *Accretion on asset retirement obligation \$238,195 (2010 - \$15,947)*: increased in 2011 due to new estimates used as a result of the FTAA.
- b) *Accretion on long term debt \$490,638 (2010 - \$490,638)*: Relates to accretion and discount interest on long-term and convertible debt issued during the year and accelerated accretion on conversion of the debt. Refer Note 9.
- c) *Administration \$761,272 (2010 - \$680,175)*: The Company incurred administration services of \$228,376 (2010: \$205,267) 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.
- d) *Amortization \$10,733 (2010 - \$32,610)*: Amortization on mining equipment was reclassified to mineral properties and deferred exploration costs in the current period.
- e) *Project consulting and communications \$804,558 (2010 - \$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 \$442,367 (2010: \$260,480) during the year.
- f) *General exploration \$256,652 (2010 - recovery \$762)*: relates to various costs resulting from the FTAA which did directly relate to a permitting expense or the properties and has therefore been expensed.
- g) *Legal and accounting \$273,830 (2010 - \$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. Legal fees of \$69,457 were paid to a firm in which a director of the Company is a partner (2010: \$69,240). Accounting fees include \$37,500 (2010: \$48,750) paid to an officer of the corporation.
- h) *Office and miscellaneous \$535,490 (2010 - \$144,827)*: Includes various corporate administrative costs which increased in the year due to an increased activity with respect to the development and other corporate matters which arose from the receipt of the FTAA.
- i) *Stock based compensation \$249,206 (2010 - \$799,991)*: The decrease in stock based compensation expense was due to higher vesting of options in the comparative period (granted in fiscal 2008).

Other items:

- a) *Foreign exchange loss \$120,665 (2010: gain \$480,304)*: 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.

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- b) *Inventory impairment \$126,784 (2010 – recovery \$456,405)*: The impairment is a result of differences in the ore grade as evaluated by an independent third party used for the inventory count and net realizable value calculation.
- c) *Write off of notes receivable \$607,996 (2010 – nil)*: As described above the Dinagat note receivable is considered impaired.
- d) *Impairment loss on receivables \$241,042 (2010 – nil)*: Amount relates to VAT receivable which is considered uncollectible.
- e) *Interest expense \$251,150 (2010 - \$116,675)*: Increase in interest expense and the accreted interest income relates to coupon interest on long-term and convertible debt (refer Note 9).

Financial Summary

Yearly results	Comprehensive loss	Loss per share	Total assets	Long term liabilities
Year ended January 31, 2011	\$ 5,349,557	\$ 0.04	\$ 33,290,287	\$ 4,510,764
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

Year	Quarterly Results	Q1	Q2	Q3	Q4
2011	Net Loss	\$ 725,675	\$ 1,005,749	\$ 960,486	\$ 2,657,647
	Other comprehensive loss (income)	-	-	-	-
	Basic & diluted loss (income) per share	0.01	0.01	0.01	0.01
2010	Net Loss (income)	\$ 510,660	\$ 1,582,254	\$ 1,460,179	-\$ 1,321,599
	Other comprehensive loss (income)	-	-	-	(6,614)
	Basic & diluted loss (income) per share	0.01	0.01	0.01	(0.01)
2009	Net Loss	\$ 2,393,796	\$ 1,563,023	\$ 1,490,769	\$ 2,388,249
	Other comprehensive loss (income)	(27,735)	13,211	26,423	(5,285)
	Basic & diluted loss (income) 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. Results for the 4th quarter of the year:

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	Three months ended,	
	January 31, 2011	January 31, 2010
General and administrative expenses		
Accretion on asset retirement obligation	\$ 238,195	\$ 15,947
Accretion on long-term debt	273,998	112,951
Administration	168,838	166,817
Amortization	727	27,173
Bad debt	-	-
Project consulting and communications	(305,179)	(581,564)
Duties and taxes	73,529	(58,686)
General exploration (recovery)	199,937	(68,836)
Insurance	8,221	8,470
Legal and accounting	68,926	343,913
Office and miscellaneous	451,317	17,766
Rent	50,579	(2,397)
Stock based compensation	12,923	33,416
Telephone	17,494	21,401
Transfer agent and filing	6,557	28
Travel	89,296	39,968
	(1,355,358)	(76,367)
Other income (loss)		
Foreign exchange (loss) gain	(410,976)	604,847
Inventory (impairment) recovery	(126,784)	456,405
Write off of notes receivable	(491,602)	-
Impairment loss on receivables	(241,042)	-
Interest and other income	28,999	137,424
Interest expense	(106,428)	(32,425)
Accreted interest income	-	(24,935)
	(1,347,833)	1,141,316
Loss before provision for income taxes	(2,703,191)	1,064,949
Future income tax recovery	45,544	256,650
Net loss for the year	(2,657,647)	1,321,599

Changes in period over period results:

- 1) The accretion on asset retirement obligation increased as new assumptions were used to calculate the obligation and the entire balance was recorded in the 4th quarter of fiscal 2011.
- 2) The debt accretion increased due to additional debt taken out in 2011 and due to the accelerated accretion on debt conversion.
- 3) There was a general increase in expenses in 2011 due to increased activity in the Philippines as a result of the FTAA which impacted various line items, specifically office and miscellaneous expenses.

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- 4) Foreign exchange loss/gain moved with the movement of the Philippine peso as compared to the Canadian dollar.
- 5) The note receivable related to Naredico was written off in the 4th quarter.

Overall changes, period over period are in-line with the changes described above when comparing year over year changes.

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, 2011, the Company had a working capital surplus of \$1,793,443 (2010: \$233,558). Long-term debt of \$1,938,725 (face value \$2,300,000) was reclassified to current liabilities, and, hence, is included in working capital, at January 31, 2011. The amount is repayable within a year.

During the period, the Company's share of proceeds received from the sale of nickel material was \$234,698 (2010: \$Nil), and \$8,654,014 (2010: \$913,388) from the issuance of common shares from private placements and the exercise of stock options and warrants. Additionally, the Company received a total of \$529,077 (2010: \$2,228,245) from the issue of convertible debentures and advances of loans. These proceeds were expended on administrative and other operations (\$1,880,202), the exploration and development of the Company's properties (\$2,107,406) and purchases of property and equipment (\$2,290).

The accumulated deficit increased to \$39,556,610 from \$34,207,053 on January 31, 2010. Losses for the year are discussed above in "Operating Activities".

Cash used in operating activities decreased year on year from \$2,960,641 in 2010 to \$1,880,202 in 2011 due to management of working capital. Significant operating items are discussed above.

Cash used in investing activities in 2011 was \$1,874,998 compared to \$257,642 in the prior year. Costs associated with mineral exploration and acquisitions increased year over year due to permitting and legal expenses related to the FTAA on the Alpha property. Development activities were kept to a minimum as the Company was arranging financing sufficient for it to move ahead to full-scale development under its FTAA permit on the Palawan properties. Financing activities have been curtailed in light of the FTAA cancellation and until a pending legal resolution.

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:

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Cash and cash equivalents	Held-for-trading
Receivables, notes receivable	Loans and receivables
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 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 16 of the Consolidated Financial Statements for further information on financial instruments.

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 and detailed assessment phases have been completed. These phases included establishing a project timeline and organizational structure, including oversight of the process by the Audit Committee. Upon completion of the scoping phase, the following significant risk areas were identified as having the potential to materially affect the Company:

- (a) The treatment of development costs as mineral properties and deferred exploration costs;
- (b) capitalization of amortization of property, plant and equipment as well as identification of property, plant and equipment components under IFRS;
- (c) Differing measurement bases for stock-based compensation arrangements under IFRS;
- (d) Selection of functional currencies of the Company's subsidiaries and Philippine joint venture interests, and the method of translation to reporting currency; and
- (e) The consolidation method used for the Company's Philippine joint venture interests.

Specific elections and policy choices, as well as estimated financial effects by significant risk area, are outlined in the table below.

The below-mentioned changes to accounting policy choices are not anticipated to result in significant changes to resource and training requirements, or processes for preparing financial statements. Moreover significant IT system changes are not expected due to the simplicity of this environment within the Company. Changes to consolidation processes include the removal of historical IFRS to CGAAP adjustments and a simplification of historical foreign exchange adjustments to the Canadian dollar, the Company's continued reporting currency. Because all Philippine subsidiary and joint venture interests currently report using IFRS, any changes to IT systems and additional training requirements are isolated to the Canadian head office.

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Area	Expected future impact	Expected impact level at transition	Policy Choice and Elections
Mineral Properties	Ongoing treatment of development & pre-production costs as expense, & pre-production revenues to be treated as income.	Accumulated deferred development costs, net of revenues, are expected to be applied to deficit in the amount of \$4,214,106 and accumulated joint venture advances of \$12,684,641 previously deferred are to be applied to opening deficit.	The Company intends to choose the existing CGAAP accounting framework for exploration costs. Unless development costs meet criteria for recognition as property, plant and equipment under IAS16 (or as an intangible asset under IAS38), the Company intends to treat all development costs as expense.
Property, Plant and Equipment	Expect ongoing monitoring of components at the site level. No expected impact at head office level. Management also expects to be monitoring development activities for qualifying capital costs.	Accumulated capitalized depreciation charges are to be charged to deficit are expected to total \$1,516,569.	The Company elected to use the CGAAP cost model as deemed cost on transition to IFRS. Revaluation is not considered appropriate, due to the short period of time since purchase of material assets at the Company's development site. Historically, the Company's site facilities were componentized and tested for impairment in accordance with IFRS. No material additional adjustments are, therefore, expected.
Stock-based Compensation	Differing measurement basis for awards to non-employees vesting over time.	Additional accumulated amortization of non-vested awards will result in a charge to deficit of \$12,218.	The Company currently uses the straight line approach to expense SBC awards to employees, calculating the value of such awards only on the grant date. Options granted to non-employees are not material at this time. For those that vest, treatment differs to CGAAP in that under IFRS, each installment of a vesting schedule should be treated as a separate share option grant and recalculated accordingly. Share based payments to non-employees are measured at the date the entity obtains the goods or the counterparty renders service. Transition to IFRS is not expected to have a material effect. Share based payments made by the company include shares issued as finder's fees for private placements, stock bonuses for advance of loans and option payments for purchase of or optioning mineral properties. Historic CGAAP adjustments from the Company's joint venture interests are negligible and cash settled arrangements do not exist to date.
Joint Venture Consolidation	None, at this time.	None, at this time.	IFRS currently allows for joint ventures to be consolidated using either the equity method or proportionate consolidation. The Company uses the proportionate consolidation method to combine its interests in its Philippine ventures. Should this method be disallowed under IFRS in the

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Foreign Currency Translation

Ongoing, due to difference in method of translation on consolidation. Effect will include introduction of a foreign currency translation reserve.

The accumulated effect of a change in foreign currency translation from the temporal to the current-rate method, resulting from the change in the functional currency of the Company's Philippine joint venture interests from Canadian dollar (under CGAAP) to Philippine Peso (under IFRS) will result in an income charge (reduction) to deficit of \$1,766,889, mostly related to the exchange effect on mineral properties and deferred exploration costs.

future, this would result in a significant departure from CGAAP and, accordingly, in material adjustments to the Company's consolidated financial statements. The Company will continue to use the proportionate consolidation method until further notice.

The Company will elect under IFRS 1 to set the foreign currency translation reserve on transition to IFRS on February 1, 2010 to zero. The functional currency of the Company's Philippine ventures will change from Canadian dollar to Philippine Peso. As a result, the translation method will change from the temporal method (used under CGAAP) to the current rate method for translation to reporting currency of the Company (Canadian dollar).

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The opening balance sheet is expected to differ from the audited balance sheet as at January 31, 2010, prepared in accordance with CGAAP, as follows:

Balance Sheet Component	Balance under CGAAP, January 31, 2010	Balance under IFRS, February 1, 2010	Increase (decrease)
Asset – Mineral properties and deferred exploration costs	\$17,200,802	\$602,779	(\$16,598,023)
Asset – Property, plant and equipment	\$2,446,117	\$2,395,712	(\$50,405)
Equity – Contributed surplus	\$19,838,717	\$19,850,934	\$12,217
Equity – Deficit accumulated in the development stage	(\$34,207,053)	(\$50,867,698)	(\$16,660,645)

During the implementation phase, we will continue to identify and carry out the implementation requirements to effect management's accounting choices, develop sample financial statements, implement business and internal control requirements, and complete other transitional reconciliations and disclosure requirements. 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 14 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 related to the Company's qualification to own mining interests in the Philippines.

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.

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. 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. Given the fact that the Company has been granted a FTAA permit over certain of its properties, as aforementioned, which provides for up to 100% foreign ownership, the Company's legal advisors have indicated that the basis for Redmont's allegations is moot.

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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 8 in the consolidated financial statements.

Outstanding Share Data

The Company has one class of common shares. As at January 31, 2011 the Company had 169,048,716 shares outstanding. As at June 13, 2011, there were 181,657,658 common shares; 46,698,212 warrants; and 9,387,834 stock options outstanding. Additionally, there were convertible debentures outstanding at the date of this MD&A representing, on conversion, a total of 2,000,000 common shares as well as an additional 2,000,000 common share purchase warrants.

Subsequent Events

Refer Note 18 of the consolidated financial statements.

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Industry Risks

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

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

Other Information:

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

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.

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