MANAGEMENT DISCUSSION & ANALYSIS

For the quarter ended July 31, 2010
Date of Report: September 29, 2010

Directors and Officers as at September 29, 2010:

Directors:	Martin Auyeung David Baker Brian Grant Walter Peredery Earl Terris Edward T. Gardner
Officers:	Edward T. Gardner, CEO Brian Grant, President & COO Vivian Gu, CFO
Contact Name:	David Baker
Website:	www.goldbrookventures.com
TSX Venture Exchange Symbol:	GBK

Form 51-102F1

GOLDBROOK VENTURES INC.

MANAGEMENT DISCUSSION & ANALYSIS

For the Quarter Ended July 31, 2010

1.1 <u>Date of This Report</u>

September 29, 2010

1.2 <u>Overall Performance</u>

Description of Business

The Company was incorporated as Goldbrook Explorations Inc. under the Ontario *Business Corporations Act* on May 20, 1983. On July 22, 2002, the Company changed its name to Goldbrook Ventures Inc. In addition, the Company consolidated its capital on a 3 old for 1 new basis. On April 14, 2003, the Company was granted a Certificate of Continuation under the Company Act of British Columbia.

The Company's registered and records office in British Columbia is Suite 1550, 200 Burrard Street, Vancouver, British Columbia, V6C 3L6. The Company's telephone number is (604) 683-8083. The Company's Shares are currently listed for trading on the TSX Venture Exchange under the symbol "GBK".

On February 6, 2004, the Company announced that shares of Goldbrook Ventures Inc. would commence trading on the Frankfurt Stock Exchange under the trading symbol "GVE".

The Company is a publicly traded junior resource company. In the past fiscal years until 2001, the Company was involved, to a limited extent, in the exploration of various mineral properties. As of 2001, the Company had written down all of its investments in its mineral properties; and was deemed inactive by the Exchange on September 7, 2001. On August 1, 2002, the Company completed its reactivation plan and the Exchange removed the inactive status.

On September 6, 2005, the Company announced that in accordance with TSX Venture Exchange policy 2.5, the Company had met the requirements for a Tier 1 company. Effective September 2, 2005, the Company's tier classification changed from Tier 2 to Tier 1 – mineral exploration and development company.

As a development stage enterprise, the Company is in the process of exploring properties and will continue to conduct exploration activities on its properties to determine the ore reserves and ore recoverability on its properties.

The Company's mineral properties consist of the following:

- Onaman River, Onaman Lake Township, Ontario;

Raglan Area, District of Northern Quebec:

- Belanger;
- Nuvulik;
- Ungava;
- Wakeham;
- Masuparia; and
- Bravo

1.3 Selected Annual Information

The highlights of financial data for the Company for the three most recently completed financial years are as follows:

	April 30, 2010	April 30, 2009	April 30, 2008
(a) Net sales	-	-	-
(b) Loss before extraordinary items			
(i) Total loss before comprehensive loss	$4,425,287	$3,982,476	$3,744,943
(ii) Loss per share – basic	$0.02	$0.02	$0.03
(iii) Loss per share – diluted	$0.02	$0.02	$0.03
(c) Net loss			
(i) Total loss before comprehensive loss	$4,425,287	$3,982,476	$3,744,943
(ii) Loss per share – basic	$0.02	$0.02	$0.03
(iii) Loss per share – diluted	$0.02	$0.02	$0.03
(d) Total assets	$62,298,147	$53,470,399	$45,715,131
(e) Total long-term liabilities	-	-	-
(f) Cash dividends declared per-share	N/A	N/A	N/A

1.4 Results of Operations

Discussion of Acquisitions, Operations and Financial Condition

The following should be read in conjunction with the financial statements of the Company and notes attached hereto.

Mineral Properties

Onaman River Property

For the year ended April 30, 2002, these mining leases and patents claims were carried at a nominal value of $1.00 and represented a 80% interest in the Onaman River Property, Onaman Lake Township, Ontario, subject to 30% net profits royalties on one group and a 10% net profits royalties on the balance of leased claims. The Company wrote-off the nominal value of $1.00 in the year ended April 30, 2003. Fifteen leases had expired in 2006 and ten more leases in 2007. The Company is working in conjunction with a third party and the Ontario government to return these leases and patents to be in good standing. There are seven patents and eight lease claims which are in good standing.

Raglan Area Properties – District of Northern Quebec

The Company is holding six property blocks in Raglan area as follows:

	Claims	Acres
Belanger	1,056	107,400
Nuvulik	1,422	144,461
Masuparia	990	100,386
Wakeham	1,827	183,016
Ungava	1,801	181,310
Bravo	1,804	177,872

The Company holds 100% interest in all these claims except for the claims located within the Bravo block.

Belanger block is located in the west region of Raglan exploration area. These claims are within 60km southwest of Raglan Mine.

Nuvulik block is north to Belanger block, about 40km due west of the Raglan Mine.

Maruparia block is less than 10 km due south of Raglan Mine.

Wakeham block is in the east region of Reglan exploration area. These claims are 20km of the Raglan Mine.

Ungava block is located south of the Wakeham block. These claims are within 30 km of the Raglan Mine.

Bravo block is located between Masuparia, Nuvulik, and Belanger block.

On August 29, 2008, the Company announced that it had entered into a definitive option and joint venture agreement (the “Agreement”) with Jilin Jien Nickel Industry Co. Ltd. of Panshi, Jilin China (“Jien”) for the exploration and development of the Company’s Raglan District Properties (the “Property”) comprising some 891,000 acres in northern Quebec. Pursuant to the Agreement:

- Jien may earn a 50% interest in the Property by providing funding of $45 million over three years for exploration on the property (plus any funds rebated by the government for expenditures during the first two years), with a minimum expenditure in the first year of $12.5 million, a minimum of $15 million in the second year plus any rebates for expenditures in the first year and a minimum expenditure in the third year of $17.5 million plus any rebates for expenditures in the second year.

- Upon Jien acquiring a 50% interest, any government rebate from exploration expenditures in the third year will be applied to a fourth year work program and other costs will be funded 50% by Jien and 50% by the Company.

- Jien may earn an additional 10% interest by funding and completing a pre-feasibility study.

- Jien may earn an additional 10% interest by funding and completing a bankable feasibility study.

- Jien may earn an additional 5% interest by providing the Company its share of financing for development on commercial terms in which case the Company will repay its share of the debt from a portion of the net cash flow from production.

As at July 31, 2010, Jien has provided funding of $44 million to the Company, $12.5 million of which was for the expenditures of the first year, $15 million of which was for the second year, and $16.5 million is part of the funding for the third year. The Company also received $3,631,975 Quebec corporate tax credits that have been claimed by Jien as part of the funding.

The Company has retained PI Financial Corp. (“PI”) as it financial advisor in connection with the Jien transaction and, as consideration for such services, has paid $100,000 to PI.

9,692,171 common shares of the Company have been issued and a $1,132,500 cash finder’s fee has been paid to a third party in connection with the Agreement and in accordance with the policies of the TSX Venture Exchange.

Exploration Results and Future Developments (Raglan Properties)

In late September, the Company completed its 2009 nickel-copper-cobalt-PGE sulphide exploration program in the Raglan Belt, northern Quebec, consisting of 16,180 metres of core drilling, a extensive program of regional geological mapping, a new XRF technology geochemical sampling program, processing and analysis of VTEM geophysical data collected in 2007, and over 9000 line-kilometres of new VTEM and magnetics airborne survey work, in addition to the initial analyses of the remote sensing spectral data collected in 2008. The program was successful with the highlight discoveries of the new Mystery North Zone and identification of the Timtu deep zone of Ni-Cu-Co-PGE sulphides. Additional success was achieved in the results of drilling and geoscience surveys along the Belanger Trend.

Mapping, surface rock geochemistry and drilling in the Mystery area provided evidence of multiple mineralized zones and/or stratigraphic horizons. The Mystery zone, including the new Mystery North zone, remains open to depth and appears to have an easterly plunge. Further work is warranted on this important deposit.

The Getty and Sylvie deposits also warrant further investigation to establish additional drill targets to expand these two known and important deposits to the Raglan project. The Timtu and Pad deposit areas have also proven to be highlight successes of the 2009 program and Timtu in particular has proven to have the potential to be one of the most significant Ni-Cu-PGE sulphide deposits on the Belanger trend and will be further delineated during the 2010 exploration program. The Pad deposit returned highly positive results from drilling and more work is warranted to fully define its potential. In addition, there are numerous other areas of interest/showings along the Belanger trend that warrant analysis and drill targeting. Some of these areas are also candidates for further ground geophysical surveys.

Remote sensing surveys conducted over the GBK property in 2008 provided an exceptional and unique amount of spectral data and high resolution photography that is helping identify geology and structures and areas of surface mineralization. Analysis of this information is ongoing and the results, combined with new geological mapping information, are expected to be a highly valuable contribution to the 2010 program planning.

Goldbrook's geoscience team led by Revelation Geoscience Ltd is currently carrying out an aggressive 2010 exploration program across the properties, including diamond drilling, ground geophysics, regional till geochemistry, prospecting and mapping. Revelation Geoscience brings new insight and experience to the Goldbrook program in an effort to add to previous successes with new discoveries.

Results of Operations

The loss for the three months ended July 31, 2010 was $1,706,900 as compared with a loss of $280,143 for the three months ended July 31, 2009. The changes in the loss for the current period were in the following categories:

- A $793,500 (2009: $Nil) share of losses of the company subject to significant influence has been included in the Company's net loss;
- Recorded financing costs in the amount of $220,108 (2009: $Nil) which includes the cash payments made and value of the common shares issued relating to the Raglan joint venture project;
- Professional fees increased by $151,430 during the current period due to a recovery for the $154,195 legal fees paid on behalf of Jien Canada Mining Ltd. (Section 1.4) which was recorded in the comparative period of July 31, 2009;
- During the three months ended July 31, 2010, management fees increased by $92,380, comparing to the three months ended July 31, 2009 due to the increased number of directors and officers.
- Consulting fees increased by $62,529 and shareholders' communication increased by $99,434 during the current period.
- During the three months ended July 31, 2010, a $1,050 unrealized loss (2009: $1,187,950 unrealized gain) from marketable securities has been recorded as other comprehensive income which is not included in the net loss.

Below is a comparison of the General and Administration Expenses during the three months ended July 31, 2010 and 2009:

	July 31, 2010	July 31, 2009	Increase (Decrease)
Depreciation on property and equipment	4,337	3,845	492
Consulting fees	149,679	87,150	62,529
Financing costs	220,108	-	220,108
Office & general expenses	131,054	111,204	19,850
Management fees	159,880	67,500	92,380
Professional fees	76,516	(74,914)	151,430
Regulatory fees and services	3,645	2,381	1,264
Shareholders' communication, travel and promotions	120,413	20,979	99,434
Wages and benefits	47,818	61,998	(14,180)
Total	$913,450	$280,143	$633,307

Investor Relations Activities

Currently, the Company has no formal arrangements in place with respect to investor relations. Three spokespersons are assigned to respond to any shareholder or investor calls. They are also responsible for handling shareholder mail-outs and represent the Company in trade shows and conferences.

During the three months ended July 31, 2010 the Company issued press releases, responded to investor inquiries and conducted shareholder and investor mail outs.

Financings, Principal Purposes & Milestones

The Company issued 2,228,042 common shares during the year ended April 30, 2010 and 489,130 common shares during the three months ended July 31, 2010 to a third party as part of the finder's fee in connection with the option and joint venture agreement on Raglan area properties.

Take-over Bid

On August 7, 2009, the Company announced that it had entered into a shareholder, joint bid, and operating agreement with Jilin Jien Nickel Industry Co. Ltd. (Jilin Jien), and its wholly-owned subsidiary Jien International Investment Ltd. (JJ Holdco), to make an all-cash take-over bid for Canadian Royalties Inc. ("Canadian Royalties") to acquire all of its outstanding common shares (the "Shares") at a price of Cdn$0.60 in cash per share and all of the outstanding 7% convertible senior unsecured debentures due March 31, 2015 (the "Debentures") at a price of Cdn$600 per Cdn$1,000 principal amount of debentures, plus accrued and unpaid interest up to, but excluding, the date the debentures are taken up under the take-over bid. Total cash consideration of approximately Cdn$148.5 million will be offered (including accrued interest on the Debentures). The offer is subject to customary conditions including that a minimum of 66.66% of the outstanding shares on a fully diluted basis and 66.66% of the outstanding aggregate principal amount of debentures are tendered to the offer, receipt of all required regulatory approvals.

The offer for the shares and the debentures are being made by Jien Canada Mining Ltd. ("Jien Canada"), a company jointly owned by the Company (25%) and JJ Holdco (75%). Jien Canada will be responsible subsequently for managing its operations. A representative of Jilin Jien and a representative of the Company have been appointed as managers of the offers and they are responsible for all matters relating to the offers, subject to unanimous approvals of the board of directors. The Directors shall be responsible for the management, direction and control of the operations. Their number shall initially be five and shall be comprised of three nominees of JJ Holdco and two nominees of the Company.

Jilin Jien has deposited an initial contribution which JJ Holdco will use to finance the offers and the related expenses. Thereafter, JJ Holdco is responsible for providing 100% of the funding for the operations.

The Company has agreed to pay success fees to a financial agent upon the successful completion of the offers and any subsequent acquisition transaction to acquire 100% of the shares and debentures.

JJ Holdco is responsible for providing 100% of the funding required for the offeror's operations; however, JJ Holdco may arrange for the offeror to obtain such funding amounts directly from third party lenders.

With several amendments and extensions to the Offiers, on January 13, 2010, Industry Canada issued a Certificate of Arrangement (the "Arrangement") to Canadian Royalties in connection with the plan of arrangement between Canadian Royalties and Jien Canada. Accordingly, the Arrangement between the parties was complete. Under the Agreement, Jien Canada acquired all of the outstanding common shares of Canadian royalties in exchange for $0.80 per shares. As a result of the Arrangement, Jien Canada now owns 100% of the outstanding shares of Canadian Royalties. The Company owns 25% of the voting shares of Jien Canada.

Also as a result of the acquisition, the outstanding 7% convertible senior unsecured debentures due March 31, 2015 of Canadian Royalties were delisted from the Toronto Stock Exchange on December 29, 2009. The common shares of Canadian Royalties were delisted from the Toronto Stock Exchange on January 15, 2010.

1.5 Summary of Quarterly Results

The following is a summary of the Company's financial results for the eight most recently completed quarters:

	Q1 31-Jul-10	Q4 30-Apr-10	Q3 31-Jan-10	Q2 31-Oct-09	Q1 31-Jul-09	Q4 30-Apr-09	Q3 31-Jan-09	Q2 31-Oct-08
Net sales	-	-	-	-	-	-	-	-
Net Income(Loss):								
Total	$(1,706,900)	$(4,080,815)	$540,433	$(604,762)	$(280,143)	$(1,532,625)	$(857,442)	$(568,886)
Per share	$(0.009)	$(0.023)	$0.003	$(0.003)	$(0.002)	$(0.009)	$(0.005)	$(0.004)
Per share diluted	$(0.009)	$(0.023)	$0.003	$(0.003)	$(0.002)	$(0.009)	$(0.005)	$(0.004)

Discussion

For the three months ended July 31, 2010, please refer to Section 1.4 - *Results of Operations*.

Non-cash stock-based compensation expenses of $1,020,000 were recorded in the quarter ended April 30, 2010.

1.6 <u>Liquidity</u>

As the Company has no revenue generating projects at this time, the ability of the Company to carry out its business plan rests with its ability to secure equity and other financings.

At July 31, 2010, the Company has total assets of $60,013,005. The primary assets of the Company are cash of $15,101,496, accounts receivable of $7,334,404, marketable securities of $2,400, deposits on mineral property exploration of $2,034,795, and mineral properties with a historic cost of $33,651,831. The Company has working capital deficit of $1,476,484, while the $2,034,795 deposits on mineral property exploration, which is not included in the working capital calculation, will be applied against accounts payable within a short term.

The Company will require additional financing to fund any new acquisitions, exploration programs as well as its holding costs on all of its properties. The ability of the Company to successfully fund the Ungava properties and to acquire additional projects is conditional on its ability to secure financing when required. The Company proposes to meet any additional financing requirements through the exercise of outstanding warrants, or arranging other forms of equity financing. In light of the continually changing financial markets, there is no assurance that funding by equity subscriptions will be possible at the times required or desired by the Company.

1.7 Capital Resources

The only capital resource of the Company is the mineral properties with a historic cost of $33,651,831. The Company is committed to further expenditures on these properties, as detailed in Section 1.4 - *Results of Operations*.

1.8 Off Balance Sheet Arrangements

There are no off-balance sheet arrangements to which the Company is committed.

1.9 Transactions with Related Parties

The Company retains the services of certain directors and officers of the Company, or by companies controlled by directors, officers, and related parties. Fees are paid for these services on a month-by-month basis without formal agreements.

There is no amount due to related parties included in accounts payable and accrued liabilities at July 31, 2010 (April 30, 2010 - $Nil).

During the three months ended July 31, 2010 and 2009, the Company was charged the following amounts by directors and officers of the Company and their immediate family, or by companies controlled by directors, officers, and related parties:

	Three months ended July 31	
	2010	2009
Consulting fees		
- Financial	**$ 9,000**	$ 7,500
- Marketing	**16,950**	15,450
- Shareholders' communication	**24,000**	19,500
Equipment rental	**21,797**	21,797
Management fees	**159,880**	67,500
Professional fees	**24,000**	21,000
Rent	**18,000**	18,000
Salaries	**30,000**	25,500
Website fees	**11,925**	11,925
Deferred exploration costs	**30,000**	25,500
Total	**$ 345,552**	$ 233,672

As at July 31, 2010, accounts receivable include miscellaneous expenses paid on behalf of a company with common directors and management in the amount of $Nil (2009: $12,493).

All transactions with related parties were concluded in the normal course of operation at the exchange amount which is the amount established and accepted by the parties.

1.10 First Quarter

First quarter results do not differ significantly from other quarters, except for the recording of $793,500 share of losses of company subject to significant influence.

1.11 Proposed Transactions

None.

1.12 Critical Accounting Estimates

N/A

1.13 Changes in Accounting Policies

Financial Instruments

Effective May 1, 2007, the Company has adopted new accounting standards related to financial instruments that were issued by the Canadian Institute of Chartered Accountants ("CICA") in 2005. These accounting policy changes were adopted on a prospective basis with no restatement of prior period financial statements. The new standards and accounting policy changes are as follows:

Recognition and Measurement – Impact of adopting Sections 3855 and 3861

In accordance with this new standard the Company now classifies all financial instruments as either held-to-maturity, available-for-sale, held for trading or loans and receivables. Financial assets held to maturity, loans and receivables and financial liabilities other than those held for trading, are measured at amortized cost. Available for-sale instruments are measured at fair value with unrealized gains and losses recognized in other comprehensive income. Instruments classified as held for trading are measured at fair value with unrealized gains and losses recognized on the statement of loss.

Comprehensive Income – Impact of adopting Section 1530

The standard introduces the concept of comprehensive loss, which consists of net loss and other comprehensive income. The Company's financial statements now include a Statement of Comprehensive Loss integrated with the statement of operations, which includes the components of comprehensive income. For the Company, other comprehensive income ("OCI") is comprised of the unrealized gains on available-for-sale financial assets arising during the year.

Cumulated changes in OCI are included in Accumulated Other Comprehensive Income ("AOCI"), which is presented as a new category within shareholders' equity on the balance sheet.

Hedges (CICA Handbook Section 3865)

The new standard specifies the criteria under which hedge accounting can be applied and how hedge accounting can be executed. The Company has not designated any hedging relationships.

Capital Disclosures

On December 1, 2006, the CICA issued Section 1535, Capital Disclosures. Section 1535 requires the disclosure of (i) an entity's objectives, policies and process for managing capital; (ii) quantitative data about an entity's managed capital; (iii) whether an entity has complied with capital requirements; and, (iv) if an entity has not complied with such capital requirements, the consequences of such non-compliance. This standard became effective on January 1, 2008.

Capital Management

When managing capital, the Company's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. Management adjusts the capital structure as necessary in order to support the acquisition, exploration and development of its exploration properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The properties in which the Company's currently has an interest are in the exploration stage. As such, the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for administrative costs, the Company will spend its existing working capital and attempt to raise additional funds as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

Management reviews it capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the three months ended July 31, 2010. The Company is not subject to externally imposed capital requirements.

Disclosures and presentation

On December 1, 2006, the CICA issued two new accounting standards, Section 3862, Financial Instruments – Disclosures and Section 3863, Financial Instruments – Presentation. These standards replace Section 3861, Financial Instruments – Disclosure and Presentation and enhance the disclosure of the nature and extent of risks arising from financial instruments and how the entity manages those risks. These new standards became effective on January 1, 2008.

In January 2009, the Emerging Issues Committee issued EIC-173, "Credit Risk and the Fair Value of Financial Assets and Financial Liabilities" ("EIC-173"). The Committee concluded that an entity's credit risk and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and financial liabilities.

As a result of adopting EIC-173 as at January 1, 2009, the Company quantified the impact of credit risk when calculating the fair value of financial assets and liabilities. The Application of the EIC did not have an effect on the Company's financial statements.

During 2009, CICA Handbook Section 3862, Financial Instruments – Disclosures ("Section 3862"), was amended to require disclosures about the inputs to fair value measurements, including their classification within a hierarchy that prioritizes the inputs to fair value measurements. The three levels of the fair value hierarchy are:

- Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly;
- Level 3: Inputs that are not based on observable market data.

As at July 31, 2010, the Company's financial instruments consisted of cash, accounts receivable, marketable securities, accounts payable, accrued liabilities, and deferred exploration contribution. With respect to all of these financial instruments, the Company estimates that the fair value of these financial instruments approximates the carrying values as at July 31, 2010.

Sensitivity Analysis

As of July 31, 2010, both the carrying and fair value amounts of the Company's financial instruments are the same. Based on management's knowledge and experience of the financial markets, the Company believes the following movements are "reasonably possible" over a twelve month period:

Cash and cash equivalents are subject to floating interest rates. As at July 31, 2010, if interest rates had decreased/increased by 1% with all other variable held constant, there will be no significant impact on the financial statements.

Commodity price risk could adversely affect the Company. In particular, the Company's future profitability and viability of development depends upon the world market price of mineral commodities. As of July 31, 2010, the Company was not in the production phase. As a result, commodity price risk may affect the completion of future equity transactions such as equity offerings and the exercise of stock options. This may also affect the Company's liquidity and its ability to meet its ongoing obligations.

Valuation of Inventory – Impact of adopting Section 3031

The Company has adopted the Section 3031 for the valuation of inventories at the lower of cost and replacement cost. The new standards had no impact to the Company's financial statements.

Newly Adopted Accounting Policies

Mining Exploration Costs

In March 2009, the Emerging Issues Committee issued EIC-174, “Mining Exploration Costs”, which provides guidance on the capitalization of exploration costs related to mining properties and the impairment review of such capitalized exploration costs. This EIC became effective of the Company during fiscal year 2009. The application of this EIC did not have an effect on the Company’s financial statements.

Section 1400, “General Standards of Financial Statement Presentation”

Section 1400, “General Standards of Financial Statement Presentation” provides revised guidance on management’s responsibility to assess and disclose the Company’s ability to continue as a going concern. The adoption of this standard did not have any impact on the Company’s financial statements.

Business Combinations

In January 2009, the CICA issued Handbook Section 1582, “Business Combinations”, which replaces the existing standards. This section establishes the standards for the accounting of business combinations, and states that all assets and liabilities of an acquired business will be recorded at fair value. Obligation for contingent considerations and contingencies will also be recorded at fair value at the acquisition date. The standard also states that acquisition-related costs will be expensed as incurred and that restructuring charges will be expensed in the periods after the acquisition date. This standard is applied prospectively to business combinations with acquisition dates on or after January 1, 2011. Earlier adoption is permitted. Adoption of this standard had no impact on the Company’s financial statements.

Non-controlling Interests

In January 2009, the CICA issued Handbook Section 1602, “Non-controlling Interests” which establishes standards for the accounting of non-controlling interests of a subsidiary in the preparation of consolidated financial statements subsequent to a business combination. This standard is effective for 2011. Earlier adoption is permitted. Adoption of this standard had no impact on the Company’s financial statements.

Consolidated Financial Statements

In January, 2009, the CICA issued Handbook Section 1601, “Consolidated Financial Statements”, which replaces the existing standards. This section establishes the standards for preparing consolidated financial statements and is effective for 2011. Earlier adoption is permitted. Adoption of this standard had no impact on the Company’s financial statements.

Equity

In August 2009, the CICA issued certain amendments to Section 3251, "Equity". The amendments apply to entities that have adopted Section 1602, "Non-controlling Interests". The amendments require separate presentation on the statements of operations and comprehensive income of income attributable to owners of the Company and those attributable to non-controlling interest. The amendments also require that non-controlling interests be presented separately as a component of equity. The amendments had no impact to the Company's financial statements of the three months ended July 31, 2010.

Investment in Company Subject To Significant Influence

On November 13, 2009, the Company tendered the 4,750,000 Canadian Royalties shares held as "available-for-sale" securities to Jien Canada as its investment in Jien Canada. The fair market value of those shares was $3,752,500 (based on the closing price of November 13, 2009 on TSX at $0.79 per share) which has been recorded as "Investment in Company Subject To Significant Influence" as non-current assets on Balance Sheet. The Company also acquired 25 class A shares and 1 class B share of Jien Canada for cash consideration of $26, and those are also included in "Investment in Company Subject To Significant Influence". By using the equity method, the Company includes 25% of the net income or net loss of Jien Canada Mining Ltd. (consolidated with Canadian Royalties Inc.) in the Company's financial statements by adjusting the carrying value of "Investment in Company Subject To Significant Influence" at the balance sheet and by adjusting its net income or net loss.

1.14 Financial Instruments and Other Instruments

For cash and equivalents, accounts receivable, marketable securities, accounts payable and accrued liabilities, and deferred exploration contributions, the carrying amounts of these financial instruments approximate their fair value.

Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial statements.

The recoverability of the amounts capitalized for the mineral properties under exploration is dependent upon the determination of economically recoverable ore reserves, the ability to obtain the necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof.

1.15 Other MD&A Requirements

Disclosure of Outstanding Share Capital (as at July 31, 2010)

	Number of shares	Value
Common Shares issued	183,143,171	$ 45,446,640

	Number of shares	Potential cash generated at exercise
Incentive Stock Options	17,938,000	$ 4,392,455
Warrants	29,617,640	$ 15,800,359

Additional Disclosure

The Company is a venture issuer that has not had significant revenue from operations in either of its last two financial years. The Company has capitalized all expenditures relating to the exploration of its mineral properties. Details of deferred expenditures for each property are as follows:

Summary of Mineral Properties – July 31, 2010

Refer to the financial statements and notes of the Company.

Subsequent Events

- In August 2010, 45,000 stock options with an exercise price at $0.31 per share and 25,000 stock purchase warrants with an exercise price at $0.30 were exercised.

- On August 17, 2010, the Company announced that the Directors of Jien Canada Mining Ltd. ("Jien Canada") had approved a start-up project development budget of $122,400,000 for 2010 and had additionally approved a construction program which targets Q1 of 2012 for the commissioning and start-up of a mill and the necessary infrastructure to exploit the known resources of the Nunavik Nickel Project, located in Ungava, Northern Quebec. The Company owns 25% and Jilin Jien Nickel Industry Co., Ltd. ("Jilin Jien") owns 75% of the voting shares of Jien Canada. Jilin Jien is responsible for providing 100% of the funding to bring the Nunavik Nickel Project into production and will be repaid for its contribution out of cash flow from production on the property if commercial production occurs.

- In September 2010, 8,392,874 stock purchase warrants with an exercise price at $0.50 per share and 6,311,478 stock purchase warrants with an exercise price at $1.00 per share were expired without exercise.

- In September 2010, 100,000 stock purchase warrants with an exercise price at $0.30 per share were exercised.

- On September 21, 2010, the Company announced that at a meeting of the Directors of Jien Canada Mining Ltd.("Jien Canada"), the nominees of Jilin Jien Nickel Industry Co. Ltd. ("JJ") had purported to approve an issuance of voting common shares of Jien Canada that would reduce the Company's percentage of voting shares from 25% to 4.21% and increase JJ's percentage of voting shares from 75% to 95.79%. The Company had informed JJ that this shares issuance is not permitted under the Shareholder, Joint Bid and Operating Agreement ("Shareholder Agreement") between the parties that governs the operation of Jien Canada. The Company has discussed this matter with its legal counsel and has informed JJ that any issuance of voting shares requires its approval under the Shareholder Agreement and that such issuance is also in contravention of other provisions of the Shareholder Agreement. The Company intends to vigorously defend its rights under the Shareholder Agreement. The Compan6y intends to commence court and/or arbitration proceedings against JJ and others which may include, without limiting the forgoing, claims for breach of contract, oppression and bad faith. Although the Company intends to defend its position vigorously, there is no certainty it will be successful in this regard.

Other Information

Additional information relating to the Company can be found on SEDAR at www.sedar.com.