PALLADON VENTURES LTD.
MANAGEMENT DISCUSSION AND ANALYSIS

For the three months ended May 31, 2010
Date of report: July 30, 2010

The following Management's Discussion and Analysis ("MD&A") of Palladon Ventures Ltd. ("Palladon" or the "Company") should be read in conjunction with the Company's accompanying financial statements for the three months ended May 31, 2010 and the related notes contained therein. In addition, the following should be read in conjunction with the audited consolidated financial statements for the year ended February 28, 2010 and the related MD&A. The Company is a reporting issuer in the provinces of British Columbia and Alberta, and its common shares are listed on the TSX Venture Exchange under the symbol: PLL.

All financial information in this MD&A is prepared in accordance with Canadian generally accepted accounting principles, and all dollar amounts are expressed in Canadian dollars unless otherwise indicated.

Additional information and public filings relating to the Company are available on the SEDAR website at www.sedar.com.

Cautionary Note Concerning Forward-Looking Statements

Certain statements and expressions in this document are intended to identify forward-looking statements. Such forward-looking statements regarding the Company's plans, objectives, and goals are subject to risks and uncertainties which could cause actual results to differ materially from estimated results. The reader is cautioned that actual results, performance or achievements may be materially different from those implied or expressed in such statements.

As applied to both the Company and its Investment in CML Metals Corporation, such risks and uncertainties include, but are not limited to, the ability to raise sufficient capital to fund development, changes in general economic conditions or financial markets, changes in prices for mineral products or increases in input costs, litigation, legislative, environmental and other judicial, regulatory, political and competitive developments, logistic matters concerning material flow and storage, technological and operational difficulties or inability to obtain permits encountered in connection with exploration and development activities, labor relations matters, and changing foreign exchange rates, which are described more fully in the Company's filings with Securities regulators.

Description of Business and Fiscal 2011 Developments

Recent Developments

Until March 15, 2010, Palladon owned 100% of Palladon Iron Corporation ("PIC"), which was subsequently renamed CML Metals Corporation ("CML"). On that date Palladon and Luxor

Capital Partners, LP ("Luxor") entered into a Satisfaction and Settlement Agreement whereby Palladon transferred ownership of 78.26% of PIC to Luxor in exchange for the full discharge of all liabilities due to Luxor and waiver of all intercompany advances due by PIC to Palladon. Because of the de minimis business activity at PIC subsequent to Palladon's fiscal year ended February 28, 2010, the Satisfaction and Settlement Agreement was reflected in the audited annual financial statements and MD&A as of February 28, 2010 year end. The effect of the Satisfaction and Settlement Agreement was to deconsolidate the PIC balance sheet from Palladon and to instead reflect an investment in Palladon Iron Corporation, which has now been renamed Investment In CML Metals Corporation. The operations of PIC for the year ended February 28, 2010 were included in the consolidated statements of operations and deficit. The Company's primary business activity going forward is to manage its investment in CML.

Project History

CML is in the business of developing the Iron Mountain ("Iron Mountain" or "the Project") iron ore project located west of Cedar City, Utah. Refer to the annual MD&A as of February 28, 2010 for a detailed history of Palladon Iron Corporation, now known as CML Metals Corporation.

First Quarter Developments

During the quarter Palladon worked with Luxor to transfer control of CML. Activities at CML during the first quarter were outlined in a press release dated June 11, 2010, as follows:

> Palladon is pleased to provide an update on CML Metals Corporation's ("CML Metals" or "CML") progress to sell and ship iron ore from the Iron Mountain property located near Cedar City, Utah.
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> CML, formerly known as Palladon Iron Corporation, has signed an offtake agreement with China Kingdom International ("CKI") for the shipment of 600,000 dry metric tonnes annually of run-of-mine iron ore to be shipped from the port of Richmond, California. The ore will be ultimately sold to Hebei Iron and Steel ("HBIS"), which is one of the largest steel companies in China. The term of the contract is two years and the parties have agreed to review the price for the run-of-mine product every six months. CML expects to ship its first vessel to CKI by the end July, 2010. After initial shipments begin and CML is comfortable with all logistics, CML believes it will be able to step up production and increase shipments significantly above the base offtake volumes, market conditions permitting.
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> While CML is initially shipping run-of-mine ore, CML is actively pursuing a concentrate strategy to further improve project economics. To this end, CML has commenced engineering and other studies related to the construction and financing of a concentrate facility. If CML is in a position to produce a concentrate product before the end of the

two-year contract term, the price would adjust accordingly to reflect world iron ore pricing.

In addition to executing the offtake agreement, CML has entered into long-term agreements with all required logistics partners, including rail, port, and railcar leasing companies. In completing these agreements, CML has now contracted for all the material handling logistics associated with the production and shipment of iron ore.

As part of the offtake agreement CML and CKI have agreed to settle all claims relating to the arbitration dispute arising out of CML's prior offtake agreement with CKI. Under the terms of the settlement, CML will make certain cash payments and pay commissions to CKI. Including the costs to settle these claims, CML expects to be profitable in 2010 and significantly profitable in 2011 based on current market conditions

CML has also retained RK Equity Capital Markets to advise CML in connection with capital raising activities. RK Equity is a FINRA member broker-dealer specializing in corporate finance advisory and capital raising primarily in the natural resource sector.

Additional Disclosure for Venture Issuers

Palladon no longer owns any equipment or any mineral properties. All such assets were either written off or transferred to CML as part of the Settlement and Satisfaction Agreement signed with Luxor on March 15, 2010.

Financial Results

Results of Operations for the Three Months Ended May 31, 2010

During the first quarter the Company significantly reduced operating activities in an effort to conserve funds. The accounting function was outsourced and corporate offices were downsized. Operating expenses decreased significantly.

For the three months ended May 31, 2010, the Company realized a Net Loss of $298,172 (2009 – Net Gain of $2.78 million). Items affecting the quarter compared with the prior year period are as follows:

- Amortization decreased to zero, due to the elimination of all equipment, resulting from the Satisfaction and Settlement Agreement.
- Consulting expenses decreased as the Company reduced all activities related to developing its properties.
- Interest on long-term debt was zero, due to the elimination of debt as part of the Satisfaction and Settlement Agreement.

- Office and administration expense decreased significantly, reflecting the deconsolidation of CML Metals, as well as the downsizing of the corporate offices.
- Professional fees decreased due to lower legal costs.
- Rent decreased to zero due to the downsizing of the corporate offices.
- Salaries and benefits decreased to zero due to elimination of all employees other than the President and CFO, the compensation for whom is included in consulting expense.
- Travel and promotion decreased due to deconsolidation of CML Metals and to the curtailment of most travel.
- Gains and losses from marketable securities reflect the quarterly adjustment to current value.

Summary of Quarterly Results

	2011	2010 QUARTER ENDED				2009 QUARTER ENDED		
($000, except per share)	Q1 May 31	Q4 February 28	Q3 November 30	Q2 August 31	Q1 May 31	Q4 February 28	Q3 November 30	Q2 August 31
Revenue	$0	$0	$0	$0	$0	$0	$0	$0
Net income (loss) for the period	($298)	$13,798	($980)	($3,001)	$2,780	($3,316)	($5,955)	($4,235)
Basic and diluted net income (loss) per share	($0.00)	$0.08	($0.01)	($0.02)	$0.02	($0.02)	($0.04)	($0.03)

Liquidity and Capital Resources

Liquidity and Capital Resources

The Company had cash of $603,919 as of May 31, 2010, and has approximately US$471 thousand as of the date of this report. The Company had a net working capital deficit of $83,185 at May 31, 2010.

The cash balance reflects the remaining proceeds from the May 2010 private placement sale of 20 million shares at US$0.055 totaling US$1.1 million. The Company invested US$447 thousand of the private placement proceeds in a CML private placement, which maintained Palladon's 21.74% ownership interest in CML. The remaining cash balance is estimated to fund the Company's reduced operating expenses for the next twelve to eighteen months. Any future capital calls from CML will require Palladon to either raise capital or suffer dilution of its investment.

Share Capital Data

As of the date of this report the Company had the following items issued and outstanding:

- 188,964,132 common shares
- 150,000 options to purchase common shares with a weighted average exercise price of $0.40, expiring October 31, 2012

Commitments

The Company has no significant commitments.

Off-Balance Sheet Arrangements

There are no off-balance sheet arrangements.

Transactions with Related Parties

The Company incurred the following transactions with related parties, consisting of current and/or former directors of the Company or private companies controlled by them:

	Three months ended May 31,	
	2010	2009
Consulting fees	$60,363	$54,267
Directors' fees	-	30,378
Salaries and benefits	-	161,315
Total	$60,363	$245,960

The amounts were recorded at their exchange amount, which is the amount agreed to by the parties.

Additional Disclosure

Significant Accounting Policies (As also reflected in the UNAUDITED INTERIM FINANCIAL STATEMENTS)

a) Principles of Consolidation

The effect of the Satisfaction and Settlement Agreement was to deconsolidate the PIC balance sheet from Palladon and to instead reflect an investment in Palladon Iron Corporation, which due to a name change is now shown on the balance sheet as “Investment in CML Metals Corporation” The Company’s primary business activity is to manage its investment in CML, which is recorded at fair value.

The operating activities of former U.S. subsidiaries Palladon Iron Corporation and PIC Railroad Inc. (“PICR”) were included in the 2010 consolidated statements of operations and deficit. The current year fiscal 2011 financial statements include only the accounts of the Company. However, prior year comparative periods

include the activities of PIC. In that operations of the Company and PIC were inextricably intertwined, and the then consolidated companies effectively operated as one company, meaningful disaggregation of the prior year operations of PIC would be extremely difficult, if not impossible, and would require a high degree of estimation. The net result would not be meaningful to investors or cost effective to shareholders.

b) Equipment Amortization

Equipment was recorded at cost. The Company provided for amortization using the following rates:

Building	10% declining balance
Mining equipment – long lived	20% declining balance
Mining equipment – other	30% declining balance
Office furniture and equipment	30% declining balance

Additions were amortized at one-half the normal rate during the year of acquisition. Plant and equipment under construction was not amortized until construction was complete and the assets were available for use. Effective as of February 28, 2010, the Company does not own any equipment.

c) Basic and Diluted Income (Loss) Per Share

Basic income (loss) per share is computed by dividing the income (loss) for the period by the weighted average number of common shares outstanding during the period. Diluted income (loss) per share reflects the dilution that could occur if potentially dilutive securities were exercised or converted to common stock. The dilutive effect of options and warrants and their equivalent is computed by application of the treasury stock method. Common equivalent shares (consisting of shares issuable on the exercise of common stock options and warrants) totalling 150,000 as of May 31, 2010 (February 28, 2010: 150,000) were not included in the computation of diluted income (loss) per share because the effect was not significant.

d) Income Taxes

The Company uses the asset and liability method of accounting for income taxes. Under this method, current income taxes are recognized for the estimated income taxes payable for the current period. Future income tax assets and liabilities are recognized for temporary differences between the tax and accounting basis of assets and liabilities as well as for the benefit of losses available to be carried forward to future years for tax purposes only if it is more likely-than-not that they can be realized.

e) Foreign Currency Translation

Monetary items denominated in a foreign currency are translated into Canadian dollars at exchange rates prevailing at the balance sheet date and non-monetary items are translated at exchange rates prevailing when the assets were acquired or obligations incurred. Foreign currency denominated revenue and expense items are translated at exchange rates prevailing at the transaction date. Gains or losses arising from the translations are included in operations.

f) Stock-based Compensation

The Company accounts for all grants of options to employees, non-employees and directors in accordance with the fair value method for accounting for stock-based compensation. Compensation expense for employees is generally amortized using the straight line method over the period from the grant date to the date the options vest. Compensation expense for non-employees is recognized immediately for past services and pro-rata for future services over the service provision period. Compensation for non-employees is re-measured at each balance sheet date until the earlier of vesting date or the date of completion of the service. Upon exercise of share purchase options, the consideration paid by the option holder, together with the amount previously recognized in contributed surplus, is recorded as an increase to share capital.

g) Asset Retirement Obligations

The fair value of obligations associated with the retirement of tangible long-lived assets is recorded in the period the asset is put into use, with a corresponding increase to the carrying amount of the related asset. The obligations recognized are statutory, contractual or legal obligations. The liability is accreted over time for changes in the fair value of the liability through charges to accretion, which will be included in depletion, depreciation and accretion expense. The costs capitalized to the related assets are amortized in a manner consistent with the depletion and depreciation of the related asset. At May 31, 2010 and February 28, 2010, the Company did not have any asset retirement obligations.

h) Impairment of Long-lived Assets

Canadian generally accepted accounting principles require that long-lived assets and intangibles to be held and used by the Company be reviewed for possible impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If changes in circumstances indicate that the carrying amount of an asset that an entity expects to hold and use may not be recoverable, future cash flows expected to result from the use of the

asset and its disposition must be estimated. If the undiscounted value of the future cash flows is less than the carrying amount of the asset, impairment is recognized. Except as provided, management believes there has been no impairment of the Company's long-term assets at May 31, 2010.

i) Comprehensive Income

Comprehensive income includes both net income (loss) and other comprehensive income ("OCI"). OCI is the change in shareholders' equity from non-owner sources which is not included in the calculation of net income (loss) until realized. Cumulative changes in OCI are included in Accumulated Other Comprehensive Income ("AOCI"), which is presented as a category of shareholders' equity on the balance sheet. The Company had no OCI transactions during the interim period ended May 31, 2010 or for the year ended February 28, 2010, and neither opening nor closing balances for AOCI.

j) Financial Instruments Recognition, Measurement, Disclosure and Presentation

All financial instruments are classified into one of these five categories: held-for-trading, held-to-maturity, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments and derivatives are measured on the trade date at fair value upon initial recognition. Subsequent measurement depends on the initial classification of the instrument. Held-for-trading financial assets are measured at fair value, with changes in fair value recognized in net income (loss).

Available-for-sale financial instruments are measured at fair value, with changes in fair value recorded in OCI until the instrument is derecognized or impaired. Loans and receivables, held-to-maturity investments and other financial liabilities are measured at amortized cost. All derivative instruments, including embedded derivatives, are recorded in the balance sheet at fair value unless they qualify for the normal sales and purchases exemption. Changes in the fair value of derivatives that are not exempt are recorded in the statement of operations. Transaction costs on the acquisition of financial assets and liabilities that are classified as other than held-for-trading are expensed.

The Company has made the following designations of its financial instruments: cash and marketable securities as held-for trading; amounts receivable as loans and receivables; Investment in CML Metals Corporation as available-for-sale; accounts payable and accrued liabilities and due to related parties as other financial liabilities.

In 2009, the CICA amended Section 3862, "Amendment to Financial Instruments – Disclosures" to require disclosures about the inputs to fair value measurements,

including their classification within a hierarchy that prioritizes the inputs to fair value measurement.

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; and
Level 3 – Inputs that are not based on observable market data.

The Company categorizes its financial instruments which are measured at fair value as level 1, except for its investment in CML which is at level 2.

k) Business Combinations, Consolidated Financial Statements, and Non-controlling Interests

During the year ended February 28, 2009, the Company early adopted Handbook Section 1601, Consolidations, Handbook Section 1602, Non-controlling Interests, and Handbook Section 1582, Business Combinations. These sections replace the former CICA Handbook Section 1581, "Business Combinations" and Section 1600, "Consolidated Financial Statements" and establish a new section for accounting for a non-controlling interest in a subsidiary. CICA Handbook Section 1582 establishes standards for the accounting for a business combination, and states that all assets and liabilities of an acquired business will be recorded at fair value. Obligations for contingent consideration and contingencies will also be recorded at fair value at the acquisition date. Acquisition-related costs will be expensed as incurred and restructuring charges will be expensed in the periods after the acquisition date.

CICA Handbook Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in the preparation of consolidated financial statements subsequent to a business combination. This standard states that changes in a parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Under the policy, the non-controlling interest is presented as a component of shareholders' equity.

l) Goodwill and Intangible Assets

The CICA issued new Handbook Section 3064, "Goodwill and Intangible Assets", which will replace Section 3062, "Goodwill and Other Intangible Assets". The new standard establishes revised standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets. The new standard also provides guidance for the treatment of preproduction and start-

up costs and requires that these costs be expensed as incurred. The new standard applies to annual and interim financial statements relating to fiscal years beginning on or after October 1, 2008. The adoption of this standard did not have any significant impact on its consolidated financial statements.

m) Future Accounting Pronouncements

International Financial Reporting Standards ("IFRS")

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended February 28, 2011. The Company has begun an internal diagnostic review to understand, identify and assess the overall effort required to produce financial information under IFRS, however, at this time, the financial reporting impact of the transition to IFRS cannot be reasonably estimated.