



PALLADON VENTURES LTD. MANAGEMENT DISCUSSION AND ANALYSIS

For the three and nine months ended November 30, 2010

Date of report: January 7, 2011

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 and nine months ended November 30, 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 the 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.

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.

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.

Second Quarter Developments

Activities at CML during the second quarter were outlined in a press release dated September 20, 2010, as follows:

CML has informed the Company that it is currently loading iron ore onto a Supramax vessel at the Levin Terminal, Port of Richmond, California. The cargo, approximately 50,000 tons of run-of-mine ore from CML's mine in Utah, is scheduled for imminent departure.

According to Dale Gilbert, CEO of CML Metals, "the company is nominating a second ship for departure to China in mid-October. Thereafter, we anticipate maintaining a consistent schedule of monthly shipments. Depending on future market conditions, CML's existing capacity allows for significant expansion in early 2011."

Third Quarter Developments

On October 12, 2010, Palladon announced that, at its Annual General and Special Meeting of shareholders to be held on Monday, November 8, 2010, the Company would seek shareholder approval for a resolution authorizing the consolidation of its common shares on a one (1) for ten (10) basis. Shareholders approved the resolution.

On December 2, 2010, Palladon released the following press release related to activities at CML Metals:

Palladon is pleased to relay the following letter to shareholders received yesterday from CML Metals Corporation (“CML”) providing an update on operations, sales and shipments of run-of-mine ore from Iron Mountain to customers in China. Additionally, CML lays out its concentrate strategy with a scheduled completion date in early 2012 and financing plans to fund the \$65 million capital expenditure budget necessary to design and build the concentrate facility at Iron Mountain.

CML Metals Shareholder Update

Dear Shareholder,

I am pleased to provide an update on the state of our operations and financing for the construction of the concentrator facility.

Operations Update

Since shipping commenced in September, CML has sold and delivered 142,145 metric tons of run-of-mine ore to various purchasers. In addition, CML has booked shipments through January for approximately 100,000 tons of ore to be sold and delivered to buyers in China. At the current sales price for run-of-mine ore, CML is exceeding its production and logistics costs and expects to be profitable in the fourth quarter. With increasing customer demand, CML is undertaking to double its run-of-mine capacity to 100,000 tons per month and is actively working with the logistics providers, including numerous ports on the western coast of the US and Canada, to assess the viability of doing so for February deliveries.

Concentrator Update

Pursuant to the Company’s strategy of moving as quickly as possible to a concentrate product, CML has contracted Samuel Engineering, a highly respected engineering/design firm, for the numerous projects that are required to design and construct the concentrator plant. The Metallurgical Test Work Program is in its final stages, specifying the filtration and water separation circuit that will remove the process water from the concentrate. The test work needed to facilitate the design of the grinding and magnetic-separation circuits of the plant has been completed. The resulting flow sheet and subsequent variability testing indicate a final Fe content up to 67.5%, which is considered a premium concentrate product, significantly above the index standard of 62%. Plant design and equipment procurement have also commenced with major components being identified and integrated into building design and plant layout; preliminary drawings are already in circulation. Construction schedules are being updated as projects progress and continue to show plant completion, and concentrator production, in early 2012.

Financing Update

On November 23rd, CML signed a non-binding term sheet with an internationally recognized bulge bracket bank outlining material terms for a potential \$45 million loan. Such loan may be funded in two phases: a) an initial \$20 million loan, which is expected to close this year, and b) a \$25 million add-on loan that is subject to various closing conditions including a final independent engineer's report and an offtake agreement in place for the sale of concentrate. Although CML and the lender have not yet finalized definitive terms or entered into definitive commitment agreements, the parties are working diligently towards that end. As with all loans, the loan will be subject to various customary and other conditions precedent including final credit approvals, satisfactory documentations and the completion of due diligence by such bank (and the bank has not provided any guarantees that any commitments will be forthcoming prior to satisfaction of such conditions). CML is seeking to have full loan documentation completed by year-end after which more details concerning the facility will be provided.

In order to facilitate the closing of the Phase I facility and to fully-finance the construction of the concentrator, CML will be raising \$20mm of equity by year-end. To fund its \$20 million equity portion of the construction budget, CML expects to either raise equity from its existing shareholders, or from new investors. In the event equity is raised from existing shareholders, each shareholder will have a right to maintain their existing ownership of CML by participating in the offering. We will provide more detail on the equity offering in the coming days.

Thank you again for your continuing support.

Dale Gilbert
CEO CML Metals Inc.

Palladon is pleased with the progress CML has made in ramping up production and proving out its logistics plans. The Company continues to believe pursuing a concentrate scenario is the best strategy and fully supports the plans outlined above. Although details have not been finalized, CML indicated \$20 million equity capital will be required from either an outside source or existing shareholders. If the \$20 million in equity is financed by existing investors, Palladon would have the right to buy up to 21.7% of the shares, which would equate to approximately \$4.34 million. We will inform investors when we know more from CML on whether the equity will come from new or existing investors.

In addition, on the corporate front, the Company is seeking the necessary regulatory related approvals such that it can set and disclose an effective date for the 10 for 1 reverse share consolidation which was approved at Palladon's recent Annual General and Special Meeting. Palladon will announce the effective the date promptly once it has been set.

Palladon Ventures Ltd.
Management Discussion and Analysis
For the three and nine months ended November 30, 2010
(Expressed in Canadian dollars unless otherwise noted) Date of Report: January 7, 2011

On December 30, 2010 Palladon issued the following press release:

The Company announced that it intends to carry out, subject to approval from the TSX Venture Exchange (the "Exchange"), a non-brokered private placement of up to CDN\$6.0 million at a price of not less than CDN\$0.06 per share (the "Private Placement").

The primary use of proceeds from the Private Placement will be the funding of Palladon's US\$5.56 million proportionate share, or 21.7%, of a US\$25.6 million equity financing ("the Equity Portion") being undertaken by CML Metals Corporation ("CML"). Luxor Capital Partners, LP ("Luxor"), the majority shareholder of CML, has informed Palladon that it has completed the balance of the equity financing of US\$20.0 million.

The US\$25.6 million equity financing is part of a total US\$70.5 million capital raise currently being pursued by CML to fund the build-out of CML's proposed concentrate facility at the Iron Mountain project located near Cedar City, Utah. As previously announced, CML is working to complete the balance of the capital raise through the completion of a US\$45.0 million debt facility (the "Debt Facility") and currently expects to close on the Debt Facility before the end of January 2011.

All of the securities issued pursuant to the Private Placement will be subject to a four month hold period from the date of issue. Insiders of the Company may subscribe for in excess of 25% of the aggregate proceeds of the Private Placement. If any insiders participate in the Private Placement, such subscriptions (the "Insider Participations") will be considered to be related party transactions within the meaning of Exchange Policy 5.9 and Multilateral Instrument 61-101 ("MI 61-101"). Palladon intends to rely on the exemptions from the valuation and minority shareholder approval requirements of MI 61-101 contained in Sections 5.5(a) and 5.7(1)(a) of MI 61-101 in respect of any such Insider Participations based on that the fair market value of such Insider Participations will not exceed 25% of Palladon's market capitalization. In connection with the Private Placement and subject to Exchange approval, Palladon may pay finder's fees in cash or securities to eligible finders in accordance with the policies of the Exchange.

In addition, Palladon announced that both it and Luxor will be required to pledge all of their respective shares in CML as security under the Debt Facility pursuant to the terms of a pledge agreement to be entered into with the lender under the Debt Facility.

John Cutler, CEO of Palladon, commented: "We are pleased with the progress being made toward realizing on our long held strategy of shipping concentrate from the Iron Mountain project to a global market."

Palladon today also provided an update with respect to its proposed share consolidation (the "Consolidation"). Palladon has received the requisite shareholder approval and Exchange approval for the Consolidation and currently expects to implement same

following completion of the Private Placement. Palladon will announce the effective date for the Consolidation promptly once it has been set.

Additional Disclosure for Venture Issuers

Palladon no longer owns any equipment. 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 thousand (2009 – Net Gain of \$2.8 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.

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

During the second quarter the Company continued to operate as outlined in the section describing the first quarter ended May 31, 2010. For the three months ended August 31, 2010,

Palladon Ventures Ltd.
Management Discussion and Analysis
For the three and nine months ended November 30, 2010
(Expressed in Canadian dollars unless otherwise noted) Date of Report: January 7, 2011

the Company realized a Net Loss of \$179 thousand (2009 – Net Loss of \$3.0 million). Items affecting the quarter compared with the prior year period are as follows:

- Consulting primarily reflects payments to Palladon officers.
- Professional fees during the quarter primarily reflect the cost of the annual audit and related tax return.
- Salaries, benefits and directors’ fees primarily reflect accrued directors’ fees.

Results of Operations for the Three Months Ended November 30, 2010

During the third quarter Palladon continued to operate as outlined in the section describing the first quarter ended May 31, 2010. For the three months ended November 31, 2010, the Company realized a Net Loss of \$81 thousand (2009 – Net Loss of \$980 thousand). The significantly lower net loss reflects the Company’s efforts to reduce costs across its corporate structure.

Summary of Quarterly Results

| (\$000, except per share) | 2010 QUARTER ENDED | | | 2009 QUARTER ENDED | | | | 2008 |
|---|--------------------|-----------------|--------------|--------------------|-------------------|-----------------|--------------|-------------------|
| | Q3 November 30 | Q2 August 31 | Q1 May 31 | Q4 February 28 | Q3 November 30 | Q2 August 31 | Q1 May 31 | Q4 February 28 |
| Net income (loss) for the period | (\$81) | (\$179) | (\$298) | \$13,798 | (\$980) | (\$3,001) | \$2,780 | (\$3,316) |
| Basic and diluted net income (loss) per share | (\$0.00) | (\$0.00) | (\$0.00) | \$0.08 | (\$0.01) | (\$0.02) | \$0.02 | (\$0.02) |

Liquidity and Capital Resources

Liquidity and Capital Resources

The Company had cash of \$329 thousand as of November 30, 2010, and has approximately US\$280 thousand as of the date of this report. The current cash balance is estimated to be sufficient to fund the Company’s reduced operating expenses for the next nine months. Any future capital calls from CML will require Palladon to either raise capital or suffer dilution of its investment. The Company had a net working capital deficit of \$343 thousand at November 30, 2010.

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 | | Nine months ended | |
|-----------------------|--------------------|-----------|-------------------|-----------|
| | November 30, | | November 30, | |
| | 2010 | 2009 | 2010 | 2009 |
| Consulting fees | \$33,710 | 20,769 | \$128,956 | \$142,651 |
| Directors' fees | 12,258 | 40,002 | 37,249 | 112,138 |
| Salaries and benefits | - | 46,668 | - | 256,701 |
| Total | \$45,968 | \$107,439 | \$166,205 | \$511,490 |

Company officers are paid as consultants. 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 November 30, 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 November 30, 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 November 30, 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 November 30, 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, Canadian Institute of Chartered Accountants ("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.