



## **Management Discussion and Analysis For the Nine Months ended August 31, 2010**

The following is a discussion and analysis of the operations, results, and financial position of Zimtu Capital Corp. (the “Company”) for the nine months ended August 31, 2010, and should be read in conjunction with the unaudited financial statements for the nine months ended August 31, 2010 as well as the audited financial statements for the year ended November 30, 2009 and 2008, all of which were prepared in accordance with Canadian generally accepted accounting principals.

The effective date of this report is October 29, 2010.

### **Nature of Business and Overall Performance**

#### History of the Company

The Company was incorporated on July 4, 2006, under the Business Corporations Act of British Columbia under the name “Flow Energy Ltd.”

On January 29, 2007 the Company completed its initial public offering with Northern Securities Inc. acting as agent. The Company was listed on the TSX Venture Exchange (the “TSX”) as a Capital Pool Company on January 31, 2007.

On March 7, 2008, the Company entered into a Share Purchase Agreement with Petrol One Corp. and 0755032 BC Ltd. Under the terms of the Agreement, the Company acquired all of the issued common shares of Zimtu Capital Corp., a private investment company that had assets consisting of a portfolio of equity investments, cash and equipment, totaling approximately \$6.0 million.

On July 31, 2008, the Company completed its Qualifying Transaction, defined under section 2.4 of the TSX policies. The Company acquired all of the issued and outstanding common shares of 0755032 BC Ltd., completed a private placement of 10,292,658 units for proceeds to the Company of \$1,235,119 and changed its name to Zimtu Capital Corp. Subsequent to the completion of the Qualifying Transaction, the Company changed its year end from August 31 to November 30, to be concurrent with that of its wholly owned subsidiary, 0755032 BC Ltd.

The Company is a reporting issuer in British Columbia, Alberta and Ontario and trades as a Tier 2 Financial Services Issuer on the TSX Venture Exchange under the symbol ‘ZC’. The Company also trades on the Frankfurt Stock Exchange under the symbol ‘ZCT1’.

#### Business of the Company

The business of the Company focuses on giving its shareholders the opportunity to indirectly invest in diverse early-stage resource investments. The Company’s goal is to take advantage of the favourable investment opportunities that arise between the private and public phases of a given investment in the natural resources sector. To that end, the Company conducts its business along two distinct lines: investment and project advisory/management.

## 1. *Investment*

The principal investment objectives of the Company are:

- to seek and identify high return investment opportunities in the resource sector through direct investments in project interests or indirect investments by means of equity shareholdings;
- to minimize the risk associated with investments in securities by offering assistance to the target investment through management's industry contacts;
- to preserve its capital and limit the downside risk of its capital;
- to achieve a reasonable rate of capital appreciation; and
- to seek liquidity in its investments.

In pursuit of greater returns and to achieve investment objectives while mitigating risk, the Company, when appropriate, shall focus on natural resource industries, concentrating on early stage exploration and development companies. The Company will obtain detailed knowledge of the relevant business that the investment shall be made in, as well as knowledge about the investee company. The Company will endeavour to work closely with the investee company's management and boards and in some cases, assist in sourcing experienced and qualified persons to add to the board and/or management of the investee companies. The Company will maintain a flexible position with respect to the form of investment taken. Investments will be made in either private or public companies or directly into project title. As a result, the Company may own 100% of the opportunity in the initial stages.

In keeping with its business model, the Company:

- a) Has increased its investment shareholdings through participation in private placements and/or Initial Public Offerings ("IPO") of several TSX listed companies;
- b) Has acquired or disposed of interests in several mineral property claims and/or permits. An objective of the Company is to evaluate and acquire prospective resource properties to make available for sale or joint venture. In this manner, the Company has acquired and disposed of property interests either by selling the property in its entirety or by optioning the property;
- c) Provides mineral property advisory services to individuals and/or companies and helps to connect companies with mineral properties of interest; and
- d) Provides management & administrative assistance to private or public companies.

**Composition of Investment Portfolio:** The nature and timing of the Company's investments depend, in part, on available capital at any particular time and the investment opportunities identified and available to the Company. Subject to the availability of capital, the Company intends to create a diversified portfolio of investments. The composition of its investment portfolio will vary over time depending on its assessment of a number of factors including the performance of financial markets and credit risk.

**Investment Committee:** The Company has an investment committee to monitor its investment portfolio on an ongoing basis. The investment committee's mandate is to review the status of each investment as well as the status of potential investments at least once a month or on an as

needed basis. Nominees for the investment committee are recommended by the Board of Directors.

**Trading Committee:** The Company has a trading committee consisting of all members of the Board of Directors and may also include any consultants with relevant experience to the opportunity. On a weekly basis, the trading committee discusses and evaluates the investments of the Company.

**Market Conditions:** In recent years, the securities markets in the United States and Canada have experienced a high level of price and volume volatility, and the market prices of securities of many companies have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that continuing fluctuations in price will not occur. The market for the common shares of the Company will be subject to market trends generally, notwithstanding any potential success of the Company in creating revenues, cash flows or earnings. The value of the common shares of the Company will be affected by such volatility.

**Shareholdings:** The specific shareholdings of the Company are listed in the Company's financial statements for the year ended November 30, 2009. The Company considers the following as its core portfolio shareholdings:

Western Potash Corp. (TSX-V: WPX) ("Western Potash") is a junior mineral exploration company engaged in the acquisition, evaluation and exploration of potash mineral properties in Western Canada. Western Potash's objectives are to define and develop a world-class potash deposit while providing its shareholders with a unique opportunity to participate in the blue-chip dominated potash mining industry. The Company currently has 2,448,821 common shares of Western Potash with a market value of \$2,301,891 (\$0.94 per share, as at October 28, 2010).

Commerce Resources Corp. (TSX-V: CCE) ("Commerce") is a junior mineral exploration company focused on its exploration activities with respect to rare metal and rare earth elements. Commerce holds a 100% interest in Blue River Tantalum/Niobium Project in BC. The Blue River Project has defined NI 43-101 compliant resources and a scoping study is to be completed for the project this year. In addition, Commerce holds a 100% interest in its Eldor Property, located in the Labrador Trough area of Quebec, Canada and the Carbo Property, located in British Columbia. Each of the Eldor and the Carbo are at a relatively early-stage of exploration, with a focus on rare earth elements. The Company currently has 3,236,178 common shares of Commerce Resources, with a market value of \$1,941,706 (\$0.60 per share, as at October 28, 2010).

Triple Dragon Resources Inc. (CNSX: TDN) ("Triple Dragon") is a mineral exploration company focused on the Murray and Camlaren gold properties in south-central Northwest Territories. The Company holds a total of 17,117,500 common shares of Triple Dragon, representing 69.83% of the total issued and outstanding share capital of Triple Dragon. As such, Triple Dragon's results of operations have been consolidated into the financial statements of the Company. The common shares of Triple Dragon were acquired for investment purposes and the Company may from time to time acquire or dispose of some or all of the securities that it holds of Triple Dragon or continue to hold its share position. The current market value of the Company's shareholdings in Triple Dragon is \$3,081,150 (\$0.18 per share, as at October 27, 2010).

## 2. Project Advisory/Management

### Mineral Resource Project Management

The Company evaluates and acquires prospective resource properties to make available for sale, option or joint venture. The Company has interests in several mineral property claims.

As at the date hereof, the Company has interests in the following mineral resource properties:

Name	Location	Mineral Type	Interest
Port Hope	Newfoundland	REE	100%
Montveil Claims	Quebec	REE	100%
Hiren Claims	BC	REE	100%
Trident Claims	BC	REE	100%
Zen Claims	BC	REE	100%

#### *Joint Venture with 877384 Alberta Ltd.:*

Alberta consort. claims	Alberta	Potash	50%
Bearpaw Ridge	BC	REE	50%
AB Frac Sands	Alberta	Frac Sands	50%
Apollo, Carbo Area, Perry River & Giscome	BC	REE	50%
Quebec Gold	Quebec	Gold	50%
Perry River	BC	REE	50%
BC Apollo (Blanket Creek)	BC	REE	50%
Carbo Area	BC	REE	50%
Chickadee Creek	Alberta	Lithium	50%
JD Property	BC	Gold	50%
Bear Lake Area in BC	BC	REE	50%

#### *Joint Venture with C&C:*

C&C Rare Earth	BC	REE	50%
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#### *Joint Venture with David Javorsky:*

Zirconium Mountain	BC	REE	50%
Cerium Mountain	BC	REE	50%
Odin Creek Cerium	BC	REE	50%
Old Lime Stone	BC	REE	50%

The following is a list of the properties that have sales pending as at the nine months ended August 31, 2010:

Name	Sold to	Consideration
Michikamatas Project	Fieldex Exploration Inc.	\$80,000 over 3 years (\$30,000 paid) 2,000,000 common shares (1,000,000 received) 2% NSR with 1% buyback for \$1,000,000
NWT Gold/Tom Mine Bella Coola/Snow Lake	Equitas Resources Corp. (formerly, Trivello Energy Corp.)	\$50,000 cash (not paid) 1,000,000 common shares (issued)
Australia Lithium	Max Pozzoni	\$50,000 cash, in 6 month installments (\$30,000 paid)
Red Wine/Letitia Lake	Rare Earth Metals Inc.	\$75,000 cash (\$25,000 paid) 1,000,000 common shares (500,000 received)

The following is a list of the properties that the Company sold during the nine months ended August 31, 2010:

Name	Sold to	Consideration
Athena Lithium Property	Max Pozzoni	\$20,000 cash
Archie Lake	Quantum Rare Earth Developments Corp.	\$20,000 cash 1,000,000 common shares
Terrax Rare Metal Project	BonTerra Resources Inc.	1,000,000 common shares 2% NSR with 1% buyback for \$1,000,000

The following is a list of the properties that the Company held and that were sold during the year ended November 30, 2009:

Name	Sold to	Consideration
Fox Creek Lithium	First Lithium Resources Inc. (formerly Mountain Capital Inc.)	\$45,000 cash 600,000 common shares 600,000 warrants, exercisable at a price of \$0.25 per share until April 7, 2011 1.5% NSR (\$1,000,000 buy back) 2.5% GOR on diamonds
Silvercreek/Simonette	Weststar Resources Corp.	\$12,500 cash 500,000 common shares
Berland River	Ultra Lithium Inc. (formerly Jantar Resources)	\$25,000 cash 1,000,000 common shares
Vermillion	First Lithium Resources Inc. (formerly Mountain Capital Inc.)	\$65,000 cash 841,667 common shares 841,667 warrants, exercisable at a price of \$0.35 per share until June 5, 2011

#### Mineral Resource - Advisory Services

The Company also provides mineral resource advisory services to individuals and/or companies and helps to connect companies with mineral properties of interest.

*Canadian International Minerals Inc.:* During the year ended November 30, 2009, the Company assisted Canadian International Minerals Inc. ("CIN") in the optioning of 52 mineral claims in the Thunder Bay Mining Division, Ontario known as the Deadhorse Creek Rare Earth Property. In consideration for its assistance, the Company received 192,500 common shares of CIN.

*Cazador Resources Ltd. and Cathro Resources Corp.:* During the year ended November 30, 2009, the Company entered into an agreement with Cazador Resources Ltd. and Cathro Resources Corp. ("C&C") for the joint exploration of rare earth element properties of merit in Western Canada. The Company and C&C each agreed to contribute \$10,000 (paid) for the acquisition costs of potential mineral claims/properties. C&C's cash contribution was met by the vesting of 17 mineral claims (the "Rare Earth Property") into the joint venture. The Rare Earth Property will be held on a 50-50% joint venture basis, and the proceeds from the sale of the property will be shared equally by the Company and C&C.

*Strategic Resource Management:* In August, 2010, the Company entered into a partnership with Strategic Resource Management (“Strategic”) for a rare earth property in Tanzania. The Company has committed to spending \$8,400 US for field work and has the exclusive option to acquire the project for \$45,000 US.

*Jungle Well and Laverton Projects:* The Company is participating in Quantum Rare Earth Developments Corp (“Quantum”) and Silver Mountain Mines Corp. (“Silver Mountain”) acquisition of Northeast Minerals Pty. Ltd (“Northeast”), a private Australian company that owns 100% interest in the Jungle Well and Laverton Rare Earth Projects. For its participation, the Company will receive 500,000 shares of Quantum and \$33,333 (\$15,365 received at May 31, 2010) following completion of a merger between Quantum and Silver Mountain, and acceptance of the TSX Venture Exchange.

*Range Capital Corp.:* On June 9, 2010, Range Capital Corp. (“Range”), a TSX-V listed CPC, announced that it had entered into a letter agreement with Knob Hill Silver Inc. (“Knob Hill”), whereby Range will acquire 100% of the outstanding shares of Knob Hill. Knob Hill is a private British Columbia incorporated mineral exploration company that holds a 100% interest in 16 mineral claims located in the Greenwood mining division of British Columbia, subject only to a 2.5% net smelter return. Upon closing of the transaction, Range will pay 425,000 common shares as a finders fee to the Company.

*Marksmen Capital Inc:* On August 5, 2010, the Company announced that it has acted as an agent in a transaction between Marksmen Capital Inc (“Marksmen”) and Brixton Metal Corporation (“Brixton”). The transaction is intended to constitute Marksmen’s qualifying transaction and is subject to TSX Venture Exchange approval. For its participation in the deal, the Company will receive 500,000 shares of Marksmen’s escrow shares on closing of the qualifying transaction and will receive a finder’s fee equal to the maximum amount of shares permitted (estimated at 500,000 shares).

### Company Management

The Company provides management and administrative services to various private and public companies.

The Company currently has contracts in place with Commerce, Camisha Resources Corp., Equitas Resources Corp. and Triple Dragon. Commerce, Triple Dragon and Camisha have a director(s) in common with the Company.

Under the terms of the contracts, these services may include rent and office administration, continuous disclosure services and compliance services. These contracts generate sufficient cash for the Company to meet its operating needs in the current market environment and the Company expects these contracts to continue.

## Selected Annual Information

The following is a summary of the financial data of the Company for the years ended November 30, 2009, 2008 and 2007:

	2009	2008	2007
Total Revenues	1,080,000	1,205,714	1,159,190
Income (loss) from continuing operations	1,591,944	(6,178,682)	4,753,568
Income (loss) from continuing operations (per share)	0.25	(0.10)	1.47
Income (loss) from continuing operations (per share, fully diluted)	0.24	(0.07)	1.47
Net Income (loss)	1,076,431	(4,733,511)	3,659,570
Net Income (loss) (per share)	0.17	(2.20)	1.13
Net income (loss) (per share, fully diluted)	0.17	(2.20)	1.13
Net comprehensive income (loss)	1,076,431	(4,733,511)	3,659,570
Net comprehensive income (loss) (per share)	0.17	(2.20)	1.13
Net comprehensive income (loss) (per share, fully diluted)	0.17	(2.20)	1.13
Total assets	6,348,913	3,678,181	6,942,188
Total long term financial liabilities	Nil	Nil	Nil
Cash dividend declared per share	Nil	Nil	Nil

## Summary of Quarterly Results

The following is a summary of the results from the eight most recently completed financial quarters ending:

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	August 31, 2010	May 31, 2010	February 28, 2010	November 30, 2009	August 31, 2009	May 31, 2009	February 28, 2009	November 30, 2008
Revenue	315,000	270,000	270,000	270,000	270,000	270,000	270,000	270,000
*Net Income (loss)	722,084	(572,917)	(176,093)	823,603	(700,166)	934,482	534,025	(4,920,048)
Total assets	8,116,866	6,993,530	7,194,857	6,348,913	5,155,353	5,664,700	4,402,696	3,678,181
Working capital	6,358,394	5,279,379	5,611,247	4,743,544	3,950,876	4,899,419	3,721,789	2,871,052
Total liabilities	755,225	668,975	569,864	830,569	706,649	575,040	144,097	379,237
Shareholders' equity	7,361,641	6,324,555	6,624,993	5,518,344	4,448,704	5,089,660	3,898,014	3,298,944

\* Net income (loss) after unrealized gains or losses on investments, and taxes.

## Results of Operations

Net loss for the nine months ended August 31, 2010, was \$26,926 as compared to a net income of \$768,341 for the same period in the prior year.

This difference is due primarily to the gain on sales of investments, unrealized loss on investments, and other income.

During the nine months ending August 31, 2010, the Company:

- recorded a gain on sale of investments of \$150,909 (August 31, 2009: \$120,189),
- an unrealized gain on investments of \$136,510 (August 31, 2009: \$1,783,243), and
- earned other income of \$856,609 (August 31, 2009: \$175,145) for property sales and finders' fees.

For the nine months ended August 31, 2010, there was an increase in the revenue generated from administrative fees (2010: \$855,000; 2009: \$810,000) and overall operating expenses of the Company:

- advertising expenses increased as the Company continued to increase awareness of its activities through tradeshow and other media (2010: \$184,567, 2009: \$109,592),
- amortization increased due to fixed assets and leasehold improvements purchased during the first quarter for office renovation (2010: \$57,864, 2009: \$1,499),
- bank charges and interest increased (2010: \$3,642, 2009: \$1,612),
- filing fees decreased due to fewer transactions (2010: \$36,483, 2009: \$48,428),
- website and internet decreased compared to the prior year (2010: \$2,773, 2009: \$8,107),
- professional fees, including legal and accounting fees, increased significantly due to increased business activities (2010: \$149,879, 2009: \$112,955),
- stock based compensation increased (2010: \$517,305, 2009: \$365,419) due to additional options granted, wages and benefits increased due to additional staffing requirements as the Company took on more projects (2010: \$917,491, 2009: \$702,494), and
- office, rent & telephone increased due to office renovations and expansion completed in the first quarter (2010: \$205,054, 2009: \$84,776).

*Investor Relations:* During the nine months ended August 31, 2010, the Company incurred total charges relating to investor relations of \$74,273 compared to \$79,347 during the nine months ended August 31, 2009. Most investor relations activities and inquiries are handled internally by office staff.

### ***Liquidity and Capital Resources***

The Company has had to rely upon the sale of equity securities for the cash required for capital acquisitions, exploration and development, and administration, among other things.

The capital resources of the Company include investments of \$6,853,147 and cash of \$44,598. The Company's intention is to commit further funds for continuing its investment strategies.

The Company will continue to require funds to meet its investment objectives of giving its shareholders the opportunity to indirectly invest in a diversified series of early stage resource investments, which would not otherwise be available to them. As a result, the Company will have to continue to rely on equity and debt financing during such period as well as rely on the

income generated through the provision of administration and management services to other companies.

There can be no assurance that financing, whether debt or equity, will always be available to the Company in the amount required at any particular time or for any particular period or, if available, that it can be obtained on terms satisfactory to the Company.

As the Company's revenues are expected to be in large part derived from provision of management and administration services to other companies, there can be no assurance that those management and administration contracts currently in place will continue at the rates that they are at or that the companies will continue to pay the Company for the services being provided.

*Working Capital:* As at August 31, 2010, the Company had total assets of \$8,116,866 as compared to \$6,348,913 for the year ended November 30, 2009.

The primary assets of the Company are investments of \$6,853,147 (2009: \$4,703,012), cash of \$44,598 (2009: \$570,065), advances/accounts receivables of \$187,807 (2009: \$20,337), and prepaid expenses & deposits of \$28,067 (2009: \$45,482).

The Company has no long-term liabilities and has working capital of \$6,358,394.

*Cash and Cash Equivalents:* On August 31, 2010, the Company had cash and cash equivalents of \$44,598 (August 31, 2009 - \$449,007).

The \$404,409 decrease in cash position is mainly due to spending \$1,003,981 of cash on the acquisition of investments, offset by \$1,352,918 raised through equity financing.

Management of cash balances is conducted in-house based on internal investment guidelines.

*Cash Used in Operating Activities:* Cash used in the operating activities during the nine months ended August 31, 2010 was \$1,171,648, compared with \$259,941 of cash generated in operating activities during the nine months ended August 31, 2009.

Cash was mostly spent on advertising, investor relations, general office expenses, professional fees, and wages and benefits. The increase in cash spent on operating costs is due to the increased business activities compared to the prior year.

*Cash Used in Investing Activities:* Total cash used in investing activities during the nine months ended August 31, 2010 was 706,737 compared to \$560,492 of cash used during the nine months ended August 31, 2009. During the nine months ended August 31, 2010, the Company spent:

- \$1,003,981 (August 31, 2009 – 588,554) of cash on the acquisition of investments,
- \$15,304 (August 31, 2009 - \$5,165) was spent on the acquisition of equipment,
- \$200,717 (August 31, 2009 - \$98,961) was spent acquiring mineral exploration properties,
- \$97,940 (August 31, 2009 - \$nil) was spent on deferred exploration costs,
- \$443,165 (August 31, 2009 - \$nil) was recovered on the proceeds on disposition of investments and

- \$168,040 (August 31, 2009 - \$132,188) was recovered on the proceeds of disposition of mining properties.

### Cash Generated by Financing Activities

During the nine months ended August 31, 2010, the Company received \$1,352,918 (August 31, 2009 – \$16,000) from the issuance of shares.

### **Related Party Transactions**

- During the nine months ended August 31, 2010, the Company earned administrative fees of \$810,000 (2009: \$1,080,000) from a Commerce Resources Corp, a company with common directors,
- Included in accounts payable is \$nil (2009: \$17,724) due to a related company (Commerce) for expenses incurred on its behalf. This amount is unsecured, non-interest bearing and due on demand;
- Included in wages and benefits expense is \$155,000 (2009: \$209,501) paid to Dave Hodge, a director of the Company;
- Included in wages and benefits expense is \$38,000 (2009: \$181,221) paid to Shaun Ledding, a former director of the Company who resigned on January 30, 2010;
- Included in wages and benefits expense is \$13,750 (2009: \$nil) paid to Ryan Fletcher, a director of the Company; and
- Included in wages and benefits expense is \$97,158 (2009: \$64,773) paid to Sven Olssen, a director of the Company.

All of the above transactions and balances are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

### **Other MD&A Requirements**

#### Additional Disclosure for Venture Issuers without Significant Revenue

As the Company has not had significant revenue from operations in either of its last two financial years, the following is a breakdown of the material costs incurred:

	Year ended November 30, 2009	Year ended November 30, 2008
Capitalized or Expensed Exploration and Development Costs	Nil	Nil
General and Administration Expenses	2,905,176	2,587,307
Gain (loss) on sale of Investments	257,872	(263,651)
Unrealized gain (loss) on Investments	2,642,679	(4,550,119)

### Disclosure of Outstanding Share Capital

The Company has an authorized share capital of an unlimited number of common shares without par value. The following table describes the issued and outstanding share capital of the Company:

	<b>October 29, 2010</b>	<b>August 31, 2010</b>	<b>November 30, 2009</b>	<b>November 30, 2008</b>
Common shares	7,838,547	7,838,547	6,533,264	64,532,658
Stock Options	1,167,000	1,167,000	1,194,333	11,780,000
Warrants	2,096,765	2,096,765	1,029,265	10,292,658
Agent's Options	0	0	0	835,340
Fully Diluted Shares	11,102,312	11,102,312	8,756,862	87,440,656

For additional details of outstanding share capital, refer to the financial statements for the nine months ended August 31, 2010.

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### Additional Disclosure Regarding Significant Investee

As at the year ended November 30, 2009, the Company was a significant shareholder of 0859404 BC Ltd., a private British Columbia incorporated company ("859404"). The Company held 50,000 common shares of 859404, representing a 20.83% interest in the company as at November 30, 2009.

859404, through its wholly owned Nebraskan subsidiary, Elk Creek Resources Corp., secured individual agreements to acquire the mineral rights to the Elk Creek Carbonatite Project. The agreements are in the form of a five-year pre-paid lease, with an option to purchase the mineral rights at the end of the lease. The Company was instrumental in the organization and management of 859404 from its inception in August, 2009 to the successful completion of the acquisition of the Elk Creek Carbonatite Project.

During the nine months ended August 31, 2010, 859404 completed further private placements, through which the Company participated. As at the date hereof, 859404 has 18,990,539 common shares issued and outstanding of which the Company holds 2,881,250, representing a 15.2% interest. Quantum Rare Earth Developments Corp. ("Quantum") is in the process of acquiring 859404 and upon the completion of the acquisition of 859404, the shares of 859404 will be converted into common shares of Quantum.

## Proposed Transactions and Subsequent Events

1. On September 2, 2010, the Company announced its 50% participation into an agreement with Rare Earth Metals Inc. ("Rare Earth") pursuant to which Rare Earth will acquire a 100% interest in mining claims totalling 508 claim units located in the Red Wine/Letitia Lake area of west central Labrador. For its participation in the transaction, the Company will receive staged payments of \$75,000 (\$25,000 received) and 1,000,000 common shares (500,000 received) of Rare Earth over a two year period. The vendors will retain a 2% Net Smelter Return ("NSR") royalty of which 1% may be purchased by Rare Earth for \$1,000,000. This deal was accepted by the TSX Venture Exchange on September 28, 2010.
2. On September 23, 2010, the Company announced that it had completed initial field programs over a number of rare earth element projects staked in British Columbia as part of the Company's joint venture for project generation with partners Cathro Resources Corp. and Cazador Resources Ltd. (collectively "C&C"), Dahrouge Geological Consulting Ltd. and Dave Javorsky.
3. On September 23, 2010, the Company announced that it had sponsored funding for a University of British Columbia Postdoctoral Research Fellow, Dr. Leo Milloning, who over the next two years will be undertaking an overall scientific study of the mineralization and geochemistry of rare earth and rare metal bearing deposits along the Rocky Mountain Rare Metal Belt.

## Risk Factors

The following is factors, trends and risks may affect the Company's liquidity, capital resources and solvency. Readers are cautioned that this is not an exhaustive list and should refer to the Company's Filing Statement dated July 25, 2008, which can be found at [www.sedar.com](http://www.sedar.com).

*Business History:* The Company has a limited business history and a limited history of operating earnings and the likelihood of success of the Company therefore must be considered in light of the problems, expenses, difficulties, complication and delays frequently encountered in connection with the establishment of any business.

*Limited Financial Resources:* The Company has limited financial resources and there is no assurance that additional funding will be available to it. There is no assurance that the Company can generate revenues, operate profitably, or provide a return on investment, or that it will successfully implement its plans. The Company may require additional financing to continue its operations and there can be no assurance that the Company will be able to obtain adequate financing in the future. Failure to obtain such additional financing could result in delay or indefinite postponement of further investments of the Company. The Company may issue additional securities from time to time which may be dilutive to Shareholders.

The Company will be neither a mutual fund nor an investment fund and due to the nature of its business and investment strategy and the composition of its investment portfolio, the market price of its common shares, at any time, may vary significantly from the Company's net asset value per share. This risk is separate and distinct from the risk that the market price of the common shares may decrease.

*Revenue & Investments:* Revenues received by the Company has been generated by management fees paid by corporations which may have directors and officers in common. In the event that there is a change in the management of these corporations there is no certainty that these management contracts will continue.

*Composition of Portfolio:* The composition of the Company's securities portfolio taken as a whole may vary widely from time to time. Investments by the Company in private issuers cannot be resold without a prospectus, an available exemption or an appropriate ruling under relevant securities legislation and there may not be any market for such securities. This shall impair the Company's ability to react quickly to market conditions or negotiate the most favourable terms for exiting such investments. Investments in private issuers may offer relatively high potential returns, but will also be subject to a relatively high degree of risk and are subject to indefinite hold periods.

The Company may make investments in securities that have low trading volumes. Accordingly, it may be difficult for the Company to make trades in these securities without adversely affecting the price of such securities.

*Stock Price and Performance:* The Company's stock price may vary according to the value of the securities in which it invests, which will depend, in part, upon the performance of the issuers of such securities. The value of the securities acquired by the Company will be affected by business factors and risks that are beyond the control of the Company. In addition, the performance of certain of the securities may be affected by business factors and risks other than their exposure to metal and mineral prices, which may be more determinative of such securities' performance. Some of these factors and risks are: (i) some of the issuers in which the Company invests may have limited operating histories; (ii) operational risks related to specific business activities of the respective issuers; (iii) quality of underlying assets; (iv) financial performance of the respective issuers and their competitors; (v) volatility in the price of metal and mineral prices; (vi) environmental risks; (vii) political risks; (viii) fluctuations in exchange rates; (ix) fluctuations in interest rates; and (x) government regulations, including regulations to prices, taxes, royalties, land tenure, land use, importing and exporting of materials and environmental protection.

There is no assurance that the investment objectives of the Company will actually be achieved. The value of the shares of the Company will increase or decrease with the value of its investment portfolio and general economic conditions beyond the control of the Company's management, including the level of interest rates, corporate earnings, economic activity, the value of the Canadian dollar and other factors.

*Key Personnel:* Prospective investors assessing the risks and rewards of an investment in the Company should appreciate that they will, in large part, be relying on the good faith and expertise of the Company and will have to rely on the discretion and ability of the Company in determining the composition of the portfolio of assets, and in negotiating the pricing and other terms of the agreements leading to the acquisition of assets.

*Conflicts of Interest:* Directors and officers of the Company are or may become directors or officers of other reporting companies or have significant shareholdings in other investment companies and, to the extent that such other companies may participate in ventures in which the Company may participate, the directors and officers of the Company may have a conflict of interest in negotiating and concluding terms respecting the extent of such participation. The ability to liquidate investments held by the Company in corporations with common directors may be impaired by trading black-out periods imposed in insiders of such entities.

The Company and its directors and officers will attempt to minimize such conflicts. In the event that such a conflict of interest arises at a meeting of the directors of the Company, a director who has such a conflict is obligated to disclose any interest in the potential investment. In the event that a conflict is detected, the target company may be notified of the conflict. Depending on the circumstances of the potential investment, the director in conflict may be asked to abstain from voting for or against the approval of such participation. In appropriate cases the Company will establish a special committee of independent directors to review a matter in which several

directors, or officers, may have a conflict. In determining whether or not the Company will participate in a particular program and the interest therein to be acquired by it, the directors will primarily consider the potential benefits to the Company, the degree of risk to which the Company may be exposed and its financial position at that time. Other than as indicated, the Company has no other procedures or mechanisms to deal with conflicts of interest.

### **Off-Balance Sheet Arrangements**

The Company has no off-balance sheet arrangements.

### **Changes in Accounting Policies**

There have been no changes in the accounting policies other than those already disclosed in the Note #3 (q) to the consolidated financial statements.

International financial reporting standards ("IFRS"): In 2006, 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. To meet the change over date, the Company is required to issue its first IFRS compliant audited Financial Statements for the year ending November 30, 2012. The first quarter to be reported under the new IFRS standards will be February 28, 2012, however to provide comparative information, an opening Balance Sheet will be necessary on December 1, 2010 and differences between IFRS and GAAP will be tracked during the year ended November 30, 2011.

IFRS uses a conceptual framework similar to Canadian GAAP; however there may be significant differences on recognition, measurement and disclosures required by some companies. A detailed analysis of the differences between IFRS and the Company's accounting policies as well as an assessment of the impact of various alternatives is being carried out. The analysis will be completed and a plan to implement the conversion will be devised in conjunction with the completion of the audited financial statements for the year ending November 30, 2010. Management expects to complete the conversion in Q1 of the 2011 fiscal year and believes it has the necessary financial expertise and resources available. Some of the specific areas reviewed to date are: revenue recognition, property, plant and equipment, exploration and development costs, goodwill, financial instruments, impairment, income taxes, and financial disclosure.

### **Financial Instruments and Other Instruments**

The Company has classified its financial instruments as follows:

- The Company classifies its cash as held-for-trading.
- The Company classifies its investments into held-to-trading or available-for-sale categories, investments that are bought and held principally for the purpose of selling them in the near term are classified as held-for-trading securities and are reported at fair value, with unrealized gains and losses recognized in earnings. Investments not classified as held-for-trading are classified as available-for-sale and are carried at fair market value, with the unrealized gains and losses, net of tax, included in the determination of comprehensive income and reported in shareholders' equity. The fair value of substantially all investments is determined by quoted market prices, except for those investments that do not have a quoted market price in an active market, which are measured at cost.

- The Company classifies its advances and accounts receivable as loans and receivables. After their initial fair value measurement, they are measured at amortized cost using the effective interest method.
- Accounts payable and accrued liabilities and unearned revenue are classified as other liabilities. They are initially measured at fair value. Subsequent valuations are recorded at amortized cost using the effective interest method.

### **Forward Looking Statements**

All statements other than statements of historical fact contained in this Management Discussion & Analysis are forward looking statements, including, without limitation, statements regarding the future financial position, business strategy, proposed acquisitions, budgets, litigation, projected costs and plans and objectives of or involving the Company. Although the Company believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements should not be in any way construed as guarantees of future performance and actual results or developments may differ materially from those in the forward-looking statements.

Readers can identify many of these statements by looking for words such as “believes”, “expects”, “will”, “intends”, “projects”, “anticipates”, “estimates”, “continues” or similar words or the negative thereof. Examples of forward looking statements in this Management Discussion & Analysis include that:

- the Company’s goal is to take advantage of the favourable investment opportunities that arise between the private and public phases of a given investment in the natural resources sector and to seek and identify high return investment opportunities in the resource sector through direct investments in project interests or indirect investments by means of equity shareholdings;
- the Company’s objective is to preserve its capital and limit the downside risk of its capital and to achieve a reasonable rate of capital appreciation;
- the Company shall focus on natural resource industries, concentrating on early stage exploration and development companies
- the Company may employ a wide range of investment instruments, including equity, bridge loans, secured loans, unsecured loans, convertible debentures, warrants and options, royalties, net profit interests and other hybrid instruments.
- the Company intends to create a diversified portfolio of investments, which composition will vary over time depending on its assessment of a number of factors including the performance of financial markets and credit risk;
- the Company expects its Management Services Revenue to continue;
- the Company’s conversion to IFRS in Q1 of the 2010 fiscal year will be completed in a timely manner;
- the Company believes it has the necessary financial expertise and resources available for the conversion to IFRS.

There can be no assurance that the plan, intentions or expectations upon which these forward looking statements are based will occur. Forward looking statements are subject to risks, uncertainties and assumptions. Readers are cautioned not to put undue reliance on forward looking statements. The Company does not undertake to update any forward-looking statements that are contained herein, except in accordance with applicable securities laws.

### **Additional Information**

Additional information related to the Company can be found on the Company's website at [www.zimtu.com](http://www.zimtu.com) or on SEDAR at [www.sedar.com](http://www.sedar.com).