



## **Management Discussion and Analysis For the Second Quarter ended May 31, 2009**

The following is a discussion and analysis of the operations, results, and financial position of the Company for the second quarter ended May 31, 2009, and should be read in conjunction with the unaudited financial statements for the quarter ended May 31, 2009 as well as the audited financial statements for the year ended November 30, 2008, all of which were prepared in accordance with Canadian generally accepted accounting principals.

The effective date of this report is July 27, 2009.

### **Forward Looking Statements**

Statements in this report that are not historical facts are forward looking statements involving known and unknown risks and uncertainties, which could cause actual results to vary considerably from these statements. Forward looking statements are based on the estimates and opinions of management of the Company at the time the statements were made. Readers are cautioned not to put undue reliance on forward looking statements.

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

#### History

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 of 2,000,000 common shares at \$0.10 per share for gross proceeds of \$200,000. Northern Securities Inc. acted as agent in respect of the offering and received a cash commission of \$20,000 as well as 200,000 common shares at \$0.10 per share, exercisable until July 31, 2009. 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 Zimtu Capital Corp. (now known as 755032 BC Ltd.). Under the terms of the Agreement, the Company acquired all of the issued common shares of Zimtu Capital Corp. in consideration for the issuance of 50,000,000 special warrants of the Company, at a deemed price of \$0.12 per Special Warrant. Zimtu Capital Corp. was 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, as that term is defined under section 2.4 of the TSX policies. The Company acquired all of the issued and outstanding common shares of the private company, 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, so that it is the same as its wholly owned subsidiary, 755032 BC Ltd.

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

### Investments

As an Investment Issuer, the Company has a specific focus on 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. The Company aims 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.

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

*Composition of Investment Portfolio:* The nature and timing of the Company's investments will 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:* As an Investment Issuer, the Company is subject to uncertainties due to current economic conditions. With the decline in metal, oil and gas prices, the stock markets and credit markets have deteriorated in the past few months and this in turn has affected the underlying value of investments held by the Company.

### Shareholdings

The specific shareholdings of the Company are listed in the Company's financial statements for the quarter ended May 31, 2009. The Company considers the following as its core portfolio shareholding:

*Western Potash Corp.* (TSX-V: WPX) 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 2,778,821 common shares of Western Potash with a market value of \$1,444,986 (\$0.52 per share, as at July 27, 2009).

*Commerce Resources Corp.* (TSX-V: CCE) is a junior mineral exploration company focused on the exploration and development of tantalum and niobium deposits on a 100% owned land package in central British Columbia. Known as the Blue River Project, Commerce has defined NI 43-101 compliant resources for three deposits and is focused on bringing the Project into commercial production. A scoping study is to be completed for the project this year. The Company currently has 2,501,178 common shares of Commerce Resources, with a market value of \$1,058,686 (\$0.40 per share, as at July 27, 2009).

*Triple Dragon Resources Inc.* (CNSX: TDN) 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 Resources Inc. ("Triple Dragon"), representing 70.08% 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 \$3,423,500 (\$0.20 per share, as at July 27, 2009).

### Property interests

The Company also has interests in several mineral property claims. The Company may acquire or dispose of a property interest by selling the property in its entirety or by optioning the property or an interest in the property.

*Vermillion Property:* Subsequent to the quarter ended May 31, 2009, the sale of the Vermillion Property to First Lithium Resources Inc. ("MCI"), formerly Mountain Capital Inc., was approved by the TSX. In consideration for the Company's interest in the property, the Company received \$65,000 cash and 841,667 units, each unit consisting of one common share and one non-transferable share purchase warrant, exercisable for a period of two years into one additional common share of MCI at a price of \$0.25 per share in the first year and at a price of \$0.35 in the second year.

*Lithium Property:* The Company sold its interest in the Lithium Property, which consisted of 41 metallic and industrial minerals permits located west to northwest of Edmonton, Alberta, to MCI. The sale of the property received TSX approval on April 7, 2009. In consideration for the Company's interest, the Company received \$45,000 cash and 600,000 units, each unit consisting of one common share and one share purchase warrants, exercisable at a price of \$0.25 for two years.

*Other Properties:* The Company has an interest in four other mineral property claims: the Alberta Potash I & II properties, Consort Potash property, McElroy Potash property, and Pot Compilation properties.

### Management Services Revenue

The Company provides management and administrative services to other private and public companies. The Company currently has contracts in place with Commerce Resources Corp. and Triple Dragon, both of which companies have directors in common with the Company. Under the terms of the contracts, these services may include corporate record maintenance, continuous disclosure and compliance services, rent and office administration. 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

As the Company was incorporated in 2006, it has only two completed fiscal years. The following is a summary of the financial data of the Company for the years ended November 30, 2008 and 2007:

	2008	2007
Total Revenues	1,205,714	1,159,190
Income (loss) from continuing operations	(6,178,682)	4,753,568
Income (loss) from continuing operations (per share)	(0.10)	1.47
Income (loss) from continuing operations (per share, fully diluted)	(0.07)	1.47
Net Income (loss)	(6,178,682)	4,753,568
Net Income (loss) (per share)	(0.10)	1.47
Net income (loss) (per share, fully diluted)	(0.07)	1.47
Net comprehensive income (loss)	(6,178,682)	4,753,568
Net comprehensive income (loss) (per share)	(0.10)	1.47
Net comprehensive income (loss) (per share, fully diluted)	(0.07)	1.47
Total assets	3,678,181	6,942,188
Total long term financial liabilities	Nil	Nil
Cash dividend declared per share	Nil	Nil

### Summary of Quarterly Results

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

	May 31, 2009	February 28, 2009	November 30, 2008	August 31, 2008	May 31, 2008	February 29, 2008	November 30, 2007	August 31, 2007
Revenue	270,000	270,000	270,000	270,000	355,714	310,000	282,018	425,724
*Net Income (loss)	934,482	534,025	(4,920,048)	(1,408,719)	70,112	79,973	(142,402)	562,518
Total assets	5,664,700	4,402,696	3,678,181	6,515,944	8,416,739	6,252,969	6,942,188	4,161,513
Working capital	4,899,419	3,721,789	2,871,052	5,668,178	6,833,360	5,283,951	5,674,246	3,357,949
Total liabilities	575,040	144,097	379,237	592,754	1,625,589	910,123	1,200,075	681,725
Shareholders' equity	5,089,660	3,898,014	3,298,944	5,923,190	6,791,150	5,342,846	5,742,113	3,479,788

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

## Results of Operations

### *General and Administrative*

Net gain for the second quarter ended May 31, 2009 was \$934,482 as compared to a net loss of \$7,047 for the comparative quarter ended May 31, 2008.

This difference is due primarily to the unrealized gain on investments. During the quarter, the Company experienced an unrealized gain on investments of 1,332,801 as well as a gain on the sale of investments of \$18,332. This partly reflects the inclusion of costs from three companies consolidated on these financials (Zimtu Capital Corp., 755032 B.C. Ltd. and Triple Dragon Resources Corp.) as compared to a single company a year ago (Zimtu Capital Corp.).

For the second quarter ended May 31, 2009, there was an increase in the revenue generated from administrative fees (2009: \$270,000; 2008: Nil) however the increase was offset by the increases in the overall expenses of the Company: advertising & promotion (2009: \$68,508, 2008: Nil), filing fees (2009: \$11,164, 2008: \$3,067), professional fees (2009: \$51,412, 2008: \$4,579), wages and benefits (2009: \$218,157, 2008: Nil) and office, rent & telephone (2009: \$23,420, 2008: \$20).

There was also a stock based compensation charge of \$257,164 which can be attributed to stock options issued by both the Company and Triple Dragon during the quarter.

The increase in expenses is a result of the increased activity of the Company from that of a CPC to that of an active investment issuer.

### *Investor Relations*

During the second quarter ended May 31, 2009, the Company incurred total charges relating to investor relations of \$25,401 compared to \$Nil during the comparative quarter ended May 31, 2008. All investor relations activities and inquiries are handled internally by office staff.

### *Liquidity and Solvency*

As at the second quarter ended May 31, 2009, the Company had total assets of \$5,664,700 as compared to \$3,678,181 for the year ended November 30, 2008. The primary assets of the Company are investments of \$4,130,870, cash of \$599,684, advances/accounts receivables of \$52,607, income tax receivable of \$325,634 and prepaid expenses & deposits of \$49,207.

The Company has no long-term liabilities and has working capital of \$4,899,419.

### *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 \$4,130,870 and cash of \$599,708. 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.

## 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:

	Six months ended <u>May 31, 2009</u>	Six Months ended <u>May 31, 2008</u>
Capitalized or Expensed Exploration and Development Costs	Nil	Nil
General and Administration Expenses	1,041,359	\$58,583
Gain (loss) on sale of Investments	40,251	Nil
Unrealized gain (loss) on Investments	2,006,092	Nil

### Disclosure of Outstanding Share Capital

- a) Authorized: unlimited common shares without par value
- b) Issued:

<b>Common</b>	<b>Number of Shares</b>	<b>Amount</b>
Balance as at November 30, 2007	8,737,862	\$ 2,127,543
Common shares re-acquired	(5,500,000)	(1,339,170)
Zimtu/755032 common shares prior to RTO	3,237,862	788,373
Pursuant to RTO Transaction of July 31, 2008	(3,237,862)	(220,465)
- Outstanding common shares of the Company prior to acquisition	4,000,000	220,465
- Exchange of shares for Special Warrants for fair value of Flow's net assets acquired	50,000,000	10,476
Private placement	10,292,658	1,235,119
Share issue costs	-	(71,400)
Options exercised	240,000	55,670
Balance as at November 30, 2008	<b>64,532,658</b>	<b>2,018,238</b>
<i>December 1, 2008 Consolidation 10:1</i>		
<b>Balance as at May 31, 2009</b>	<b>6,453,266</b>	<b>2,018,238</b>
<b>Obligation to issue shares</b>		
Balance as at November 30, 2007		\$ 45,000
Common shares re-acquired		(45,000)
Zimtu/755032 obligation to issue shares prior to RTO		0
Flow obligation to issue shares prior to RTO		6,000
Obligation to issue shares		(22,000)
Balance as at November 30, 2008		\$ (16,000)
Payment in 2009		16,000
<b>Balance as at May 31, 2009</b>		<b>\$ -</b>

*Other commitments*

Stock Options

As at the quarter ended May 31, 2009, the Company had 1,199,333 share purchase options outstanding entitling the holders thereof the right to purchase one common share as follows:

<b>2009</b>	Number		Revised Exercise Price	Original Exercise Price	Expiry Date
	2008 (post-consolidated)				
18,000	18,000		\$0.90	\$1.00	September 11, 2011
678,000	870,000		\$0.90	\$1.50	August 27, 2013
200,000	290,000		\$0.90	\$1.20	August 27, 2013
303,333	-		\$0.90	-	May 1, 2014
<b>1,199,333</b>	<b>1,178,000</b>				

The Company re-priced all of the share purchase options after receiving shareholder approval at the Company's AGM, held on May 28, 2009.

Subsequent to the quarter end, the Company issued a further 75,000 share purchase options, each exercisable into one common share of the Company at a price of \$0.90 per share until June 1, 2014.

Share Purchase Warrants

As at May 31, 2009, the Company had 1,029,265 (2008: 1,029,265 (post-consolidated)) share purchase warrants outstanding entitling the holders thereof the right to purchase one common share as follows:

	Number		Exercise Price	Expiry Date
	<b>2009</b>	2008		
November 30, 2008	10,292,658	10,292,658	\$0.24	July 31, 2009
				December 1, 2008 Consolidation 10:1
May 31, 2009	1,029,265	1,029,265	\$2.40	July 31, 2009

On June 29, 2009, the Company received TSX approval for the extension of the term of the share purchase warrants. They now expire on July 31, 2011.

Broker's Units

As at May 31, 2009, the Company had 41,666 (2008: 41,666) broker's units outstanding entitling the holders thereof the right to purchase one common share with a further warrant as follows:

	Number	Exercise Price	Expiry Date
Unit common share	416,666	\$0.12	July 31, 2009
Warrant	416,666	\$0.24	July 31, 2009
November 30, 2008	835,340		
			December 1, 2008 Consolidation 10:1
Unit common share	41,666	\$1.20	July 31, 2009
Warrant	41,666	\$2.40	July 31, 2009
<b>May 31, 2009</b>	<b>83,332</b>		

The broker units expire on July 31, 2009 and have not been extended or re-priced.

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

The Company has no off-balance sheet arrangements.

### **Related Party Transactions**

- (a) During the six months ended May 31, 2009, the Company earned administrative fees of \$540,000 (November 30, 2008: \$1,095,000) from a Company with common directors; and
- (b) Included in advances and accounts receivable is \$20,000 (November 30, 2008: \$Nil) due from a shareholder 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.

### **Proposed Transactions and Subsequent Events**

On June 1, 2009, the Company granted 75,000 stock options to a consultant. Each stock option is exercisable into one common share at a price of \$0.90 and expires on June 1, 2014.

On June 29, 2009, the Company received TSX approval for the extension to the expiry date of share purchase warrants that were to expire on July 31, 2009. The warrants have been extended until July 31, 2011.

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

The investment operations of the Company's business involve the purchase and sale of securities and, accordingly, the majority of the Company's assets are currently comprised of financial instruments. The use of financial instruments can expose the Company to several risks, including market, credit and liquidity risk. A discussion of the Company's use of financial instruments and their associated risk is provided more specifically in the unaudited financial statements of the Company for the quarter ended May 31, 2009.

### **Additional Information**

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