PACIFIC COAST NICKEL CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE PERIOD ENDED: APRIL 30, 2010
DATE OF THE REPORT: JUNE 29, 2010

GENERAL

This management discussion and analysis ("MD&A") of financial position and results of operations of Pacific Coast Nickel Corp. (the "Company") is prepared as at June 29, 2010 and should be read in conjunction with the unaudited interim consolidated statements for the period ended April 30, 2010 and annual audited consolidated financial statements for the years ended July 31, 2009 and 2008. The Company prepares and files its financial statements and notes in Canadian ("CDN") dollars and in accordance with Canadian generally accepted accounting principles ("GAAP"). Additional information related to the Company is available at www.sedar.com and at www.pacificcoastnickel.com.

This discussion provides management's analysis of the Company's historical financial and operating results and provides estimates of the Company's future financial and operating performance based on information currently available. Actual results will vary from estimates and the variances may be significant.

Certain statements contained in this MD&A constitute "forward-looking statements". Such forward-looking statements involve a number of known and unknown risks, uncertainties and other factors which may cause the actual results, performance, or achievements of the Company to be materially different from any future results, performance, or achievements expressed or implied by such forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date the statements were made, and readers are advised to consider such forward-looking statements in light of the risks set forth below and as detailed under RISK AND UNCERTAINTIES section in this MD&A. The Company does not undertake to update any forward-looking statement that may be made from time to time by the Company or on its behalf, except in accordance with applicable securities laws.

CORPORATE OVERVIEW

The Company was incorporated under the Business Corporations Act of British Columbia on April 5, 2006 and was classified as a Capital Pool Company as defined by TSX Venture Exchange. The object of the Company was the identification and evaluation of a Qualifying Transaction, and the acquisition of a business subject to shareholder and regulatory approval.

On March 12, 2007, the Company entered into an agreement to acquire Pacific Coast Nickel Corp. ("PCNC"), a private company developing properties within British Columbia (the "Transaction"). The Transaction constituted the Company's "Qualifying Transaction", and upon completion resulted in the listing of the Company as a "Tier 2 Mining Issuer". At the close of the Transaction, the Company changed its name to Pacific Coast Nickel Corp.

Pursuant to the Transaction, the Company issued to the shareholders of PCNC an aggregate of 17,525,000 common shares to acquire all of the issued and outstanding shares of PCNC. Concurrently the Company undertook a partially brokered private placement to raise $2,680,000 through the sale of 4,200,000 common shares at $0.40 per share and 2,000,000 flow-through common shares at $0.50 per share.

The principal business of the company is the acquisition, exploration and development of high value mineral properties. As of the date of this report the company has two nickel exploration projects, one project located within the Yukon Territories and a second project located within Uruguay.

SELECTED ANNUAL AND NINE MONTH PERIOD ENDING FINANCIAL INFORMATION

The annual information for the years ended July 31, 2007, 2008, and 2009 and the nine months ended April 30, 2010 and 2009, are as follows:

	9 Months Ended April 30, 2010	9 Months Ended April 30, 2009	Year Ended July 31, 2009	Year Ended July 31, 2008	Year Ended July 31, 2007
Revenue	$Nil	$Nil	$Nil	$Nil	$Nil
Interest Income	$2,238	$22,035	$21,428	$97,651	$4,592
Net Loss	$(202,119)	$(199,445)	$(321,696)	$(1,506,866)	$(851,908)
Net Loss Per Share	(0.01)	(0.01)	$(0.01)	$(0.04)	$(0.05)
Total Assets	$2,035,082	$2,178,697	$2,099,195	$2,580,628	$4,022,110
Long Term Liabilities	$Nil	$Nil	$Nil	$Nil	$Nil
Dividends	$Nil	$Nil	$Nil	$Nil	$Nil

QUARTERLY FINANCIAL RESULTS

The quarterly results of Pacific Coast Nickel Corp. are as follows:

	April 30, 2010	January 31, 2010	October 31, 2009	July 31, 2009
(a) Net sales or total revenues	$0	$0	$0	$0
(b) Loss before extraordinary items				
- total	$(60,721)	$(71,678)	$(69,722)	$(111,240)
- per share undiluted	$(0.00)	$(0.00)	$(0.00)	$(0.01)
- per share diluted	$(0.00)	$(0.00)	$(0.00)	$(0.01)
(c) Net Loss				
- total	$(60,721)	$(71,678)	$(69,722)	$(111,240)
- per share undiluted	$(0.00)	$(0.00)	$(0.00)	$(0.01)
- per share diluted	$(0.00)	$(0.00)	$(0.00)	$(0.01)

	April 30, 2009	January 31, 2009	October 31, 2008	July 31, 2008
(a) Net sales or total revenues	$0	$0	$0	$0
(b) Loss before extraordinary items				
- total	$(62,264)	$(72,551)	$(64,630)	$(1,478,045)
- per share undiluted	$(0.00)	$(0.00)	$(0.00)	$(0.04)
- per share diluted	$(0.00)	$(0.00)	$(0.00)	$(0.04)
(c) Net Loss				
- total	$(62,264)	$(72,551)	$(64,630)	$(1,478,045)
- per share undiluted	$(0.00)	$(0.00)	$(0.00)	$(0.04)
- per share diluted	$(0.00)	$(0.00)	$(0.00)	$(0.04)

Quarterly results for the period ended April 30, 2010 was consistent with previous quarters since the company's inception, with the exception of the fourth quarter ending July 31, 2009 and 2008 which contained mineral property write-downs related to the Big Nic, Devil's Lake and Arizona properties

RESULTS OF OPERATIONS

Three Months Ended April 30, 2010

For the three month period ended April 30, 2010, the Company incurred a net loss of $60,721 compared to a net loss of $62,264 in the prior period. The total loss was consistent with the prior three month period however there were specific notable differences as compared to the prior period. The Company had a $12,045 increase in Director fee compensation during the period as Company began compensating Directors for meetings attended and for technical reviews performed on potential acquisition projects. This increase in expenditures was partially offset by a $7,337 increase in unrealized gain on marketable securities during the period due to the improving performance and a $5,463 decrease in mineral property write-downs.

Nine Months Ended April 30, 2010

For the nine month period ended April 30, 2010, the Company incurred a net loss of $202,119 compared to a net loss of $199,445 in the prior nine month period. Again there were some notable differences as compared to the prior period. The company recorded stock based compensation in the current period of $79,018 as compared to $Nil in the prior period. The company recorded $39,961 less in Salaries and wages during the current period. Salary and wages were higher in the prior period due to severance payments made in the prior period and the fact that key management positions are now compensated by consulting fees. Accordingly Consulting fees have increased by $22,000 in the current period. The Company had a $19,545 increase in Director fee compensation during the period as the Company began compensating Directors for meetings attended and for technical reviews performed on potential acquisition projects. The Company had a $33,628 increase in unrealized gains as compared to the prior period due to the improving performance of its marketable securities. The Company recorded a $23,916 write-down in its mineral properties in the prior period as compared a $Nil write-down in the current period.

Mineral Properties

Canada

Big Nic and Devils Lake

During the year ended July 31, 2008, the Company wrote off its capitalized exploration expenses on the Big Nic and Devil's Lake properties as there were significant cash payments and share issuances due in the next 14 months and exploration results did not justify these payments at that time.

Burwash

The Burwash property is located 8km from the Alaska Highway and adjoins the Wellgreen nickel deposit, a property which has been extensively explored since its discovery in 1952. Pursuant to an option agreement (the "Agreement") dated May 14, 2008, amended on December 9, 2008 and further amended February 23, 2010 the Company entered into an agreement to acquire up to a 75% interest in the Burwash Property located in the Yukon Territory as follows. For specific option payment requirements please refer to April 30, 2010 interim financial statements.

The Company conducted an exploration program on the Burwash property during the 2008 summer season and during the 2009 summer halted all exploration work so as to monitor the fallout of the financial crisis that began in the fall of 2008. At April 30, 2010, $569,181 had been spent on the Burwash property including acquisition costs. Results from the 2008 drill program are available on the Company's website.

For the summer of 2010 the Company will be conducting a detailed geophysical survey on the Burwash property. Approximately 100 line-km of time domain electromagnetic surveys using four proposed transmitting loops will be completed. Final results from the survey work will be concluded by fall of 2010. Specific results related to the survey will be disclosed to the public when completed.

RESULTS OF OPERATIONS (cont'd…)

Uruguay

The Company incorporated a wholly-owned subsidiary in Uruguay, Pacific Nickel Sudamerica SA, for the purposes of conducting a review of several properties with demonstrated nickel potential. At April 30, 2010, $529,480 had been spent on the Uruguay properties. Expenditures have consisted of reviews of existing data, setting up of an office, engaging consulting staff in Uruguay and site visits by our geological consultants based in the area. The Company's goal was to acquire several properties as a result of this work. During fiscal 2009 the Company applied for and acquired 5 prospecting licences for properties it had reviewed. The company has no future obligations or expenditures requirements related to the Uruguayan properties.

The Company halted all exploration work on the Uruguayan property during the fall of 2008 and spring and summer of 2009. The Company believes a small drill program should be performed on the properties at this point in time and is investigating potential joint venture arrangements so this work can be performed.

Outlook

During the 2009 summer the Company and its technical staff began a global search for precious metal properties with a current focus on properties in South America and Africa, the company has continued this process.

In June 2010 the company announced a non-brokered private placement for gross proceeds of $352,000. Proceeds from the placement will used fund the Burwash geophysical survey exploration program and to replenish the Company's treasury.

LIQUIDITY

The Company has financed its operations to date through the issuance of common shares. Over the short term the Company will continue to seek capital through the issuance of equity as existing properties are developed and as new properties are identified. Over the long term the Company will consider the issuance of debt to advance property development. Currently the Company has sufficient capital to conduct further exploration on its existing properties or to make possible property acquisitions. The consolidated financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future.

	April 30, 2010	January 31, 2010	July 31, 2009	July 31, 2008
	$	$	$	$
Working capital	780,810	892,274	974,153	1,607,665
Deficit	(3,004,985)	(2,944,265)	(2,802,866)	(2,481,170)

The Company's working capital has continued to decrease since the year ended July 31, 2007 as the Company has conducted exploration work on its mineral properties.

Cash used in operating activities for the nine month period ended April 30, 2010 was $154,947 compared to $348,115 during the period ended April 30, 2009. The decrease is the result of decreased operating activity as a result of limited exploration activity during the 2009/10 calendar year. Cash used in investing activities for the nine month period ended April 30, 2010 was $154,813 compared to $774,685 during the period ended April 30, 2009. The significant decrease is the result of limited exploration activities conducted during the 2009 calendar year. Cash provided by financing activities for the nine month period ended April 30, 2010 was $Nil compared to $Nil during the period ended April 30, 2009.

CAPITAL RESOURCES

Following the close of its Qualifying Transaction and private placement during fiscal 2007 the Company had $3,680,000 in capital resources to carry out its proposed business plan.

At April 30, 2010, the Company had $831,108 (July 31, 2009 - $1,037,237) in cash and cash equivalents to continue its business plan. All of the Company's cash equivalents are on deposit with Canadian banks and brokerage houses as redeemable GIC's or redeemable mutual funds. None of the Company's cash is invested in asset backed commercial paper.

OFF BALANCE SHEET ARRANGEMENTS

The Company has no off balance sheet arrangements.

TRANSACTIONS WITH RELATED PARTIES

During the nine month period ended April 30, 2010, the Company was charged the following expenses by related parties:

Wages of $Nil (2009 - $38,500)

Consulting fees $27,000 (2009 – $13,500)

Directors fees of $20,795 (2009 - $1,250)

Professional fees of $22,500 (2009 -$28,000)

Rent of $8,550 (2009 - $12,250)

At April 30, 2010, accounts payable and accrued liabilities included $18,708 – (July 31, 2009 - $8,970) due to related parties.

PROPOSED TRANSACTIONS

The Company is reviewing a number of potential property acquisitions in addition to conducting further exploration work on its existing two properties. The search for additional properties is global in nature. As the company conducts exploration work on its existing properties and if an acquisition is made, appropriate disclosures will be made.

CRITICAL ACCOUNTING ESTIMATES

Equipment

The Company has adopted amortization policies, which, in the opinion of management, are reflective of the estimated useful lives and abandonment cost, if any, of its assets. The Company has not yet recorded any amounts in respect of impairment, as none of these costs has been identified.

Mineral Properties

The Company will be capitalizing costs related to the development and furtherance of its resource properties. The recovery of those costs will be dependent on the ability of the Company to discover and develop economic reserves and then to develop such reserves in an economic fashion. Management believes that costs capitalized in respect of its projects are not impaired and no adjustments to carrying values are required at this time.

CRITICAL ACCOUNTING ESTIMATES (cont'd…)

Stock-Based Compensation

The Company uses the Black-Scholes valuation model in calculating stock-based compensation expense. The model requires that estimates be made of stock price volatility, option life, dividend yield and risk free interest rate and the ensuing results could vary significantly if changes are made in these assumptions.

ADOPTION OF NEW ACCOUNTING STANDARDS

Effective August 1, 2008, The Company adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants ("CICA").

Section 1535

Section 1535 "Capital Disclosures", applies to all entities regardless of whether they have financial instruments or are subject to external capital requirements. This new section establishes standards for disclosing information about an entity's capital and how it is managed. Disclosure requirements pertaining to this section are contained in Note #16 of the April 30, 2010 Financial Statements.

Section 1400

Section 1400 "Going Concern" provides revised guidance on management's responsibility to assess and disclose the Company's ability to continue as a going concern. The adoption of this standard had no significant impact on these consolidated financial statements.

Section 3862 & 3863

Section 3862 "Financial Instruments – Disclosures" outlines the disclosure requirements for financial instruments and non-financial derivatives and places increased emphasis on disclosure regarding concentrations of market risk, credit risk and liquidity risk associated with both recognized and unrecognized financial instruments and how these risks are managed. The principles in this section complement the principles for recognizing, measuring and presenting financial assets and financial liabilities in section 3855, Financial Instruments – Recognition and Measurement, Section 3863, Financial Instruments – Presentation, and Section 3865, Hedges (See Note #15 of the April 30, 2010 Financial Statements). Section 3863"Financial Instruments – Presentation" is required to enhance financial statement users' understanding of the significance of financial instruments to an entity's financial position, performance and cash flows. This section establishes standards for presentation of financial instruments and non-financial derivatives. It deals with the classification of financial instruments, from the perspective of the issuer, between liabilities and equity, the classification of related interest, dividends, losses and gains, and the circumstances in which financial assets and financial liabilities are offset.

RECENT ACCOUNTING PRONOUNCEMENTS

Goodwill and intangible assets

In February 2008, the Accounting Standards Board ("AcSB") issued CICA Handbook Section 3064, "Goodwill and Intangible Assets", which replaces Section 3062, "Goodwill and Intangible Assets", and Section 3450, "Research and Development Costs". Section 3064 establishes standards for the recognition, measurement and disclosure of goodwill and intangible assets. This new standard is effective for the Company's interim and annual consolidated financial statements commencing August 1, 2009. There is an immaterial impact of the new standard on the Company's financial statements.

Business combinations, consolidated financial statements and non-controlling interests

In January 2009, the CICA issued Handbook Sections 1582 "Business Combinations", 1601 "Consolidated Financial Statements" and 1602 "Non-Controlling Interests" which replace CICA Handbook Sections 1581 "Business Combinations" and 1600 "Consolidated Financial Statements". Section 1582 establishes standards for the accounting for business combinations that is equivalent to the business combination accounting standard under IFRS. Section 1601 together with Section 1602 establishes standards for the preparation of consolidated financial statements. These sections are applicable for the Company's interim and annual consolidated financial statements for its fiscal year beginning on or after January 1, 2011.

Early adoption of these Sections is permitted and all three Sections must be adopted concurrently. The Company does not expect that the adoption of this standard will have a material impact on the Company's financial statements.

International Financial Reporting Standards ("IFRS")

Canadian publicly-listed enterprises will be required to adopt IFRS in replacement of Canadian generally accepted accounting principles ("GAAP") for interim and annual financial statements relating to fiscal periods commencing on or after January 1, 2011. This transition will require the Company to present its financial statements under IFRS starting with its first quarterly report dated October 31, 2011, with restated comparative information under IFRS for the comparative quarter ended October 31, 2010. The conversion to IFRS will impact the Company's accounting policies, information technology processes and financial reporting systems, including internal controls over financial reporting, data systems and disclosure controls and procedures. The transition may also impact certain business processes, accounting for contractual agreements, debt covenants and compensation arrangements. To prepare for the conversion to IFRS, the Company has developed a plan as follows:

Phase 1 - Impact assessment

The impact assessment included a diagnostic of the major differences between current Canadian GAAP and IFRS that will impact the company's financial statements. This diagnostic has identified and ranked the key IFRS-to-Canadian GAAP differences applicable to the Company, assessed the potential impact to the financial statements, note disclosures and exemptions available on transition. A detailed project plan with timelines and key milestones will be completed by the project team and is being continually updated to take into account any timetable changes as required. At this time, key standards which are expected to affect the Company include exploration for, and evaluation of, mineral resources (IFRS 6), accounting for business combinations (IFRS 3), and accounting for stock-based payments (IFRS 2). The overall adoption of IFRS is governed by IFRS 1 – "Firsttime adoption of International Financial Reporting Standards".

Phase 2 - Planning & solution development

The planning & solution development phase requires detailed analysis of each of the key IFRS conversion topics identified, while continually monitoring information and changes to IFRS currently in discussion by standard setters. Many IFRS policies in effect at the date of this report are expected to change by the time the Company adopts IFRS on August 1, 2011. An analysis will be completed for all accounting policies as part of the conversion process, according to IFRS 1. The Company has begun this analysis.

Phase 3 - Implementation

During the implementation phase, activities will include implementing the required changes to accounting and operatonal information systems, disclosure controls and internal controls over financial reporting and determining accounting policies and additional training of employees. The majority of this phase will be executed over the second half of 2010, preparing the Company for the date of adoption on August 1, 2011. During the implementation phase, activities will include implementing the required changes to accounting and operational information systems as well as to disclosure and internal controls over financial reporting, determining accounting policies and additional training of employees.

Phase 4 - Post implementation review

The post implementation and review phase will involve a continuation of the monitoring of changes in IFRS, International Accounting Standards and associated interpretation bulletins.

OTHER ITEMS

Common Shares April 30, 2010 and June 29, 2010

	Number of Shares	Amount
Issued:	34,894,000	$ 3,624,875

Stock Options April 30, 2010 and June 29, 2010

Number	Weighted Average Exercise Price	Expiry
275,000	$ 0.16	January 7, 2013
200,000	0.15	May 27, 2013
1,000,000	0.10	August 7, 2014
75,000	0.10	September 17,2014
750,000	0.10	November 14, 2014
2,300,000	$ 0.11	

Warrants April 30, 2010 and June 29, 2010

Number	Weighted Average Exercise Price	Expiry
Nil	$ 0.00	-
Nil	$ 0.00	

RISKS AND UNCERTAINTIES

The Company has incurred losses since inception and as of April 30, 2010 had an accumulated deficit of $3,004,985. The Company expects to report substantial net losses for the foreseeable future. The Company has not paid any cash or other dividends on its common stock and does not expect to pay any dividends, as all available funds will be invested primarily to further its mineral exploration programs. The Company will need to achieve profitability prior to any dividends being declared.

Dilution

The Company has limited financial resources and has financed its operations through the sale of common shares. The Company will need to continue its reliance on the sale of such securities for future financing resulting in dilution to the Company's existing shareholders.

Capital Risk

The amount of financial resources available to the Company to invest for the enhancement of shareholder value is dependent upon the size of the treasury, profitable operations, and the ability of the Company to issue common shares or obtain debt financing. Due to the size of the Company, financial resources are limited and if the Company exceeds growth expectations or finds investment opportunities it may require debt or equity financing to fund these growth needs. There is no assurance that the Company will be able to obtain additional financial resources that may be required to successfully finance transactions or compete in its markets on favourable commercial terms.

Dependence on Key Personnel

Loss of certain members of the executive team or key operational leaders of the company could have a disruptive effect on the implementation of the Company's business strategy and the efficient running of day-to-day operations until their replacement is found. Recruiting professional personnel is time consuming, expensive and competitive. The Company may be unable to retain its key employees or attract, assimilate, retain or train other necessary qualified employees, which may restrict its growth potential.

General Risk Associated with the Mining Industry

The Company is engaged in the exploration and development of mineral deposits. These activities involve significant risks which careful evaluation, experience and knowledge may not, in some cases eliminate. The commercial viability of any mineral deposit depends on many factors not all of which are within the control of management. Some of the factors that affect the financial viability of a given mineral deposit include its size, grade and proximity to infrastructure, government regulation, taxes, royalties, land tenure, land use, environmental protection and reclamation and closure obligations, have an impact on the economic viability of a mineral deposit. Management attempts to mitigate its exploration risk by maintaining a diversified portfolio properties, our strategy of joint ventures with other companies on our properties is a factor which balances risk while at the same time allowing properties to be advanced.

Management believes that climate change will have a minimal effect on its current operations however it expects government regulation to increase as greater scrutiny is directed towards mining and its affects on climates and local environments. Management will monitor the trends and relevant literature as they develop and determine whether there are future effects on operations.

Foreign Currency Risk

The Company intends to continue business in South America and may conduct business in other foreign jurisdictions. In addition, prices of commodities mined are primarily quoted in US dollars as are the costs of development and equipment expenditures. Recent fluctuations in the Canadian dollar will have an impact on the mining industry and we will continue to be mindful of currency fluctuations affecting the Company.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Chief Executive Officer and Chief Financial Officer have instituted a system of controls for the Corporation to provide reasonable assurance as to the reliability of the financial information and that the financial statements are prepared, for external purpose, in accordance with GAAP. The limited number of employees within the Corporation facilitates access to real time information about developments in the business for the person responsible for drafting disclosure documents. All documents are circulated to responsible members of management and the board of directors according to the disclosure time-lines contained within the disclosure policy. The disclosure controls conform with the Corporation's Corporate Governance policies.

The Chief Executive Officer and Chief Financial Officer, after evaluating the effectiveness of the Corporation's disclosure controls and procedures have concluded that, as of such date, the Corporation's disclosure controls and procedures were effective to ensure that material information relating to the Corporation was made known to them by others within the Corporation during the period.

DISCLOSURE CONTROLS AND PROCEDURES

Disclosure controls and procedures are designed to ensure that information required to be disclosed by our Corporation is recorded, processed, summarized and reported within the time periods specified. The Chief Executive Officer and the Chief Financial Officer are responsible for establishing and maintaining disclosure controls and procedures for the Corporation.

The Chief Executive Officer and the Chief Financial Officer have concluded, based on an evaluation as of April 30, 2010, that the disclosure controls and procedures for the Corporation was effective to provide reasonable assurance that material information related to the Corporation is made known. It should be noted that while the Corporation's Chief Executive Officer and the Chief Financial Officer believe that the Corporation's disclosure controls and procedures provide a reasonable level of assurance that the system of internal control are effective, they do not guarantee that the disclosure controls and procedures will prevent all errors and fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

SUBSEQUENT EVENTS

On May 26, 2010 the Company announced it had retained a firm to manage its corporate communications and investor relations functions over a five month period. The firm will receive a fee of $45,000 and will be granted $250,000 stock options at an exercise price of $0.10 per share. On June 29, 2010 the Company announced the cancellation of both private placements and to investigate other alternatives for recapitalizing the company.

On June 8, 2010 the Company announced that it intends to complete a non-brokered flow-through private placement of 3.6 million units, at a price of $0.07 per unit and an additional non-flow-through private placement of 2.0 million units, at a price of $0.05 per unit, for aggregate gross proceeds of $352,000. Each unit is comprised of one common share and one-half of one common share of the Company at a price of $0.10 per share exercisable for a period of one year from the date of issuance.

PACIFIC COAST NICKEL CORP.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(An Exploration Stage Company)

APRIL 30, 2010

These unaudited financial statements for the period ended April 30, 2010 have not been reviewed by the Company's auditor

PACIFIC COAST NICKEL CORP. (An Exploration Stage Company)
CONSOLIDATED BALANCE SHEETS
APRIL 30, 2010 AND JULY 31, 2009

	April 30 2010 (Unaudited)	July 31 2009 (Audited)
ASSETS		
Current		
Cash and cash equivalents	**$ 678,328**	$ 993,088
Marketable securities	**152,780**	44,149
Amounts receivable	**5,419**	9,116
Prepaid expenses	**89,326**	19,855
	925,853	1,066,208
Exploration deposit (Note 5)	**410**	408
Equipment (Note 6)	**10,159**	13,196
Mineral properties (Note 7)	**1,098,660**	1,019,383
	$ 2,035,082	$ 2,099,195
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Note 10)	**145,043**	$ 92,055
SHAREHOLDERS' EQUITY		
Share capital (Note 8)	**3,624,875**	3,618,875
Contributed surplus (Note 9)	**1,270,149**	1,191,131
Deficit	**(3,004,985)**	(2,802,866)
	1,890,039	2,007,140
	$ 2,035,082	$ 2,099,195

Nature and Continuance of Operations (Note 1)
Commitments (Note 12)

APPROVED ON BEHALF OF THE BOARD:

"Michael Sweatman" Director *"John Icke"* Director

PACIFIC COAST NICKEL CORP. (An Exploration Stage Company)
CONSOLIDATED STATEMENTS OF OPERATIONS, COMPREHENSIVE LOSS AND DEFICIT
FOR THE THREE AND NINE MONTHS ENDED APRIL 30, 2010 AND 2009

	Three Months Ended April 30, 2010	Three Months Ended April 30, 2009	Nine Months Ended April 30, 2010	Nine Months Ended April 30, 2009
EXPENSES				
Office and miscellaneous	**$ 19,014**	$ 15,161	**$ 44,212**	**$** 51,743
Professional fees	**16,004**	13,135	**43,929**	40,332
Salaries and wages	**767**	1,127	**2,660**	42,621
Consulting fees	**14,250**	18,500	**48,500**	26,500
Transfer agent and filing fees	**9,116**	12,722	**23,534**	24,826
Foreign exchange	**441**	-	**1,817**	-
Amortization	**70**	100	**210**	301
Director fees	**12,045**	-	**20,795**	1,250
Stock-based compensation	**-**	-	**79,018**	-
Loss before other items	**$ 71,707**	$ (60,745)	**$ (264,675)**	$ (187,573)
OTHER ITEMS				
Interest income	**2,238**	2,533	**22,035**	21,402
Write-down of mineral properties	**-**	(5,463)	**-**	(23,916)
Unrealized gain (loss) on marketable securities	**8,748**	1,411	**24,270**	(9,358)
Renouncement recovery	**-**	-	**16,251**	-
NET LOSS AND COMPREHENSIVE LOSS	**$ (60,721)**	$ (62,264)	**$ (202,119)**	$ (199,445)
DEFICIT, beginning of period	**$ (2,944,264)**	$ (2,618,351)	**$ (2,802,866)**	$ (2,481,170)
DEFICIT, end of period	**$ (3,004,985)**	$ (2,680,615)	**$ (3,004,985)**	$ (2,680,615)
LOSS PER SHARE, Basic and diluted	**$ (0.00)**	$ (0.00)	**$ (0.01)**	$ (0.01)
WEIGHTED AVERAGE, shares outstanding	**34,794,000**	34,677,707	**34,760,667**	34,654,989

PACIFIC COAST NICKEL CORP. (An Exploration Stage Company)
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE AND NINE MONTHS ENDED APRIL 30, 2010 AND 2009

	Three Months Ended April 30, 2010	Three Months Ended April 30, 2009	Nine Months Ended April 30, 2010	Nine Months Ended April 30, 2009
OPERATING ACTIVITIES				
Net loss	**$ (60,721)**	$ (62,264)	**$ (202,119)**	$ (199,445)
Items not affecting cash:				
Write-down of mineral properties	**-**	-	**-**	-
Stock-based compensation	**-**	-	**79,018**	-
Unrealized (gain) loss on marketable securities	**(8,748)**	(1,411)	**(24,270)**	9,358
Amortization	**70**	100	**210**	301
	(69,399)	(63,575)	**(147,161)**	(189,786)
Changes in non-cash working capital:				
Amounts receivable	**106**	(1,693)	**3,697**	17,189
Prepaid expenses	**(77,601)**	7,177	**(69,471)**	29,967
Accounts payable and accrued liabilities	**109,657**	(6,966)	**52,988**	(205,485)
	37,237	(65,057)	**(159,947)**	(348,115)
INVESTING ACTIVITIES				
Increase in mineral properties	**(50,543)**	(76,147)	**(70,450)**	(774,685)
Decrease (Increase) in exploration deposit	**(2)**	-	**(2)**	-
Acquisition of marketable securities	**(1,478)**	-	**(84,361)**	-
	(52,023)	(76,147)	**(154,813)**	(774,685)
Net decrease in cash	**$ (89,260)**	$ (141,204)	**$ (314,760)**	$ (1,122,800)
Cash and cash equivalents, beginning of period	**$ 767,998**	$ 1,230,132	**$ 993,088**	$ 2,211,728
Cash and cash equivalents, end of period	**$ 678,738**	$ 1,088,928	**$ 678,328**	$ 1,088,928

Non-cash Transactions (Note 11)

1. NATURE AND CONTINUANCE OF OPERATIONS

Pacific Coast Nickel Corp. (the "Company") was incorporated under the Business Corporations Act of B.C. on April 5, 2006. The Company was classified as a Capital Pool Company ("CPC") as defined in TSX Venture Exchange ("TSX-V") Policy 2.4. On July 10, 2007, the Company completed its qualifying transaction and began trading under the symbol NKL. The Company is now a mineral exploration company.

Exploration Stage and Going Concern

The Company is in the exploration stage and no revenues have been earned to date from its operations.

These consolidated financial statements have been prepared using Canadian generally accepted accounting principles ("GAAP") applicable for a going concern which assumes that the Company will realize its assets and discharge its liabilities in the ordinary course of business. The Company has accumulated losses of $3,004,985 to April 30, 2010. The Company's ability to continue as a going concern is dependent upon the Company obtaining the necessary financing to meet its obligations and pay its liabilities arising from normal business operations when they come due. These consolidated financial statements do not include any adjustments to the amounts and classification of assets and liabilities that may be necessary should the Company be unable to continue as a going concern.

2. ADOPTION OF NEW ACCOUNTING STANDARDS

Effective August 1, 2008, the Company adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants ("CICA").

Section 1535

Section 1535 "Capital Disclosures", applies to all entities regardless of whether they have financial instruments or are subject to external capital requirements. This new section establishes standards for disclosing information about an entity's capital and how it is managed. (See Note #16)

Section 1400

Section 1400 "Going Concern" provides revised guidance on management's responsibility to assess and disclose the Company's ability to continue as a going concern. The adoption of this standard had no significant impact on these consolidated financial statements.

Section 3862 & 3863

Section 3862 "Financial Instruments – Disclosures" outlines the disclosure requirements for financial instruments and non-financial derivatives and places increased emphasis on disclosure regarding concentrations of market risk, credit risk and liquidity risk associated with both recognized and unrecognized financial instruments and how these risks are managed. The principles in this section complement the principles for recognizing, measuring and presenting financial assets and financial liabilities in section 3855, Financial Instruments – Recognition and Measurement, Section 3863, Financial Instruments – Presentation, and Section 3865, Hedges (See Note #15). Section 3863"Financial Instruments – Presentation" is required to enhance financial statement users' understanding of the significance of financial instruments to an entity's financial position, performance and cash flows. This section establishes standards for presentation of financial instruments and non-financial derivatives. It deals with the classification of financial instruments, from the perspective of the issuer, between liabilities and equity, the

2. ADOPTION OF NEW ACCOUNTING STANDARDS (cont'd…)

classification of related interest, dividends, losses and gains, and the circumstances in which financial assets and financial liabilities are offset.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

These interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles applicable to a going concern which assume that the company will realize its assets and liabilities in the normal course of business. The interim consolidated statements have been prepared following the same accounting policies and methods of computation as the consolidated financial statements for the year ended July 31, 2009, and should be read in conjunction with the consolidated financial statements and notes thereto for the year ended July 31, 2009.

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries PCNC Holdings Corp., Pacific Coast Nickel Corp. USA and Pacific Nickel Sudamerica Sociedad Anonima, Uruguay. All significant inter-company balances and transactions have been eliminated.

4. RECENT ACCOUNTING PRONOUNCEMENTS

Goodwill and intangible assets

In February 2008, the Accounting Standards Board ("AcSB") issued CICA Handbook Section 3064, "Goodwill and Intangible Assets", which replaces Section 3062, "Goodwill and Intangible Assets", and Section 3450, "Research and Development Costs". Section 3064 establishes standards for the recognition, measurement and disclosure of goodwill and intangible assets. This new standard became effective for the Company's interim and annual consolidated financial statements commencing August 1, 2009. There is no material impact of the new standard on the Company's financial statements.

Business combinations, consolidated financial statements and non-controlling interests

In January 2009, the CICA issued Handbook Sections 1582 "Business Combinations", 1601 "Consolidated Financial Statements" and 1602 "Non-Controlling Interests" which replace CICA Handbook Sections 1581 "Business Combinations" and 1600 "Consolidated Financial Statements". Section 1582 establishes standards for the accounting for business combinations that is equivalent to the business combination accounting standard under IFRS. Section 1601 together with Section 1602 establishes standards for the preparation of consolidated financial statements. These sections are applicable for the Company's interim and annual consolidated financial statements for its fiscal year beginning on or after January 1, 2011. Early adoption of these Sections is permitted and all three Sections must be adopted concurrently. The Company does not expect that the adoption of this standard will have a material impact on the Company's financial statements.

International Financial Reporting Standards ("IFRS")

Canadian publicly-listed enterprises will be required to adopt IFRS in replacement of Canadian generally accepted accounting principles ("GAAP") for interim and annual financial statements relating to fiscal periods commencing on or after January 1, 2011. This transition will require the Company to present its financial statements under IFRS starting with its first quarterly report dated October 31, 2011, with restated comparative information under IFRS for the comparative quarter ended October 31, 2010. The conversion to IFRS will impact the Company's accounting policies, information technology processes and financial reporting systems, including internal controls over financial reporting, data systems and disclosure controls and procedures. The transition may also impact certain business processes, accounting for contractual agreements, debt covenants and compensation arrangements. To prepare for the conversion to IFRS, the Company has developed a plan as follows:

Phase 1 - Impact assessment

The impact assessment included a diagnostic of the major differences between current Canadian GAAP and IFRS that will impact the company's financial statements. This diagnostic has identified and ranked the key IFRS-to-Canadian GAAP differences applicable to the Company, assessed the potential impact to the financial statements, note disclosures and exemptions available on transition. A detailed project plan with timelines and key milestones will be completed by the project team and is being continually updated to take into account any timetable changes as required. At this time, key standards which are expected to affect the Company include exploration for, and evaluation of, mineral resources (IFRS 6), accounting for business combinations (IFRS 3), and accounting for stock-based payments (IFRS 2). The overall adoption of IFRS is governed by IFRS 1 – "Firsttime adoption of International Financial Reporting Standards".

Phase 2 - Planning & solution development

The planning & solution development phase requires detailed analysis of each of the key IFRS conversion topics identified, while continually monitoring information and changes to IFRS currently in discussion by standard setters. Many IFRS policies in effect at the date of this report are expected to change by the time the Company adopts IFRS on August 1, 2011. An analysis will be completed for all accounting policies as part of the conversion process, according to IFRS 1. The Company has begun this analysis.

Phase 3 - Implementation

During the implementation phase, activities will include implementing the required changes to accounting and operational information systems, disclosure controls and internal controls over financial reporting and determining accounting policies and additional training of employees. The majority of this phase will be executed over the second half of 2010, preparing the Company for the date of adoption on August 1, 2011. During the implementation phase, activities will include implementing the required changes to accounting and operational information systems as well as to disclosure and internal controls over financial reporting, determining accounting policies and additional training of employees.

Phase 4 - Post implementation review
The post implementation and review phase will involve a continuation of the monitoring of changes in IFRS, International Accounting Standards and associated interpretation bulletins.

5. EXPLORATION DEPOSIT

At April 30, 2010, cash equivalents included $410 (July 31, 2009 - $408) held by the operator of the Burwash Property (See Note #7) exploration program.

6. EQUIPMENT

	Cost	Accumulated Amortization	Net Book Value **April 30, 2010**	Net Book Value July 31, 2009
Computer equipment	$ 1,572	$ 847	**$ 725**	$ 936
Exploration equipment	23,304	13,870	**9,434**	12,260
	$ 24,876	$ 14,717	**$ 10,159**	$ 13,196

7. MINERAL PROPERTIES

	July 31, 2008 $	Expenditures $	July 31, 2009 $	Expenditures $	Apr 30, 2010 $
Burwash, Canada					
Acquisition costs	33,500	28,000	61,500	36,000	97,500
Exploration costs					
Amortization	-	6,323	6,323	1,400	7,724
Assays	-	6,764	6,764	389	7,153
Consulting	13,292	31,582	44,874	-	44,874
Drilling	7,798	177,654	185,452	-	185,452
Field expenses	14,972	71,861	86,833	-	86,833
Geological surveys	-	-	-	3,018	3,018
Government fee	-	2,690	2,690	-	2,690
Labour	28,183	105,305	133,488	449	133,937
	64,245	402,179	466,424	5,256	471,681
	97,745	430,179	527,924	41,256	569,181
Sarandi del Yi, Durazno, Uruguay					
Acquisition costs	7,048	-	7,048	-	7,048
Exploration costs					
Amortization	-	1,782	1,782	1,426	3,208
Assays	-	16,634	16,634	-	16,634
Rental	-	6,059	6,059	(6,059)	-
Field expenses	8,490	61,313	69,803	5,511	75,314
Consulting	61,025	170,076	231,101	33,347	264,448
Legal	20,180	24,175	44,355	-	44,355
Mapping	7,556	13,204	20,760	-	20,760
Property fees	-	11,066	11,066	(507)	10,559
Stock-Comp.	18,000	-	18,000	-	18,000
Travel	18,343	46,508	64,851	4,302	69,153
	133,594	350,817	484,411	38,020	522,431
	140,642	350,817	491,459	38,020	529,479
	269,323	806,953	1,019,383	79,276	1,098,660

7. MINERAL PROPERTIES (cont'd…)

Big Nic Property

Pursuant to an agreement dated December 31, 2004, the Company was granted an option to acquire a 100% interest in 49 mineral claims known as the Big Nic Property located in the New Westminster Mining Division of British Columbia. At July 31, 2008, the Company abandoned its interest in the Big Nic Property. At July 31, 2009 the company wrote off mineral property acquisition and exploration costs totalling $24,101 (2008 - $1,423,788).

Devils Lake Property

On December 6, 2007, the Company was granted the option to acquire a 100% interest in the Devils Lake Property located in the New Westminster Mining Division of British Columbia. At July 31, 2008, the Company abandoned its interest in the Devils Lake Property. At July 31, 2009 the Company wrote off mineral property acquisition and exploration costs totalling $700 (2008 - $11,019).

Burwash Property

Pursuant to an option agreement (the "Agreement") dated May 14, 2008, amended on December 9, 2008 and further amended February 23, 2010, the Company has the option to acquire up to a 75% interest in the Burwash Property located in the Yukon Territory. The terms of the agreement are as follows:

The Company may acquire a 50% interest by:

(a) making the following payments to the optionor:

- (i) $25,000 upon the execution of the Agreement (paid);
- (ii) an additional $25,000 on or before March 31, 2009 (paid);
- (iii) an additional $30,000 on or before March 31, 2010; (paid) and
- (iv) an additional $50,000 on or before March 31, 2011

(b) issuing the following common shares to the optionor:

- (i) 100,000 shares upon the execution of the agreement (issued);
- (ii) an additional 100,000 shares on or before March 31, 2009 (issued);
- (iii) an additional 150,000 shares on or before March 31, 2010; (issued)

(c) incurring the following expenditures on the property by December 1, 2010:

- (i) $400,000 on or before December 1, 2008 (incurred);
- (ii) an additional $250,000 on or before December 1, 2010
- (ii) an additional $750,000 on or before December 1, 2011; and
- (iii) an additional $1,600,000 on or before December 1, 2012;

The Company may acquire an additional 10% interest by providing the optionor with a positive feasibility study in respect of the property on or before March 31, 2016 and a further 15% interest by providing all of the funding required to put the Property into commercial production on or before March 31, 2019.

La Paz County Property, Arizona, U.S.A.

The Company staked certain lode mining claims in La Paz County, Arizona. At July 31, 2009, the Company abandoned its interest in La Paz County Property. At July 31, 2009 the Company wrote off mineral exploration costs totalling $32,092.

7. MINERAL PROPERTIES (cont'd…)

Prospecting Licences, Uruguay

The Company has received five prospecting licences in Uruguay and has begun an exploration program on these properties. To date the Company has spent $529,480 on the properties and intends to continue exploration work.

8. SHARE CAPITAL

Common Shares

Authorized:
Unlimited number of common shares without par value

Issued:	Number	Amount
Balance – July 31, 2008	34,644,000	$ 3,615,875
Shares issued for mineral properties	100,000	3,000
Balance – July 31, 2009	34,744,000	$ 3,618,875
Shares issued for mineral properties	150,000	6,000
Balance – April 30, 2010	34,894,000	3,624,875

During the nine months ended April 30, 2009, the Company issued 150,000 common shares at a fair value of $6,000 for payment of the Burwash property.

Escrow

At April 30, 2010, there were 2,936,850 common shares held in escrow. These shares are due to be released July 10, 2010.

Warrants

At April 30, 2010, there were Nil (2009 – Nil) warrants outstanding enabling holders to acquire common shares.

Description	Number	Weighted Average Exercise Price
Balance – July 31, 2008	715,000	$ 0.32
Cancelled	(715,000)	0.32
Balance – July 31, 2009 and April 30, 2010	Nil	$ -

Stock Options

The Company has a stock option plan in place under which it is authorized to grant options to executive officers and directors, employees and consultants enabling them to acquire up to 10% of the issued and outstanding common shares of the Company. Under the plan, the exercise price of each option equals the market price of the Company's stock as of the date of grant. The options can be granted for a maximum term of five years and vest at the discretion of the Board of Directors.

8. SHARE CAPITAL (cont'd…)

The following table summarizes the stock option plan transactions to April 30, 2010:

	Number	Weighted Average Exercise Price	Expiry
Outstanding, July 31, 2008	3,037,500	$0.47	
Cancelled	(325,000)	$0.60	July 16, 2012
Cancelled	(200,000)	$0.60	July 20, 2012
Cancelled	(300,000)	$0.15	June 18, 2013
Cancelled	(137,500)	$0.16	June 18, 2013
Outstanding, July 31, 2009	2,075,000	$0.50	
Granted	1,000,000	$0.10	August 7, 2014
Granted	75,000	$0.10	September 17, 2014
Cancelled	(1,600,000)	$0.60	July 16, 2012
Granted	750,000	$0.10	November 6, 2014
Outstanding, April 30, 2009	2,300,000	$0.11	

At April 30, 2009, 2,300,000 outstanding options were exercisable and had a weighted average remaining contractual life of 4.1 years. Any shares issued on the exercise of these stock options are subject to a 4 month hold period from the date of grant.

Price	Number Outstanding	Number Exercisable	Expiry Date
$0.15	200,000	200,000	May 27, 2013
$0.16	275,000	275,000	January 7, 2013
$0.10	1,000,000	1,000,000	August 7, 2014
$0.10	75,000	75,000	September 17, 2014
$0.10	750,000	750,000	November 6, 2014
	2,300,000	2,300,000	

During the nine month period ended April 30, 2010, the Company cancelled 1,600,000 options and granted 1,825,000 options to directors, officers and consultants of the Company which vested on the date of grant. The Company expensed $79,018 in stock-based compensation related to the granting of these options. The weighted average grant date fair value of the share purchase option granted in the period was $0.10 per option and was estimated on the grant dates using the Black-Scholes option pricing model. The weighted average assumptions used in calculating the fair value of options were as follows:

	2010
Expected dividend yield	0.00%
Expected volatility	202%
Risk-free interest rate	2.45%
Expected term in years	5 years

9. CONTRIBUTED SURPLUS

The following table summarizes the Company's contributed surplus:

Balance – July 31, 2007		1,062,800
Fair value of options granted		128,331
Balance – July 31, 2008 & July 31, 2009	$	1,191,131
Fair value of options granted		79,018
Balance – April 30, 2010	$	1,270,149

10. RELATED PARTY TRANSACTIONS

During the nine month period ended April 30, 2010, the Company was charged the following expenses by directors or officers of the Company or by companies with directors or officers in common with the Company:

Wages of $Nil (2009 - $38,500)

Consulting fees of $27,000 (2009 – $13,500)

Directors fees of $20,795 (2009 - $1,250)

Professional fees of $22,500 (2009 - $28,000)

Rent of $8,550 (2009 - $12,250)

These fees were recorded at their exchange amount, which is the amount agreed upon by the transacting parties on terms and conditions similar to non-related entities. At April 30, 2010, accounts payable and accrued liabilities include $18,708 (July 31, 2009 - $8,970) due to related parties of the Company.

11. NON-CASH TRANSACTIONS

Investing and financing activities that do not have a direct impact on cash flows are excluded from the statements of cash flows. The following transactions have been excluded from the statements of cash flows.

During the period ended April 30, 2010:

a) The Company capitalized amortization on equipment of $950 to mineral properties.

During the period ended April 30, 2009:

a) The Company issued 100,000 common shares valued at $3,000 pursuant to option payments on resource property agreements (See Note #7)

b) The Company capitalized amortization on equipment of $2,356 to mineral properties.

12. COMMITMENTS

The Company is required to make cash payments, issue shares, and incur exploration expenditures in order to acquire an interest in the Burwash Property as described in Note# 7.

13. SEGMENTED INFORMATION

The Company operates in two geographic areas as follows:

		April 30, 2010		July 31, 2009
Mineral Properties				
Canada	**$**	**569,181**	$	527,924
Uruguay		**529,480**		491,459
	$	**1,098,660**	$	1,019,383

14. COMPARATIVE FIGURES

Certain prior period figures have been reclassified to conform to the current period's presentation. Such reclassification is for presentation purposes only and has no effect on previously-reported results.

15. FINANCIAL INSTRUMENTS

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgement, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

The Company's financial instruments consist of cash and cash equivalents, marketable securities, amounts receivable and accounts payable and accrued liabilities. The fair values of cash and cash equivalents and accounts payable approximate their carrying values because of their current nature. The fair value of marketable securities is determined directly by reference to quoted market prices.

The Company is exposed to certain risks through the use of financial instruments, including market risk (currency risk, interest rate risk and commodity and equity risk), credit risk, and liquidity risk. The Company manages its exposure to risk through the identification and analysis of risks faced by the Company, setting appropriate risk limits and controls, and monitoring those risk and adherence to the limits and controls that are established. Risk management is carried out by senior management under the approval of the Board of Directors. Risk management practices are reviewed regularly by senior management and the Audit Committee to reflect changes in market conditions and the Company's activities.

Market risk:

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices. The Company does not actively trade in marketable securities however it does hold marketable securities. As of April 30, 2010 the Company had $152,780 invested in marketable securities. The Company regularly monitors its investments and makes adjustments according to the Board of Directors direction.

15. FINANCIAL INSTRUMENTS (cont'd…)

Other significant components of market risk are noted as follows:

i. Currency risk:

The Company has operations in both Canada and in Uruguay and is exposed to foreign exchange risk due to fluctuations in the Argentinean Peso. Foreign exchange arises from purchase transactions as well as financial assets and liabilities denominated in the Argentinean Peso. The Company's reporting and functional currency is Canadian dollars.

As at April 30, 2010, the Company has an immaterial amount of cash and cash equivalents and accounts payable and accrued liabilities in Argentinean Peso. The company currently does not use any foreign exchange contracts to hedge this currency risk.

ii. Interest rate risk:

The Company is exposed to interest rate risk on its cash and cash equivalents. It is in management's opinion that the Company is not exposed to significant interest risk.

iii. Commodity and equity risk:

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in equity prices or general movements in the level of stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices, individual equity movements and the stock market to determine the appropriate course of action to be taken by the Company. Fluctuations in value may be significant.

Credit risk:

Credit risk is the risk of financial loss associated with a counterparty's inability to fulfil its payment obligations.

The Company does not currently generate any revenues from sales to customers nor does it hold derivative type instruments that would require a counterparty to fulfil a contractual obligation. The Company does not have any asset-backed commercial instruments.

Financial instruments that potentially subject the Company to credit risk consist of cash and cash equivalents and amounts receivable. The company places its cash and cash equivalents with high credit quality financial institutions and its amount receivable are generally owed by government agencies. It is managements opinion that the company is not exposed to significant credit risk.

Liquidity risk:

Liquidity risk is the risk that the Company cannot meet its financial obligation. The Company manages liquidity risk by maintaining sufficient cash and cash equivalent balances. Liquidity requirements are managed based on expected cash flow to ensure that there is sufficient capital in order to meet short term obligations. It is management's opinion that the company is not exposed to significant liquidity risk.

16. MANAGEMENT OF CAPITAL:

The Company considers the following to comprise its capital:

	April 30, 2010	July 31, 2009
Share capital	3,624,875	3,618,875
Contributed surplus	1,270,149	1,191,131
Deficit	(3,004,985)	(2,802,866)
Total Capital	1,890,039	2,007,140

The Company is not subject to any externally imposed capital requirements and its objectives when managing capital are as follows:

a) To ensure that the Company maintains the level of capital necessary to meet its future operational requirements and to discharge current liabilities.

b) To allow the Company to respond to changes in economic and/or marketplace conditions by maintaining its ability to purchase new properties and to develop its existing properties.

c) To give shareholders sustained growth in shareholder value by increasing shareholders' equity; and

d) To maintain a flexible capital structure which optimizes the cost of capital at acceptable levels of risk.

The Company manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its underlying assets. The Company maintains or adjusts its capital level to enable it to meet its objectives by raising capital through equity financings

17. SUBSEQUENT EVENTS

a) On June 8, 2010 the Company announced that it intends to complete a non-brokered flow-through private placement of 3.6 million units, at a price of $0.07 per unit and an additional private placement of 2.0 million units, at a price of $0.05 per unit, for aggregate gross proceeds of $352,000. Each unit is comprised of one common share and one-half of one common share of the Company at a price of $0.10 per share exercisable for a period of one year from the date of issuance. On June 29, 2010 the Company announced the cancellation of both private placements and to investigate other alternatives for recapitalizing the company.

b) On May 26, 2010 the Company announced it had retained a firm to manage its corporate communications and investor relations functions over a five month period. The firm will receive a fee of $45,000 and will be granted $250,000 stock options at an exercise price of $0.10 per share.