



**FORM 51-102F1  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED FEBRUARY 28, 2010**

## **Introduction**

This management's discussion and analysis (MD&A) of Playfair Mining Ltd. is the responsibility of management and year ended February 28, 2010. The MD&A takes into account information available up to and including May 7, 2010 and should be read together with the audited Financial Statements and notes for the year ended February 28, 2010 and with the audited financial statements, notes and MD&A for the years ended February 28, 2009, and February 29, 2008 all of which are available on the Sedar website at [www.sedar.com](http://www.sedar.com).

Throughout this document the terms *we*, *us*, *our*, *the Company* and *Playfair* refer to Playfair Mining Ltd. All financial information in this document is prepared in accordance with Canadian generally accepted accounting principles (GAAP) and presented in Canadian dollars unless otherwise indicated.

Additional information related to the Company is available for view on SEDAR at [www.sedar.com](http://www.sedar.com) and on the Company's website at [www.playfairmining.com](http://www.playfairmining.com).

## **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. Readers are cautioned not to put undue reliance on forward-looking statements.

Forward-looking information includes disclosure regarding possible or anticipated events, conditions or results of operations which are based on assumptions about future economic conditions and courses of action, and includes future oriented financial information with respect to prospective results of operations or financial position or cash flow that is presented either as a forecast or a projection. Forward-looking information is often, but not always, identified by the use of words such as seek, anticipate, believe, plan, estimate, expect and intend; statements that an event or result is due on or may, will, should, could, or might occur or be achieved; and other similar expressions.

## **Reserves and Resources**

National Instrument 43-101 (43-101) of the Canadian Securities Administrators – Standards of Disclosure for Mineral Projects – requires that each category of mineral reserves and mineral resources be reported separately. Readers should refer to Playfair's continuous disclosure documents available at [www.sedar.com](http://www.sedar.com) for this detailed information, which is subject to the qualifications and notes therein set forth.

## Description of Business

The Company's main business is the acquisition, exploration and development of natural resource properties. The Company currently has interests in several properties in Canada, including:

- Seal Lake, Central Labrador – Copper / Silver property
- Gregory River, Newfoundland – Gold / Copper property ,
- Grey River, Newfoundland – Tungsten / Gold property,
- Granite Lake, Newfoundland – molybdenum property
- Risby, Lened and Clea, located in the Yukon and Northwest Territories - Tungsten properties
- Red Wine, Central Labrador - Rare earth element property

Refer to the Exploration Property Summary below for more information regarding the natural resource properties.

The Company trades on the TSX Venture Exchange under the symbol "PLY".

## Performance Summary

The following is a summary of significant events and transactions that occurred during the year ended February 28, 2010:

- 1.) On April 21, 2009 announced that further to its news releases of January 26, 2009 and March 17, 2009, it has closed the first tranche of its private placement, issuing an aggregate 10,003,900 common shares at a price of \$0.05 per share, for gross proceeds of \$500,195. The Company paid finders' fees totaling \$35,519 in connection with the private placement. All securities issued with respect to this private placement are subject to a hold period expiring on August 14, 2009.
- 2.) On April 28, 2009 the Company granted 2,250,000 incentive stock options with an exercise price of \$0.10 to Directors, Officers, Employees and Consultants of the Company. The Company has also repriced 980,000 non- insider incentive stock options to a price of \$0.10. The new grant and the repricing are subject to regulatory approval.
- 3.) On May 14, 2009 the Company announced the results of the updated NI 43-101 compliant Inferred Mineral Resource Estimate on its wholly owned Risby Tungsten Deposit. The update was completed by PEG Mining Consultants Inc of Barrie, Ontario, who combined the 2008 drill results with the Company's earlier 2007 resource estimate.

The updated inferred resource reports a 37% increase over the 2007 Wardrop Engineering resource. The 2009 study reports an inferred resource of 89.4 million pounds tungsten trioxide (8,537,000 tonnes at an average grade of 0.475% WO<sub>3</sub> at a 0.20% WO<sub>3</sub> cutoff). The PEG Mining report also indicates an increase in average deposit grade from 0.462 to 0.475 percent WO<sub>3</sub>.

- 4.) On June 1, 2009 the Company granted 3,255,000 and on June 24, 2009 the Company granted 25,000 incentive stock options with an exercise price of \$0.10 per share to Directors, Officers and Consultants of the Company in accordance with its Stock Option Plan.

- 5.) On June 2, 2009 the Company announces the appointment of Mr. David Matousek to the Board of Directors. Mr Matousek has been actively involved in the operations of the Company for over a year and a half and has studied in detail the specifics of the global tungsten market. He has been a feature presenter at various international tungsten events and has made important and influential contacts within the difficult to penetrate tungsten market. Management looks forward to him taking an increasing leadership role in the company as it grows. Mr. Matousek has worked in the brokerage industry and has experience in the mining finance sector. He holds a Bachelor of Business Administration in Finance from Simon Fraser University.
- 6.) On June 30, 2009 the Company announced that further to its news release of June 19, 2009 it has closed its non-brokered private placement, issuing an aggregate of 6 million shares at \$0.05 per share for total proceeds of \$300,000. The Company paid finder's fees of \$20,840 in connection with this placement. All securities issued pursuant to this placement are subject to a hold period expiring on October 24, 2009.
- 7.) On October 5, 2009 the Company announced the 100% acquisition by staking of four large claim blocks in central Labrador. Playfair's claims, located in the Letitia Lake - Red Wine River region, cover a highly prospective area which is enriched in both rare metals and rare earth elements (REE).
- 8.) On November 3, 2009 the Company announced the appointment of Michael Moore as a Director of Playfair. Mr. Moore's career in mineral exploration and development has spanned more than 20 years and he has been involved in exploration programs in North America, South America and Africa. Mr. Moore has extensive experience in precious, base and industrial metal exploration and has significant contacts in the mining industry throughout the world. He is a professional geologist registered with APEGBC and a graduate of Carleton University in Ottawa Canada. Mr. Moore is also a director and advisor to several public mining exploration companies.
- 9.) On January 14, 2010 the Company announced announce that it has acquired, by staking, a 100% interest in 673 claims covering 16,825 hectares in the Seal Lake area of Central Labrador. The property covers some 136 copper and copper-silver occurrences including 16 copper-silver showings and 9 copper silver prospects, all discovered mainly via prospecting in the 1950's. Refer to the Exploration Property Summary below for more information.
- 10.) On February 17, 2010 the Company announced it had entered into an option agreement with Rare Earth Metals Inc ("REM"). REM can earn 51% of the Company's 100% owned Red Wine Property. To earn its interest REM is required to pay \$70,000 in cash, issue 150,000 common shares and incur \$500,000 cumulative work expenditures over three years, of which the Company received \$15,000 and 20,000 common shares. The transaction obtained TSX approval on March 3, 2010.

Upon REM earning 51% the Companies shall enter into a joint venture agreement concerning the property. If any party fails to make its required contribution the Company's interest will be reduced pro-rata. In the event a party is diluted to a 10% interest the party's interest shall automatically convert to a 2.0% net smelter return royalty and the joint venture will be terminated. The remaining party may acquire one-half the net smelter return royalty for \$1,000,000 at any time.

## Property and Exploration Summary

Refer to the audited Financial Statements and notes for the year ended February 28, 2010 for the Mineral property table.

### Seal Lake Copper Silver, Labrador Canada

During fiscal 2010 the Company acquired a 100% interest in certain claims on the Seal Lake property located in Southern Central Labrador, Canada, via staking at a cost of \$40,380.

#### *Exploration summary:*

The copper-silver property includes 673 claims covering 16,825 hectares in the Seal Lake area of Central Labrador. The property covers some 136 copper and copper-silver occurrences including 16 copper-silver showings and 9 copper silver prospects, all discovered mainly via prospecting in the 1950's. Almost all the showings and prospects occur within a consistent and laterally extensive stratigraphic interval - the basal gray-green shale of the Upper Adeline Island Formation. The copper-silver enriched Adeline Island Formation part of the Seal Lake synclinal sedimentary basin and is believed to form a canoe shape, with the favourable rock unit irregularly outcropping over an estimated area measuring about 33km long by up to 4.4km wide. Playfair's claims cover the entire mapped extent of the copper-silver enriched sedimentary unit and its probable subsurface continuation. The mineralization and geology of this new project is similar to the sizeable Kupferschiefer type copper-silver deposits. Playfair plans to drill test a number of the priority showing this year.

### Grey River Tungsten, Newfoundland, Canada

The Company acquired a 100% interest in the Grey River property located in southern Newfoundland, Canada in consideration for paying \$10,000 and issuing 2,300,000 common shares valued at \$299,000. The property is subject to a 4% NSR of which up to 2% may be purchased by the Company for up to \$2,000,000. The Company also acquired a 100% interest in certain claims in the Grey River area via staking at a cost of \$4,330.

#### *Exploration summary:*

Drilling results for the 2008 Grey River Tungsten deposit successfully defined a significant down plunge zone of tungsten mineralization extending the #10 Vein Deposit at depth and to the north. Highlight drill hole Number 122 yielded a highlight intercept of 1.13% WO<sub>3</sub> over 2.4 metres. The main objective of the 2008 drill program was to test the down dip and northern strike extensions of the #10 Vein Tungsten deposit, particularly below the adit level. Analytical results from drill core samples show that #10 Vein tungsten mineralization extends an estimated 250 metres down dip below the previously defined deposit (or about 160 metres vertically below the adit level). This newly identified deposit extension zone appears to have a 45 degree plunge (or rake) and is open to the north and at depth. The company has moved forward significantly in its goal to increase the deposit's overall Tungsten resource.

### Risby Tungsten, Yukon, Canada

During fiscal 2007 the Company acquired a 100% interest in the Risby, Lened and Clea properties located in the Yukon and Northwest territories in consideration for \$125,000, 1,500,000 common shares of the Company valued at \$1,530,000 to the vendor and 161,363 common shares as a finder's fee valued at \$164,590. During fiscal 2008 the Company also acquired a 100% interest in certain claims via staking at a cost of \$3,585.

The property is subject to a 3% NSR. Until such time as the royalty is paid, or the Company terminates the option agreement, the Company will pay an annual amount of \$50,000 toward the royalty of which the Company paid \$50,000 during 2010 (2009 - \$50,000). The Company may at any time purchase 0.5% of the NSR for \$500,000.

***Exploration summary:***

Results for the 2008 Risby Tungsten deposit drill campaign extended the known tungsten mineralization an estimated 220 metres along strike to the north of the previous inferred tungsten deposit limits. Holes 50 and 51 (drilled from the same location) are located about 220 metres north and along strike of the limits of the 2007 Wardrop Engineering inferred tungsten resource. These two holes are the most significant of the 2008 drill program having intercepted similar tungsten grades and widths as those found in the nearby deposit outline. These intercepts demonstrate a strong lateral or on-strike continuity of tungsten mineralization over a total estimated strike length now exceeding 750 metres. Importantly, the property has untested surface gossan zones located as much as one kilometre north on-strike of the main deposit. Results of the updated NI 43-101 compliant Inferred Mineral Resource Estimate completed by PEG Mining Consultants Inc of Barrie, Ontario, yielded an increase in inferred resource of 37% over the 2007 Wardrop Engineering resource. The 2009 study, which combined the 2008 drill results with Playfair's earlier 2007 resource estimate, reports a new inferred resource of 89.4 million pounds tungsten trioxide (8,537,000 tonnes at an average grade of 0.475% WO<sub>3</sub> at a 0.20% WO<sub>3</sub> cutoff). The PEG Mining report also indicates an increase in average deposit grade from 0.462 to 0.475 percent WO<sub>3</sub>.

**Granite Lake Molybdenum, Newfoundland, Canada**

The Company acquired a 100% interest in certain claims in the Granite Lake area in Newfoundland, Canada, via staking at a cost of \$9,960 and a 100% interest in certain additional mineral claims during fiscal 2008 and 2009 at a cost of \$68,640.

The Company also acquired a 100% interest in certain additional claims pursuant to which the Company issued 100,000 shares valued at \$99,000. To acquire its interest, the Company incurred exploration expenditures of \$50,000. The claim was acquired from a company with a common director. The property is subject to either a 3% NSR or 35% participating interest in the property which can be purchased back from the Company by paying 65% of the Company's expenditures.

***Exploration summary:***

The Granite Lake Molybdenum Property is located in central Newfoundland. Playfair's drilling of the property's Moly Hill Zone has identified a large-scale bulk tonnage molybdenum enriched area which warrants extensive additional drilling. Drill testing of a limited portion of the Moly Hill Zone has outlined a priority area of altered and mineralized rocks measuring at least 600m long by 500m wide. The priority area is located on northeast corner of the 2.4 by 2.6 kilometre Moly Hill Zone and is open in all directions except to the north. Molybdenum commonly occurs from the top of drill holes, with many of the holes ending in mineralization. The project has the rare benefit of electrical power, roads, minimum environmental impact and a willing and able Newfoundland workforce to draw on. Playfair views this large bulk-tonnage molybdenum potential as a bonus to the outstanding tungsten assets that are the company's primary focus.

**Red Wine Rare Earth Element, Labrador, Canada**

During fiscal 2010 the Company acquired a 100% interest in the Red Wine – Letitia Lake Rare Earth Element claims area located in Southern Central Labrador, Canada via staking at a cost of \$18,780.

The Company entered into an agreement with Rare Earth Metals Inc (“REM”). REM can earn 51% of the Company's 100% owned Red Wine Property. To earn its interest REM is required to pay \$70,000 in cash, issue 150,000 common shares and incur \$500,000 cumulative work expenditures over three years, of which, subsequent to February 28, 2010 the Company received \$15,000 and 20,000 common shares.

Upon REM earning 51% the Companies shall enter into a joint venture agreement concerning the property. If any party fails to make its required contribution the Company's interest will be reduced pro-rata. In the event a party is diluted to a 10% interest the party's interest shall automatically convert to a 2.0% net smelter return royalty and the joint venture will be terminated. The remaining party may acquire one-half the net smelter return royalty for \$1,000,000 at any time.

***Exploration summary:***

The Red Wine Rare Earth Element Property is located in central Labrador. The 100% acquisition by staking of four large claim blocks located in the Letitia Lake - Red Wine River region. Together the four claim blocks total 313 claims (cover a combined total surface area of 7,825 hectares (19,335 acres)) are located about 250 kilometres south of Voisey's Bay or 160 km northwest of Goose Bay. The Churchill Falls highway #500 is located about 100 kilometres to the south of the project area. The claim blocks envelop a combination of both lake sediment and till geochemical samples which are anomalous in a range of rare metals (Zr, Be, Nb, Y, Hf) and rare earth elements (La, Ce, Sm, Eu, Dy, Th & U). These lake sediment and till samples were collected by the government of Newfoundland and Labrador on rough 4km and 2km centres, respectively. The geochemical anomalies are considered to be locally derived as indicated by government glacial history studies and the bedrock sources are yet to be uncovered. The claims cover no historical prospects.

**Gregory River property, Canada**

The Company acquired a 100% interest in the Gregory River property located in Newfoundland, Canada in consideration for paying \$10,000 and issuing 1,700,000 common shares valued at \$51,000. The property is subject to a 4% net smelter returns royalty (“NSR”), 2% of which may be purchased by the Company for up to \$2,000,000.

***Exploration summary:***

The Gregory River property is located on the west coast of Newfoundland, Canada, approximately 45 km northwest of Corner Brook. The property is best accessed by helicopter from Pasadena, about 50 km southeast of the claims. High-grade copper boulders were first discovered along Gregory River in 1921. Since then, a number of companies have discovered numerous high-grade copper and gold zones. Of these numerous mineral occurrences, the Gregory River, Camp-Moose Brooks, the East Zone and the Steep Brook showings are high priority VMS/gold targets. In late 2006, Playfair completed a modest IP geophysical survey and a five-hole diamond drill program (485 m) on the Moose Brook Zone. Drilling identified a subsurface extension of the previously known surface mineralized horizon; with analytical results indicating that encouraging enrichment in gold, silver, copper and zinc. In April 2008, Playfair carried out a helicopter-borne AeroTEM geophysical survey with combined magnetic and time domain electromagnetic over the entire property. Later in early October 2008, the company completed a brief twelve day prospecting, geological mapping and rock sampling program following up on the results of the airborne survey. The apparent surface source for many of the EM conductors is inconclusive. In some areas the conductors appear to be underlain by sediments and/or till; however altered and mineralized basaltic bedrock and/or mineralized float is present in all cases. Bedrock and float rock samples returned numerous highly anomalous copper and locally anomalous gold and zinc values from previously located zones and from new areas.

## Selected Annual Information

The following table provides a brief summary of the Company's financial operations. For more detailed information, refer to the Financial Statements:

	Year Ended February 28, 2010	Year Ended February 28, 2009	Year Ended February 29, 2008
Total income	\$ -	\$ 6,656	\$ 77,895
Net loss before other items	551,923	549,930	1,630,417
Net loss before income taxes	551,923	607,727	1,552,591
Net loss	438,837	372,396	598,733
Basic and diluted loss per share	0.01	0.01	0.01
Total assets	9,953,873	9,902,112	8,911,736
Total long-term liabilities	-	-	-
Cash dividends	-	-	-

During the fiscal year ended February 28, 2010 significant items include the Company completing two private placements, issuing a total of 16,003,900 common shares at \$0.05 per share for proceeds of \$800,195. The Company recorded stock-based compensation of \$308,224 from the grant of stock options and the Company recorded future income tax recover of \$113,086 from the renunciation relating to flow-through shares issued.

During the fiscal year ended February 28, 2009 the Company earned income from interest of \$6,656, on cash held in banks. The Company issued 10,051,546 flow-through common shares at \$0.11 per share for proceeds of \$1,105,670. The Company recorded future income tax recover of \$235,331 from the renunciation relating to flow-through shares issued. The Company abandoned certain claims and wrote-off acquisition and exploration costs of \$64,453 to operations.

During the fiscal year ended February 29, 2008 the Company earned income from interest of \$77,895 on cash held in banks and has written off the investment to a limited partnership \$69. The Company has issued a total of 4,999,996 flow-through common shares at \$0.60 per share for proceeds of \$2,999,998.

Refer to the Summary of Quarterly results below for more detailed information. The Company has not paid any dividends on its common shares. The Company has no present intention of paying dividends on its common shares, as it anticipates that all available funds will be invested to finance the growth of its business.

## Results of Operations

The financial statements reflect the financial condition of the Company's business for the year ended February 28, 2010.

During the year ended February 28, 2010, the Company incurred Expenses of \$551,923 (2009 - \$549,930). This loss includes significant non-cash-based deductions for stock-based compensation of \$308,224 (2009 - \$6,090). Excluding non-cash-based deductions, operating expenditures for the year ended February 28, 2010 were \$243,699 (2009 - \$543,840).

Significant decreases in Expenses are as follows: investor relations \$Nil (2009 - \$52,560), management fees \$Nil (2009 - \$45,000), Office and Miscellaneous \$31,517 (2009 - \$118,077), Shareholder communications \$28,752 (2009 - \$172,026), and Travel \$29,078 (2009 - \$78,679). The decrease in these accounts was due to the decrease in activities largely due to the global economic slowdown.

Significant increases in expenses are as follows: directors fees \$30,000 (2009 - \$Nil) and Stock-based compensation \$308,224 (2009 - \$6,090). The increase in these expenses relate to the appointment of a new director and the grant of 5,530,000 options and the amendment of 980,000 options to Directors, executive officers and consultants.

#### Fourth Quarter and Summary of Quarterly Results:

	Three Months Ended			
	February 28, 2010	November 30, 2009	August 31, 2009	May 31, 2009
Total Assets	\$ 9,953,873	\$ 9,865,115	\$ 9,851,638	\$ 9,857,553
Mineral Properties and Deferred Costs	9,932,193	9,844,354	9,813,205	9,805,310
Working Capital (deficiency)	(409,913)	(295,176)	(196,338)	(384,586)
Shareholder's Equity (deficiency)	9,476,460	9,390,447	9,458,311	9,262,343
Other Income	-	-	-	-
Net Income (Loss)	86,013	(65,162)	(291,687)	(168,001)
Earnings (loss) per share	\$ 0.01	\$ (0.01)	\$ (0.01)	\$ (0.01)

	Three Months Ended			
	February 28, 2009	November 30, 2008	August 31, 2008	May 31, 2008
Total Assets	\$ 9,902,112	\$ 9,663,987	\$ 8,956,000	\$ 8,500,230
Mineral Properties and Deferred Costs	9,808,102	9,318,676	8,685,168	7,127,922
Working Capital (deficiency)	(684,522)	(187,381)	(264,210)	1,243,445
Shareholder's Equity (deficiency)	8,965,375	9,077,982	8,367,875	8,318,513
Other Income	3	110	688	5,855
Net Income (Loss)	132,575	(93,358)	(196,268)	(215,345)
Earnings (loss) per share	\$ 0.01	\$ (0.01)	\$ (0.01)	\$ (0.01)

#### Fourth Quarter Results

During the period ending February 28, 2010 the Company reported net income due to the Company renouncing certain tax deductions incurred on its Mineral Properties to the flow-through participants thereby resulting in a future income tax recovery of \$113,086. There were no other significant financial transactions during the period.

**Summary of Quarterly Results:**

Significant exploration costs were incurred on the properties during the following periods resulting in an increase to Mineral Properties and Deferred Costs:

- a) Three month period ending February 28, 2009: \$549,019
- b) Three month period ending November 30, 2008: \$633,508
- c) Three month period ending August 31, 2008: \$1,557,246
- d) Three month period ending May 31, 2008: \$1,123,098

Due to economic conditions the Company has not incurred any significant Mineral Properties and Deferred Costs during the periods ended May 31, 2009 to February 28, 2010.

The quarterly periods August 31, 2007 to February 28, 2009 Mineral Properties and Deferred Costs show a gradual increase due to the Company's continued mineral exploration activities on its resource properties. Working Capital decreased as expenditures were made and increased during periods in which a financing was completed.

During the three month periods ended February 28, 2010 and February 28, 2009 the Company reported net income due to the Company renouncing certain tax deductions for Canadian exploration expenditures incurred on its Mineral Properties to the flow-through participants thereby resulting in a future income tax recovery.

**Liquidity and Capital Resources**

Playfair's mineral exploration and development activities do not provide a source of income and we therefore have a history of losses, working capital deficiencies and an accumulated deficit. However, given the nature of our business, the results of operations as reflected in the net losses and losses per share do not provide meaningful interpretation of our valuation

The Company has financed its operations to date primarily through the issuance of common shares. The Company will continue to seek capital through the issuance of common shares. Refer to Proposed Transactions below for the proposed private placement.

*Operating activities:* The Company does not generate any revenues and generally does not receive any cash from operating activities. Net cash used in operating activities during the year ended February 28, 2010 was \$246,678, compared to cash inflows of \$120,772 during the year ended February 28, 2009. The inflows during the year ended February 28, 2009 were due to the receipt of outstanding receivables.

*Investing activities:* Net cash used in investing activities related to mineral property expenditures and for the year ended February 28, 2010 was \$437,483 compared to \$3,686,562 for the year ended February 28, 2009. The decrease in cash used in investing activities relates to the global economic slowdown.

*Financing activities:* Net cash provided by financing activities for the year ended February 28, 2010 was \$642,932 compared to \$1,139,285 for the year ended February 28, 2009. During fiscal 2010 the Company completed two private placements and received net proceeds of \$642,932. During fiscal 2009, the Company completed one private placement and received net proceeds of \$1,139,285.

**Contractual Obligations**

Except as described herein or in the Company's financial statements at February 28, 2010, the Company had no material financial commitments.

## Off-Balance Sheet Arrangements

At February 28, 2010, the Company had no material off-balance sheet arrangements such as guarantee contracts, contingent interest in assets transferred to an entity, derivative instruments obligations or any obligations that trigger financing, liquidity, market or credit risk to the Company.

## Outstanding Share Data

As at May 7, 2010 the Company had 75,987,361 common shares issued and outstanding. The Company has granted options to acquire common shares as follows:

	Number of Shares	Exercise Price	Expiry Date
Options	300,000	0.10	January 19, 2011
	250,000	0.10	August 11, 2011
	255,000	0.10	October 31, 2012
	2,250,000	0.10	April 29, 2014
	3,225,000	0.10	June 1, 2014
	25,000	0.10	June 24, 2014

## Related Party Transactions

During the year ended February 28, 2010, the Company entered into the following transactions with related parties not disclosed elsewhere in the financial statements:

- a) Paid or accrued management fees of \$Nil (2009 - \$45,000) to a company controlled by a former officer of the Company.
- b) Paid or accrued professional fees and share issuance costs of \$16,310 (2009 - \$17,214) to a law firm in which a director is a partner.

Paid or accrued directors fees of \$30,000 (2009 - \$Nil) to a director of the Company.

Included in accounts payable at February 28, 2010 is \$13,511 (2009 - \$9,620) due to a law firm in which a director is a partner, \$40,380 (2009 - \$Nil) due to directors of the Company for expense reimbursement, and \$142,769 (2009 - \$53,552) due to a company controlled by a former officer of the Company.

These transactions were in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

## Proposed Transactions

The Company proposes a non-brokered private placement consisting of 7.5million shares at \$0.10 per share for total proceeds of \$750,000, of which the Company received \$302,700 subsequent to year end. A finder's fee may be payable in connection with this placement. All securities issued pursuant to this offering will have a hold period expiring four months from the closing date. The funds will be used to advance the company's exciting Seal Lake Cu-Ag project and for general working capital purposes. Completion of the placement is subject to TSX Venture Exchange approval.

## Financial Instrument and Risk Management

Cash is carried at fair value using a level 1 fair value measurement. The carrying value of receivables and accounts payable and accrued liabilities approximated their fair value because of the short-term nature of these 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 judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

### Financial risk factors

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

#### *Credit risk*

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash equivalents and receivables. Management believes that the credit risk concentration with respect to financial instruments included in receivables is remote because these instruments are due primarily from government agencies.

#### *Liquidity risk*

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when they come due. As at February 28, 2010, the Company had a cash balance of \$2,691 to settle current liabilities of \$429,204. To maintain liquidity, the Company is currently investigating financing opportunities. Subsequent to February 28, 2010 the Company received proceeds of \$302,700 towards a private placement. As disclosed in Note 1 of the financial statements, current market conditions make the present environment for raising additional equity financing unfavorable and there can be no assurance these efforts will be successful in the future. All of the Company's financial liabilities are subject to normal trade terms.

#### *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. These fluctuations may be significant.

##### (a) Interest rate risk

The Company has cash balances held with financial institutions. The Company's current policy is to invest excess cash in short-term treasury bills issued by the Government of Canada and its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks.

##### (b) Foreign currency risk

The Company is not currently exposed to significant foreign currency risk as most transactions are denominated in Canadian dollars.

##### (c) Price risk

The company is exposed to price risk with respect to commodity prices. Changes in commodity prices will impact the economics of development of the Company's mineral properties. The Company closely monitors commodity prices to determine the appropriate course of action to be taken.

## **Risk Factors**

Companies in the exploration stage face a variety of risks and, while unable to eliminate all of them, the Company aims at managing and reducing such risks as much as possible. The Company faces a variety of risk factors such as project feasibility and practically, risks related to determining the validity of mineral property title claims, commodities prices and environmental laws and regulations. Management monitors its activities and those factors that could impact them in order to manage risk and make timely decisions.

## **Critical Accounting Policies and Estimates**

Playfair's accounting policies are described in Note 2 of its audited financial statements as at February 28, 2010. Management considers the following policies to be the most critical in understanding the judgments that are involved in the preparation of our financial statements and the uncertainties that could impact its results of operations, financial condition and cash flows:

- Use of estimates

The preparation of consolidated financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the year. Actual results could differ from these estimates. Significant accounts that require estimates relate to the impairment of mineral property interests, valuation allowance applied against future income tax assets and stock-based compensation.

- Mineral property interests

All costs related to the acquisition, exploration and development of mineral property interests are capitalized by property. If economically recoverable ore reserves are developed, capitalized costs are reclassified as mining assets and amortized using the unit of production method. When a property is abandoned, all related costs are written off to operations. If, after management review, it is determined that the carrying amount of a mineral property is impaired, that property is written down to its estimated net realizable value. A mineral property is reviewed for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable.

The amounts shown for mineral properties do not necessarily represent present or future values. Their recoverability is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof.

- Income taxes

Income taxes are recorded using the asset and liability method whereby future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that enactment or substantive enactment occurs. To the extent that the Company does not consider it more likely than not that a future tax asset will be recovered, it provides a valuation allowance against the excess.

- Flow-through common shares

Resource expenditure deductions for income tax purposes related to exploration activities funded by flow-through share arrangements are renounced to investors in accordance with Canadian income tax legislation. The Company records a future income tax liability and a reduction in capital stock for the estimated tax benefits transferred to shareholders. When the Company renounces flow-through expenditures, a portion of the Company's future income tax assets not recognized in previous years, due to the recording of a valuation allowance, will be recognized as a recovery of future income taxes in the statement of operations.

- Stock-based compensation

The Company uses the fair value method whereby the Company recognizes the fair value of compensation costs for the granting of all stock options and direct awards of stock over the vesting period. Any consideration paid by the option holders to purchase shares is credited to capital stock. The Company uses the Black-Scholes option pricing model to determine the fair value of options granted.

- Financial instruments

Financial instruments are required to be classified as held-for-trading, held-to-maturity, available-for-sale, loans and receivables, or other financial liabilities. All financial instruments and derivatives are measured in the balance sheet at fair value, except for loans and receivables, held-to-maturity investments and other financial liabilities, which are measured at amortized cost. Subsequent measurement and changes in fair value will depend on their initial classification. Held-for-trading financial instruments are measured at fair value and changes in fair value are recognized in net income. Available-for-sale financial assets are measured at fair value and changes in fair value are recognized in other comprehensive income until the instrument is derecognized or impaired.

## **New accounting standards**

### *Business combinations, non-controlling interest and consolidated financial statements*

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 1582 is applicable for the Company's business combinations with acquisition dates on or after January 1, 2011. Early adoption of this Section is permitted. Section 1601 together with Section 1602 establishes standards for the preparation of financial statements. Section 1601 is applicable for the Company's interim and annual financial statements for its fiscal year beginning March 1, 2011. Early adoption of this Section is permitted and all three Sections must be adopted concurrently.

### **IFRS Changeover Plan Disclosure**

The Canadian Accounting Standards Board (AcSB) has announced its decision to replace Canadian generally accepted accounting principles ("GAAP") with International Financial Reporting Standards (IFRS) for all Canadian Publicly Accountable Enterprises ("PAEs"). The effective changeover date is March 1, 2011, at which time Canadian GAAP will cease to apply for Volcanic and will be replaced by IFRS. Following this timeline, the Company will issue its first set of interim financial statements prepared under IFRS in the first quarter of 2011 including comparative IFRS financial results and an opening balance sheet as at March 1, 2010. The first annual IFRS consolidated financial statements will be prepared for the year ended February 28, 2012 with restated comparatives for the year ended February 28, 2011.

Management has developed a project plan for the conversion to IFRS based on the current nature of operations. The conversion plan is comprised of three phases: 1) Scoping phase which will assess the overall impact and effort required by the Company in order to transition to IFRS; 2) Planning phase which will include a detailed analysis of the conversion process and implementation plan required for disclosure for the Company's first quarter; and, 3) Transition phase which will include the preparation of an IFRS compliant opening balance sheet as at March 1, 2010, any necessary conversion adjustments and reconciliations, preparation of a fully compliant pro forma financial statements including all note disclosures and disclosures required for the MD&A.

Management has completed phase one, IFRS Scoping phase, and is now advancing through phase two, the Planning stage. Management is preparing a component evaluation of its existing financial statement line items, comparing Canadian GAAP to the corresponding IFRS guidelines. Management has identified differences, but as Volcanic only completed its Qualifying Transaction subsequent to year end and did not have any significant transactions prior to this date these are not expected to have a material impact on the reported results and financial position.

IFRS 1, "First-Time Adoption of International Financial Reporting Standards", provides entities adopting IFRS for the first time with a number of optional exemptions and mandatory exceptions, in certain areas, to the general requirement for full retrospective application of IFRS. During the current year management will prepare a presentation to the Audit Committee and the Board of Directors which will focus on the key issues and transitional choices under IFRS 1 applicable to the Company.

Set out below are the most significant areas, management has identified to date, where changes in accounting policies may have the highest potential impact on the Company's consolidated financial statements, both on the transitional numbers and on future consolidated financial statements, based on the accounting policy choices approved by the Audit Committee and Board of Directors.

In the period leading up to the changeover in 2011, the AcSB has ongoing projects and intends to issue new accounting standards during the conversion period. As a result, the final impact of IFRS on the Company's consolidated financial statements can only be measured once all the IFRS accounting standards at the conversion date are known. Management will continue to review new standards, as well as the impact of the new accounting standards, between now and the conversion date to ensure all relevant changes are addressed.

### ***Share Based Payments***

IFRS and Canadian GAAP largely converge on the accounting treatment for share – based transactions with only a few differences.

Canadian GAAP allows either accelerated or straight line method of amortization for the fair value of stock options under graded vesting. Currently, the Company is using the straight line method; however it intends to apply the accelerated amortization method in fiscal 2010 and therefore the adoption of IFRS 2 is not expected to have an impact on the Company's financial statements.

Under IFRS, the estimate for forfeitures must be made when determining the number of equity instruments expected to vest, while under Canadian GAAP forfeitures can be recognized as they occur. The Company is expecting to use an estimate of forfeitures when determining the number of equity instruments expected to vest during fiscal 2010.

Upon adoption of IFRS 2, the Company will be fully compliant with the new standard and the adoption is not expected to have an impact on the financial statements.

### ***Exploration and Evaluation Assets***

Under the Company's current accounting policy, acquisition costs of mineral properties, together with direct exploration and development expenses incurred thereon are capitalized.

Upon adoption of IFRS, the Company has to determine the accounting policy for exploration and evaluation assets. The Company can decide to apply the International Accounting Standards Board (“IASB”) Framework which requires exploration expenditures to be expensed and capitalization of expenditures only after the completion of a feasibility study or disregard the IASB Framework and keep the existing Company policy, if relevant and reliable.

Management has yet to decide on whether or not to fully adopt IFRS 6, “Exploration for and Evaluation of Mineral Properties”, and apply the IASB framework. If management elects to fully adopt IFRS 6, the result of the application of the IASB Framework at the transition date, mineral properties will decrease by \$9,932,193 together with an increase to accumulated deficit by the same amount reflecting the derecognized exploration costs.

### ***Future Income Taxes***

Like Canadian GAAP, deferred income taxes under IFRS are determined using the liability method for temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes, and by generally applying tax rates applicable to the Company to such temporary differences. Deferred income taxes relating to temporary differences that are in equity are recognized in equity and under IFRS subsequent adjustments thereto are backward traced to equity.

IFRS prohibits recognition where deferred income taxes arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting nor taxable net earnings. The Company expects the impact of implementing IAS 12, Income Taxes to not have an impact on the financial statements. However, as events and circumstances of the Company's operations change that give rise to future income taxes, IAS 12 will be applied.

As the Company elects and approves the IFRS accounting policy for each of the areas above, management will determine and disclose impact of the IFRS adoption at the transition date on our financial statements. The International Accounting Standards Board will also continue to issue new accounting standards during the conversion period and, as a result, the final impact of IFRS on the Company's consolidated financial statements will only be measured once all the IFRS applicable accounting standards at the conversion date are known.

Based on management assessment of the information system currently used by the Company, all information required to be reported under IFRS will be available with minimal system changes.

One of the more significant impacts identified to date of adopting IFRS is the expanded presentation and disclosures required. Disclosure requirements under IFRS generally contain more breadth and depth than those required under Canadian GAAP and, therefore, will result in more extensive note references. The Company is continuing to assess the level of presentation and disclosures required to its consolidated financial statements.

### **Subsequent Event**

Subsequent to February 28, 2010 the Company received subscription proceeds of \$302,700 towards a private placement of up to 7,500,000 common shares at \$0.10 per share, subject to regulatory approval.