



# BELVEDERE

resources

*Suite 404, World Trade Centre, 999 Canada Place, Vancouver, British Columbia, V6C 3E2, Canada.*

## **Management's Discussion & Analysis ('MD&A')** **For the Quarter Ended June 30, 2010**

This MD&A is intended to help the reader understand Belvedere Resources Ltd. ('BEL' or 'the Company'), our operations and our present business environment.

This MD&A has been prepared as of August 27, 2010 and covers the results of operations for the second quarter 2010 and year ended December 31, 2009. It is intended to supplement the 2009 audited annual consolidated Financial Statements and notes thereto which are expressed in Euros and are prepared in accordance with Canadian Generally Accepted Accounting Principles. The financial statements together with the following MD&A are intended to provide investors with a reasonable basis for assessing the financial performance of the Company as well as certain forward-looking statements relating to the potential future performance. Additional information relating to the Company is available from the Canadian securities regulators on SEDAR at [www.sedar.com](http://www.sedar.com).

### **FORWARD LOOKING INFORMATION**

All statements in this document, other than statements of historical fact, that address exploration drilling, exploitation activities and events or developments that the Company expects to occur, constitute 'forward looking statements' and these statements are made as of the date hereof. Any forward looking statements are based upon reasonable assumptions, but no guarantees or assurances can be given that actual results will be consistent with such statements.

Forward looking statements involve known and unknown risks, uncertainties and other factors, which may cause actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward looking statements. Such risks, uncertainties and other factors include, but are not limited to, the following:

- Risks inherent in the natural resource exploration, development and production
- Lack of operating cash flow and the Company's dependency on additional capital
- Competition in the mineral exploration and mining industries
- Governmental regulation and environmental liability
- Uncertainty of title of resource properties
- Results of legal claims made by or against the Company

Readers should not place undue reliance on any forward looking statements. Forward looking statements are not guarantees of future performance and actual results may differ materially. The Company undertakes no obligation to update these forward looking statements in the event that management's beliefs, estimates or opinions, or other factors, change. The technical (non-financial) aspects in this report have been prepared by Dr. Toby Strauss, the Company's Chief Operating Officer, who is acting as Qualified Person in compliance with National Instrument 43-101 with respect to this MD&A.

### **OUR BUSINESS & OPERATIONS REVIEW**

Belvedere Resources Limited ("Belvedere") is focused on exploring and developing nickel and gold projects in Finland. The company owns the Hitura Nickel Mine and Mill, which is back in production after having been held in care and maintenance since December 2008. Nickel production restarted in July 2010, and production is currently being ramped up to full production, expected in January 2011. In addition the company has a portfolio of advanced gold properties in close proximity to the mill and in other areas of Finland which are rapidly being developed towards production.

During the early part of 2010, Belvedere signed a fixed price sales agreement with Jinchuan Group Ltd for the sale of the nickel, copper and cobalt concentrate from the Hitura Mine. The sales agreement is denominated in Euros and remains in effect until February 2012. .

In parallel to the plans for nickel production, Belvedere has been working on advancing a number of gold deposits. Drilling the Ängesneva (K1) deposit on the Kiimala Property was completed in Q1 2010 with a new NI 43-101 compliant ore resource estimate announced in June, more than doubling the known resource. A 3,200 metre drilling programme was completed in June 2010 on the Kopsa gold deposit. The objective of this programme is to bring the historical resources up to NI 43-101 compliant standards to enable an economic evaluation of the property which envisages use of the mill at Hitura.

## SELECTED FINANCIAL INFORMATION

The selected annual financial information in the table following has been derived from the consolidated financial statements of the Company for the periods indicated and should be read in conjunction with such statements and notes thereto. Those financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

The Company generated net income for the quarter ended June 30, 2010 of €890,185 or €0.02 per share, which compares with a net loss of €1,038,525 or €0.01 per share for the same period in fiscal 2009. The principal causes of these quarterly and annual variations are explained after the 'Financial Highlights' table following.

On February 15, 2010, the Company reacquired the Hitura Mine and Kopsa gold property for the net purchase price of €1.

The purchase price based on the consideration paid and the fair value of the assets acquired has been allocated as follows:

	Valuation on Acquisition	Fair Value Adjustment	June 30 2010
	€	€	€
Land and buildings	138,075	461,925	600,000
Mineral properties	2,906,260	3,393,741	6,300,001
Plant and equipment	0	415,000	415,000
Inventory	370,000	0	370,000
Cash on deposit	400	0	400
Asset retirement obligation	(3,414,735)	0	(3,414,735)
			4,270,666
Negative goodwill recognized in income statement			(4,270,665)
Cash consideration paid			<u>1</u>

In the first quarter of fiscal 2010, the fair value of the assets described above was based on the best information available to management at that time. During the second quarter independent third party valuations of the mineral property, plant and equipment and real estate were completed and have been incorporated in the table above.

The Company anticipates the completion of an updated NI43-101 resource estimate during the third quarter, in view of which, the fair value of the assets reported above should be considered provisional and subject to change in subsequent periods.

Selected Annual Financial Information All amounts in €000, except shares and per share figures	Quarter ended 30 June 2010	Quarter ended 30 Jun 2009	Quarter ended 30 Jun 2008
Revenue	-	-	5,004
Operating Expenses *	801	1,043	6,385
G&A Expenses *	266	164	669
Other income	(2,649)	(168)	(72)
Income tax recovery	-	-	(445)
Net income (loss)	1,582	(1,039)	(1,533)
Income (loss) per share (basic and diluted)	0.02	(0.01)	(0.02)
Cash Flow (used) from operating activities	(1,091)	(884)	(1,200)
Cash Flow (used) from investing activities	(537)	(236)	(3,491)
Cash Flow (used) from financing activities	1,849	-	16
Net increase (decrease) in cash	847	(1,112)	(4,543)
Cash at end of period	2,753	1,800	3,845
Total Assets	14,566	16,939	42,155
Total Liabilities	11,813	13,346	11,951
Working Capital **	629	(7,069)	13,680
Weighted average number of shares outstanding	97,886,433	79,183,336	79,034,610
Dividends per Share	-	-	-

\*: Including stock based compensation

\*\* : Excluding cash restricted under standby letter of credit

During the second quarter:

- The Company generated net income for the quarter ended June 30, 2010 of €2,395,726 or €0.03 per share, which compares with a loss of €691,472 or €0.01 per share for the previous quarter and a loss of €1,038,525 or €0.01 per share reported for the same period of fiscal 2009.
- General and administrative expenses increased to €266,168 (2009: €163,688) substantially as a consequence of restarting operations at Hitura.
- Other income was €2,649,027 (2009: €167,953) largely as a consequence of a gain of €4,270,665 on the fair valuation of the Hitura assets acquired, which was offset by unrealized foreign exchange losses relating to the US dollar denominated preferred share shares liability of €570,161.
- Cash increased to €2,753,433 (2009: €1,799,959) primarily as a result of the proceeds from a private placement completed in June.
- Accounts receivable, inventories and prepaid expense balances increased as a result of the start up of operations at the Hitura nickel mine.
- Capital assets increased materially during the quarter to €11,072,405 (2009: €3,194,630) as a consequence of the fair valuation of the Hitura assets.
- Current and long term liabilities decreased to €10,799,423 (2009: €13,346,411) largely as a consequence of the deconsolidation of Finn Nickel liabilities in the fourth quarter of 2009.

## SUBSEQUENT EVENTS

On July 12th, 2010, the Company announced that it had signed an exclusive mandate with Investec Bank Plc for the issuance of up to two million euros as a convertible debenture with the proceeds to be applied to working capital and financing feasibility studies for the Kopsa gold

deposit. On August 18th, 2010, the Company announced that it had closed the private placement of the convertible loan facility of up to €2 million with Investec Bank plc, previously announced on July 12, 2010. Belvedere will use the proceeds of the loan to fund capital requirements and for general working capital purposes at its Finnish Hitura Nickel Mine, and to fund financing studies on the feasibility of the gold deposit at its Finnish Kopsa gold property. The loan matures on December 30, 2011. The principal amount of the loan is convertible at the lender's option into up to 19,094,286 common shares of Belvedere, at a conversion price of \$0.14 per share (and an exchange rate of €1 to \$1.3366). Belvedere has also issued 7,637,714 detachable warrants to Investec in connection with the loan. Each warrant entitles the holder to acquire one common share at an exercise price of \$0.14 for a two-year period. Belvedere also issued 1,000,000 common shares to Investec in payment of an upfront fee, as compensation for arranging the loan facility, at a deemed price of \$0.14 per share. All of the securities issued by Belvedere on closing (and any securities that may be issued on conversion of any part of the loan or on the exercise of any warrants) are subject to a hold period that expires on December 19, 2010. The TSX Venture Exchange has subsequently confirmed its approval of the transaction

On July 28th, 2010, the Company announced the successful restart of its 100% owned Hitura nickel mine in Finland. First concentrate had been produced well ahead of the scheduled restart of the mine in August and the mine and mill were ramping up to full production.

On August 24th, 2010, the Company announced a ship left Kokkola Port in Finland for China on August 21, carrying the first 1,000 tonnes of nickel concentrate from the newly re-commissioned Hitura Nickel Mine. A further 1,000 tonnes are planned to ship at the end of August ramping up to 2,500 tonnes per month by year-end.

## SUMMARY OF QUARTERLY RESULTS

The quarterly results for the Company for the last eight fiscal quarters are set out in the following table.

### Quarterly Results

(all amounts in thousands of Euros except per share figures)

<b>Fiscal 2010</b>	<b>4th Quarter</b>	<b>3rd Quarter</b>	<b>2nd Quarter</b>	<b>1st Quarter</b>
Revenue	-	-	-	-
Net income (loss) for the period	-	-	1,582	(691)
Basic and diluted income (loss) per share	-	-	0.02	(0.01)
<b>Fiscal 2009</b>	<b>4th Quarter</b>	<b>3rd Quarter</b>	<b>2nd Quarter</b>	<b>1st Quarter</b>
Revenue	-	-	-	-
Net loss for the period	(3,704)	(1,430)	(1,039)	(1,389)
Basic and diluted loss per share	(0.04)	(0.02)	(0.01)	(0.02)
<b>Fiscal 2008</b>	<b>4th Quarter</b>	<b>3rd Quarter</b>	<b>2nd Quarter</b>	<b>1st Quarter</b>
Revenue	6,815	1,675	-	-
Net loss for the period	(13,275)	(11,069)	-	-
Basic and diluted loss per share	(0.17)	(0.14)	-	-

Delays in starting up shipments to a new offtake partner impacted revenues in the third quarter of 2008 and mineral property impairment charges of €14 and €9 million respectively in the final two quarters of the year contributed to the material increase in comprehensive losses being reported. Losses for fiscal 2009 reflect costs associated with maintaining operating assets in care and maintenance mode and the resumption in exploration drilling on gold projects. The loss on bankruptcy and a further mineral property impairment charge contributed to the material increase in net losses reported in the fourth quarter of

2009. The fair valuation adjustment to the Hitura assets contributed to the net income for the second quarter of 2010.

## **EXPLORATION AND DEVELOPMENT UPDATE**

### Nickel Operations

During the quarter work focused on preparations for the restart of the Hitura nickel mine in August. Operations progressed ahead of schedule with the cleaning of access tunnels to first production stopes and initiation of production development. General repair and maintenance of the underground fleet was completed. Mill maintenance commenced and was completed by the middle of July. Subsequent to the quarter end the mine production commenced ahead of schedule in July, with first ore being fed through the mill on the 20<sup>th</sup> of July and first concentrate produced on the 26<sup>th</sup> July.

All exploration works have focused on the gold properties.

### Kopsa Gold Property

The diamond drilling programme at the Kopsa Gold Property, which started in March 2010 was completed on the 14th June. In total 3,194.98 metres were drilled over 31 holes (BELKOPDD033 to BELKOPDD63). The objective of the drilling was to bring the historical resources into NI 43-101 compliant resource categories, enabling an economic evaluation of the property (utilising the Hitura Mill and tailings), to be conducted. Interim results from the first 11 holes were announced in May 2010, which included an intersection of 92 metres averaging 3.2 g/t Au, from BELKOPDD043.

The final validated assay results from the remainder of the drilling were received in August, and include further high grade intersections:

- 11.20 metres averaging 6.85 g/t Au (BELKOPDD048)
- 49.46 metres averaging 2.48 g/t Au (BELKOPDD060)

These results continue to support management's belief that the Kopsa gold project will ultimately prove to be economically viable if utilising the Hitura Mill for processing. The data is currently being evaluated, and the mineralisation is being modelled in preparation for the calculation of an NI 43-101 compliant resource estimate, which is expected to be completed in Q3/Q4 2010. Detailed metallurgical studies on the Kopsa ore are also expected to be completed in Q4 2010.

### Kiimala Gold Property

On June 2<sup>nd</sup> 2010 the Company announced an NI 43-101 compliant Indicated Resource for its 100% owned K1 (Ängesneva) occurrence on the Kiimala Gold Property. Gold mineralisation occurs as a steeply dipping, flattened ellipse, over a strike length of 370 metres (to date) with a true thickness of between 30 – 60 metres, and continues to depths of at least 300 metres. The Qualified Person responsible for the Independent Technical Report has determined that the K1 (Ängesneva) occurrence has an Indicated Resource of 3,850,000 tonnes @ 1.19 g/t Au, containing 147,000 troy ounces of gold. This resource estimate was modelled and reported at a 0.5 g/t Au cut-off, and down to a maximum vertical depth of about 250 metres.

Management believe this result confirms the validity of the Company's structural and geological interpretation of the Kiimala property, and supports its view of the of a high potential for further significant mineralisation along the 15 kilometre strike length of the Kiimala Property.

## **OUTLOOK**

The Hitura mine produced 18,000 tonnes of ore for the month of July, about 40% of the planned full production rate of 45,000 tonnes of ore per month which is expected to be achieved by January 2011. Operations are forecast to produce approximately 2100 t of nickel in concentrate in the first 12 months and for the first 18 months of production, Belvedere has a guaranteed price for its nickel concentrates, through a fixed price offtake agreement. A new reserve and resource statement for Hitura is being updated and likely to be finalised in September, 2010.

Over the coming months the Company also expects to complete the NI 43-101 compliant resource estimate for the Kopsa gold copper project. Detailed metallurgical tests have been initiated on the Kopsa ore, the results of which are expected in fiscal Q4. Once these studies are complete, the Company will be able to proceed with scoping studies on the feasibility of starting gold production on the Hitura site which is only 13 km away from Kopsa.

## LIQUIDITY, CAPITAL RESOURCES AND FINANCIAL POSITION

The Company's overall liquidity risk has changed significantly from the prior year as a result of the start up of nickel production at Hitura, and is bolstered by the fixed price sales agreement with Jinchuan (see Our Business and Operations Review above). The Company did not generate any revenues in the first quarter.

To date, the Company has relied significantly on private placement financings of its equity securities to finance its operations. During the second quarter, the Company completed a brokered private placement raising net proceeds of €1.9 million through the issuance of 16,909,667 common shares at C\$0.15 per share. No warrants are attached to these shares. In the third quarter, the Company announced that it had closed the private placement of the convertible loan facility of up to €2 million with Investec Bank plc, previously announced in July. The proceeds of both the loan and the share issuance will be used to fund capital requirements and for general working capital purposes at its Finnish Hitura Nickel Mine, and to fund studies on the feasibility of the gold deposit at its Finnish Kopsa gold property. The private placement and Investec transactions are discussed in greater detail in the Subsequent Events section above.

The limited cash resources mean that the liquidity risk remains significant. Financings have all previously been completed in Canadian dollars and therefore there is an exchange rate risk at the corporate level to movements between the Canadian dollar and Euro on funds being transferred to Finland.

The Company's operating results and cash flow are affected by changes in the Euro exchange rate relative to the US Dollar and Canadian Dollar. Exchange rate movements can have a significant impact on operating results as a significant portion of the Company's operating costs are incurred in Euros. The Company's exposure to both fluctuations in the price of nickel and exchange rate movements have largely been mitigated through the fixed price sales agreement at a fixed US dollar/Euro exchange rate and the Investec convertible debt and conversion provisions also being denominated in Euros.

The Investec loan carries a floating interest rate. Interest is payable quarterly and may be capitalised (subject to Facility Limit) prior to January 1, 2011. The Company has no fixed rate or interest free financial liabilities by way of borrowing.

Cash and short terms deposits (denominated in Euros) were as follows:

Currency	At June 30 2010	At June 30 2009
Canadian Accounts	826,698	1,632,951
Euro Accounts	398,449	172,944
Euro (Restricted Funds)	1,525,000	
Sterling Accounts	3,286	(5,936)
Total	2,753,433	1,799,959

At the date of this MD&A, interest was being received on Euro deposits was 0.1% and interest being received on Canadian Dollar deposits was 0%

Cash flow used for operating activities was €665,412 compared to €884,083 in 2009. This reduction is primarily due to a lower net loss for the period when compared to 2009 which included care and maintenance costs associated with the Hitura mine.

Capital spending on mineral properties of €337,160 (2009: €236,196) relates to expenditures on the Company's gold properties.

At June 30, 2010, the Company had a working capital surplus of €629,054 which excludes €1,525,000 in cash restricted under the terms of a standby letter of credit relating to the environmental bond for the Hitura Mine.

The Company may be dependent upon additional debt or equity financing to carry out its exploration and development plans and there can be no assurance that such financing will be available on terms acceptable to the Company or at all. However, management continues to evaluate alternative ways of financing and bringing new revenues into the Company. These include various forms of debt financing, possible merger and joint venture opportunities, equity financing and asset sales

As at August 27, 2010 the Company had cash resources of €2.8 million.

### Financial Instruments

The fair values of cash and cash equivalents, receivables and accounts payable approximate their carrying values due to the short-term to maturities of these financial instruments.

The fair value of long-term liabilities was determined using discounted cash flows at prevailing market rates and the fair value is considered to approximate carrying value. The Company minimizes credit risk by reviewing the credit risk of the counterparty to the arrangement and has made any necessary provisions related to credit risk at June 30, 2010.

The Company is exposed to fluctuations in interest rates, foreign currency exchange rates and commodity prices. The Company has not entered into any derivative contracts.

## **RELATED PARTY TRANSACTIONS**

During the quarter ended June 30, 2010, the Company paid €10,754 to Midas Exploration (2009: €10,773) relating to wages of an executive director.

## **CRITICAL ACCOUNTING POLICIES AND ESTIMATES**

The details of the Company's accounting policies are presented in accordance with Canadian generally accepted accounting principles (GAAP) as set out in Note 2 to the Company's consolidated financial statements as at and for the period ending June 30, 2010. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. The preparation of the Company's financial statements depends upon estimates of proven and probable reserves, measured and indicated mineral resources and recoverable Nickel, assumptions of operating costs and future Nickel prices and possible values assigned to potential resources on exploration properties. Such estimates and assumptions affect the cost recovery of long-lived assets and the rate at which depletion and amortization are charged to earnings. In addition, management must estimate costs associated with mine reclamation and closure costs.

The following estimates are considered by management to be the most critical for investors to understand some of the processes and reasoning that go into the preparation of the Company's financial statements, providing some insight also to uncertainties that could impact the Company's financial results.

### Going Concern

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern which contemplates the realization of assets and discharge of liabilities in the normal course of operations for the foreseeable future. The Company has incurred significant recurring operating losses over the past two years, and has not generated positive cash flow from operations. For the quarter ended June 30, 2010 the Company generated net income of \$2,395,726, held cash of €2,753,433 which included €1,525,000 of cash restricted under the terms of a standby letter of credit, and had a working capital surplus of €629,054 excluding the restricted cash balance. Net working capital is defined as current assets minus current liabilities. At August 27, 2010, the Company held cash of €2.8 million including the restricted cash balance referred to above.

The net proceeds of €1.9 million from the private placement in June and the €2 million Investec loan facility in August, provides general working capital for the Company and the resources to fund the capital costs associated with the restart of operations at the Hitura Nickel Mine and the feasibility studies of the Kopsa gold deposit. The combination of the above funding, in conjunction with the successful restart of nickel production, the first shipment of concentrates delivered and a profitable fixed price sales agreement in place, mitigates the significance of going concern issues of earlier quarters to lower levels associated with mining operations of this type and size.

Management continue to evaluate alternative ways of financing and bringing new revenues into the Company. These include various forms of debt financing, possible merger and joint venture opportunities, equity financing and asset sales. There is no assurance however, that additional financing can be obtained, or if obtained, on terms that are acceptable to management, or that operations will generate expected revenues. The accompanying consolidated financial statements do not include any adjustments to reflect the possible future effects on recoverability and classification of assets or liabilities should the Company not be able to continue as a going concern

### Measurement Uncertainty

The preparation of financial statements in accordance with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

Actual results could differ from those estimates. Significant accounts that require estimates as the basis for determining the stated amounts include accounting for doubtful accounts, inventories, mineral property, plant and equipment, asset retirement obligations, stock-based compensation, allocation of purchase price of acquisitions and income and mining taxes.

Depreciation and depletion of mineral property, plant and equipment assets are dependent upon estimates of useful lives and reserves estimates, both of which are determined with the exercise of judgement. The assessment of any impairment of mineral property, plant and equipment is dependent upon estimates of fair value that take into account factors such as reserves, economic and market conditions and the useful lives of assets. Asset retirement obligations are recognized in the period in which they arise and are stated as the fair value of estimated future costs. These estimates require extensive judgement about the nature, cost and timing of the work to be completed, and may change with future changes to costs, environmental laws and regulations and remediation practices.

### Mineral Property, Plant and Equipment

Property, plant and equipment are recorded at cost less accumulated depreciation and depletion. Maintenance, repairs and renewals are charged to operations.

Mining properties and mining and process facility assets are amortized on a units-of-production basis which is measured by the portion of the mine's economically recoverable and proven ore reserves recovered during the period.

All direct costs related to the acquisition, exploration and development of mineral properties are capitalized until the properties to which they relate are placed into production, sold, abandoned or management has determined there to be an impairment. If economically recoverable ore reserves are developed, capitalized costs of the related property are reclassified as mining assets and amortized using the units-of-production method following commencement of production.

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.

Long-lived assets are tested for recoverability whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognized when their carrying value exceeds the total undiscounted cash flows expected from their use and eventual disposition. The amount of the impairment loss is determined as the excess of the carrying value of the asset over its fair value. Future cash flows are estimated based on expected future production, commodity prices, operating costs and capital costs.

#### Impairment and Uncollectability of Financial Assets

An assessment is made at each balance sheet date to determine whether there is objective evidence that a financial asset or group of financial assets may be impaired. If such evidence exists, the estimated recoverable amount of the asset is determined and an impairment loss is recognized for the difference between the recoverable amount and the carrying amount as follows: the carrying amount of the asset is reduced to its discounted estimated recoverable amount, either directly through or the use of an allowance account and the resulting loss is recognized in the consolidated statement of operations for the year.

For investments included under financial instruments, if there is an other than temporary decline in the value of the investment, such reduction is included in the consolidated statement of operations.

#### Closure Costs

The Company has an obligation to reclaim its properties after the minerals have been mined from the site, and has estimated the costs necessary to comply with existing reclamation standards. These estimates are recorded as a liability at their fair values in the periods in which they occur. If the estimate of reclamation costs proves to be inaccurate, the Company could be required to increase the provision for site closure and reclamation costs, which would increase the amount of future reclamation expense, resulting in a reduction in the Company's earnings and net assets.

#### Stock Based Compensation

The Company accounts for stock-based compensation using the Black-Scholes fair value option pricing model. Stock-based compensation is accrued and charged to operations, with a corresponding credit to contributed surplus, on a straight-line basis over the vesting period. If and when the stock options are ultimately exercised, the applicable amounts of contributed surplus are transferred to share capital.

#### Purchase Price Allocations on Business Acquisitions

The Company early adopted Section 1582, Business Combinations, which replaces Section 1581, and enhances accounting standards for business combinations. It is the Canadian GAAP equivalent to IFRS 3, Business Combinations. Adoption of this standard has had a material impact on its financial results as evidenced by the fair value adjustment discussed in Note 3 to the consolidated Financial Statements for the quarter ended June 30, 2010.

### Income Taxes

Future income taxes are recorded using the asset and liability method. Under the asset and liability method, 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 substantive enactment or 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.

### **OFF BALANCE SHEET TRANSACTIONS / PROPOSED TRANSACTIONS**

The Company has no Off Balance Sheet transactions nor Proposed Transactions.

### **CHANGES IN ACCOUNTING POLICIES**

In 2009, the Company adopted five new accounting standards that were issued by the Canadian Institute of Chartered Accountants.

#### Goodwill and intangible assets

Effective January 1, 2009, the Company adopted the new Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3064, *Goodwill and Intangible Assets*, which aligns Canadian GAAP for goodwill and intangible assets with International Financial Reporting Standards ("IFRS"). The new standard provides more comprehensive guidance on intangible assets, in particular for internally developed intangible assets

#### Credit risk and the fair value of financial assets and financial liabilities

Effective January 1, 2009, the CICA issued EIC 173, *Credit Risk and the Fair Value of Financial Assets and Financial Liabilities*, which provides guidance on how to take into account credit risk of an entity and counterparty when determining the fair value of financial assets and financial liabilities including derivative instruments. The adoption of EIC 173 did not have any material impact on the Company's financial position or results.

#### Mining exploration costs

In March 2009, the CICA issued EIC 174, *Mining Exploration Costs*, which supersedes EIC 126 and provides additional guidance on the capitalization of exploration costs and when an impairment test on these costs is required. The adoption of EIC 174 did not have any material impact on the Company's financial position or results.

#### Financial instruments disclosures

In June 2009, the CICA amended Section 3862, *Financial Instruments Disclosures* ("Section 3862"), to improve fair value and liquidity risk disclosures. Section 3862 now requires that all financial instruments measured at fair value be categorized into one of three hierarchy levels, described below, for disclosure purposes. Each level is based on transparency of the inputs used to measure the fair values of assets and liabilities:

- Level 1 – inputs are adjusted quoted prices of identical instruments in active markets.
- Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 – inputs used in a valuation technique are not based on observable market data in determining fair values of the instrument.

Determination of fair value and the resulting hierarchy requires the use of observable market data whenever available. The classification of a financial instrument in the hierarchy is based upon the lowest level of input that is significant to the measurement of fair value. The Company adopted these amendments prospectively on January 1, 2009.

#### Financial instruments – recognition and measurement

In 2009, the Company adopted the amendments made by the CICA to Handbook Section 3855, *Financial Instruments - Recognition and Measurement* ("Section 3855"), to provide additional guidance concerning the assessment of embedded derivatives upon reclassification of a financial asset out of the held-for-trading category, amend the definition of loans and receivables, amend the categories of financial assets into which debt instruments are required or permitted to be classified, amend the impairment guidance for held-to-maturity debt instruments and require reversal of impairment losses on available-for-sale debt instruments when conditions have changed. The additional guidance on assessment of embedded derivatives is applicable for reclassifications made on or after July 1, 2009. All other amendments are applicable as of January 1, 2009. The adoption of these amendments did not result in a material impact on the Company's consolidated financial statements.

#### Purchase Price Allocations on Business Acquisitions

The Company early adopted Section 1582, Business Combinations, which replaces Section 1581, and enhances accounting standards for business combinations. It is the Canadian GAAP equivalent to IFRS 3, Business Combinations. Adoption of this standard has had a material impact on its financial results as evidenced by the fair value adjustment discussed in Note 3 to the consolidated Financial Statements for the quarter ended June 30, 2010.

### **INTERNATIONAL FINANCIAL REPORTING STANDARDS**

In January 2006, the CICA's Accounting Standards Board ("AcSB") formally adopted the strategy of replacing Canadian GAAP with IFRS for Canadian enterprises with public accountability. On February 13, 2008 the AcSB confirmed that the use of IFRS will be required in 2011 for publicly accountable profit-oriented enterprises. For these entities, IFRS will be required for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The Company will be required to have prepared, in time for its first quarter of fiscal 2011 filing, comparative financial statements in accordance with IFRS for the three months ended March 31, 2010. The Company is in the process of evaluating its overall readiness to transition from GAAP to IFRS including the readiness of its staff, Board of Directors and Audit Committee. A presentation to the Audit Committee of the specific changes required to the accounting policies and business processes is planned for Q3 2010.

### **RISK FACTORS**

An investment in Belvedere should be considered speculative due to its present stage of development, the nature of its operations and certain other factors. An investment in Belvedere's securities should only be made by persons who can afford the total loss of their investment. The risk factors which should be taken into account in assessing Belvedere's activities and an investment in securities of Belvedere include, but are not limited to, those set out below. Should any one or more of these risks occur, it could have a material adverse effect on the value of securities of Belvedere and the business, prospects, assets, financial position or operating results of Belvedere, any one of which may have a significant adverse effect on the price or value of any securities of Belvedere.

The risks noted below do not necessarily comprise all those faced by Belvedere and are not intended to be presented in any assumed order of likelihood or magnitude of consequences.

#### **Liquidity risk**

Liquidity risk is the risk that Belvedere will not be able to meet its financial obligations as they fall due because Belvedere currently has no revenues, although first revenues from mining operations are forecast for September, 2010. The ability of the Company to meet its financial obligations is dependent

upon the ability of the Company to generate revenue through mining activities or to raise further capital in the capital markets and there is no guarantee that the Company will be able to raise such capital. The failure to obtain such financing on a timely basis may cause Belvedere to postpone certain business activities or to cease carrying on business. There is no assurance Belvedere will be successful in obtaining the required financing for ongoing operations. Moreover, if additional financing is raised through the issuance of equity or convertible debt, the interests of shareholders in the net assets of the Company may be diluted.

### **No Revenue and No Producing Properties**

Belvedere has not recorded any revenues from its operations during the first half of 2010. Revenues are expected to re-commence in September 2010 with the first payments for concentrate from the resumption of operations at the Hitura Mine. Belvedere expects to continue to incur losses unless and until such time as its properties generate sufficient revenues to fund its continuing operations. The Company's properties will require the commitment of substantial resources to conduct time consuming exploration and development. There can be no assurance that the Company will achieve profitability. There can be no assurance that the underlying assumed levels of expenses will prove to be accurate. There can be no assurance that significant additional losses will not occur in the near future or that the Company will be profitable in the future. Belvedere's operating expenses and capital expenditures may increase in subsequent years as needed consultants, personnel and equipment associated with advancing exploration, development and commercial production of its properties are added. The amounts and timing of expenditures will depend on the progress of ongoing exploration and development, the results of consultants' analysis and recommendations, the rate at which operating losses are incurred, the Company's acquisition of additional properties and other factors, many of which are beyond the Company's control.

In addition, a positive production decision on any property would require significant capital for project engineering and construction. Accordingly, the continuing development of the Company's properties will depend upon the Company's ability to obtain financing through debt financing, equity financing, or other means. There is no assurance that the Company will be successful in obtaining the required financing for these or other purposes. Moreover, if additional financing is raised through the issuance of equity or convertible debt securities of the Company, the interests of shareholders in the net assets of the Company may be diluted.

### **Success of Current and Future Exploration Cannot be Assured**

The exploration and development of mineral deposits involves significant financial risks over a prolonged period of time, which even a combination of careful evaluation, experience and knowledge cannot eliminate. While discovery of a mineral structure may result in substantial rewards, few properties which are explored are ultimately developed into producing mines. Major expenditure may be required to establish mineral reserves by drilling and to construct mining and processing facilities at a site. It is impossible to ensure that exploration will result in the discovery of an economically viable mineral deposit or in a profitable commercial mining operation.

### **Liquidity and Investment Risk**

The share prices of publicly quoted companies can be volatile. The price of shares is dependent upon a number of factors some of which are general or market or sector specific and others that are specific to the Company.

Although the ordinary shares are traded on TSX-V, this should not be taken as implying that there will be a liquid market for them. An investment in the common shares may be difficult to realize. Accordingly, each prospective investor should view his purchase of the Common Shares as a long-term investment and should not consider such purchase unless he is certain he will not have to liquidate his investment for an indefinite period of time.

The value of the common shares may go down as well as up. Investors may therefore realise less than their original investment or may sustain a total loss of their investment.

## **Nickel Prices**

Belvedere's revenues are expected to be derived in part from the extraction and sale of nickel concentrate. The price of nickel has fluctuated widely, particularly in recent years, and is affected by numerous factors beyond Belvedere's control including international, economic and political trends, expectations of inflation, currency exchange fluctuations, interest rates, global or regional consumption patterns, speculative activities and increased production due to new extraction developments and improved extraction and production methods.

Nickel price risk has been mitigated by the securing of a fixed price sales agreement with Jinchuan Group Ltd for the sale of the nickel, copper and cobalt concentrate from the Hitura mine which was repurchased by Belvedere Mining Oy in April 2010. The sales agreement is denominated in Euros and has a duration of 18 months from the commencement of deliveries. Deliveries commenced in August of this year. In securing the fixed price sales agreement, the Company was able to take advantage of the upswing in Nickel prices to lock in a price which will allow the mine to safely return to production with no pricing downside risk.

## **Gold Prices**

Belvedere's future revenues are expected to be derived in part from the extraction and sale of gold. The profitability of Belvedere's operations is significantly affected by changes in the market price of gold. Gold prices fluctuate on a daily basis and are affected by numerous factors beyond the control of the Company. The factors that may affect the price of gold include industry factors such as: industrial and jewellery demand; the level of demand for the metal as an investment; central bank lending, sales and purchases of the metal; speculative trading; and costs of and levels of global production by producers of the metal. Gold prices may also be affected by macroeconomic factors, including: expectations of the future rate of inflation; the strength of, and confidence in, the US dollar, the currency in which the price of the metal is generally quoted, and other currencies; interest rates; and global or regional political or economic uncertainties. The effect of these factors on the price of gold cannot be accurately predicted. Any material decrease in the prevailing price of gold for any significant period of time would have an adverse and material impact on the economic evaluations contained in this MD&A and on Belvedere's results of operations and financial condition.

## **Exploration, Mining and Processing Licences**

The Company's proposed exploration, mining and processing activities are dependent upon the grant of appropriate licences, concessions, leases, permits and regulatory consents or made subject to limitations. There is no guarantee that, upon completion of any exploration activity a mining licence or lease will be granted with respect to exploration territory. There can be no assurance that any exploration licence will be renewed or if so, on what terms. These licences place a range of past, current and future obligations on the Company. In some cases there could be adverse consequences for breach of these obligations, ranging from penalties to, in extreme cases, suspension or termination of the relevant licence or related contract.

## **Environment**

Environmental legislation affects nearly all aspects of the Company's operations. Compliance with environmental legislation can require significant expenditures and failure to comply with environmental legislation may result in the imposition of fines and penalties, clean up costs arising out of contaminated properties, damages and the loss of important permits. Exposure to these liabilities arises not only from existing operations, but from operations that have been closed. The Company's historical operations have generated chemical and metals depositions in the form of tailing ponds and rock waste dumps. There can be no assurances that the Company will at all times be in compliance with all environmental regulations or that steps to achieve compliance would not materially adversely affect the Company. Environmental laws and regulations are evolving in Finland where the Company has activities. The Company is not able to determine the specific impact that future changes in environmental laws and regulations may have on the Company's operations and activities, and its resulting financial position; however, the Company anticipates that capital expenditures and operating expenses will increase in the future as a result of the implementation of new and increasingly stringent environment regulation. Further

changes in environmental laws, new information on existing environmental conditions or other events, including legal proceedings based upon such conditions or an inability to obtain necessary permits could require increased financial reserves or compliance expenditures or otherwise have a material adverse effect on the Company. Changes in environmental legislation could also have a material adverse effect on product demand, product quality and methods of production and distribution.

### **Title Matters**

The acquisition of title to mineral properties is a very detailed and time-consuming process. Title to, and the area of, mineral concessions may be disputed. Belvedere has taken reasonable measures to ensure proper title to its properties and the Company has investigated its right to explore and exploit its properties. To the best of the Company's knowledge, those rights are valid. The results of Belvedere's investigations with respect to its properties should not be construed as a guarantee of title. No assurance can be given that applicable governments will not revoke or significantly alter the conditions of the applicable exploration authorizations nor that such exploration authorizations will not be challenged or impugned by third parties.

### **Competition**

Belvedere's business is intensely competitive and it competes with other mining companies, many of which have greater resources. Such competition may result in the Company being unable to acquire desired properties, to recruit or retain qualified employees or to acquire the capital necessary to fund its operations and develop its properties. The Company's inability to compete with other mining companies for these resources would have a material adverse effect on the Company's results of operation and business.

### **OTHER MATTERS**

#### Outstanding Share Data

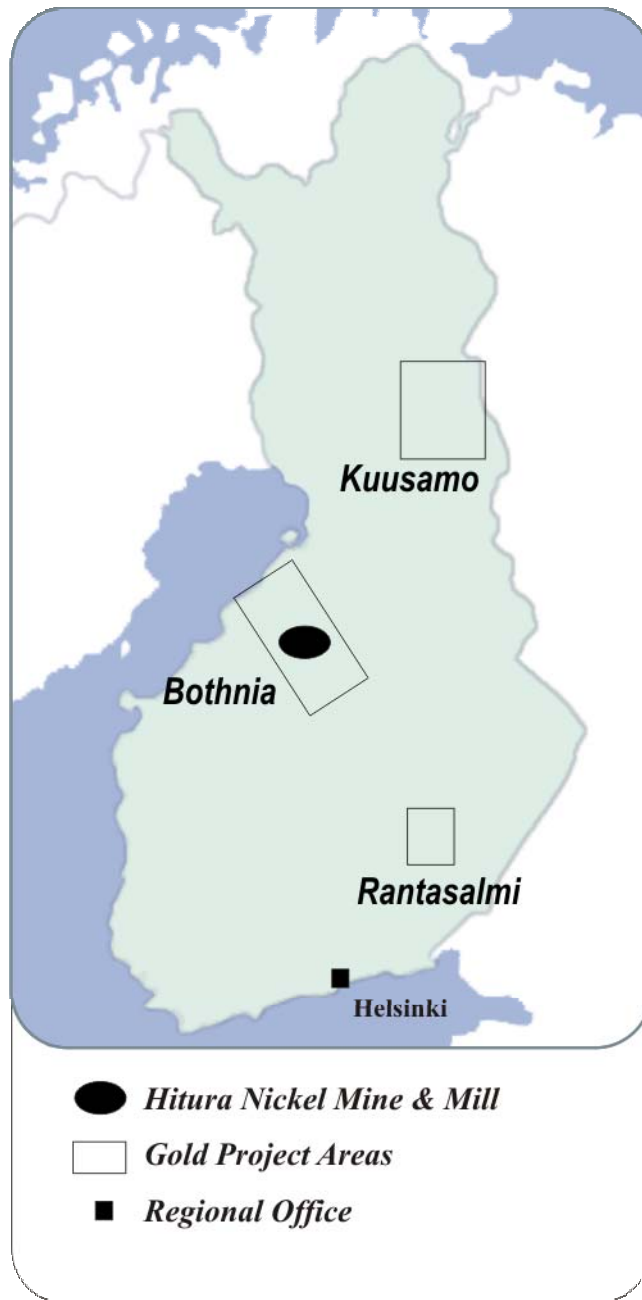
As at the date of this MD&A the following securities are outstanding:

Common Shares	120,218,005
Warrants	7,637,714
Options	7,250,000

#### Further Information

Additional information relating to the Company is on SEDAR at [www.sedar.com](http://www.sedar.com) and the Company's web site [www.belvedere-resources.com](http://www.belvedere-resources.com).

**APPENDIX 1- OVERVIEW OF OPERATING REGIONS**



**APPENDIX 2- SCHEDULE OF KEY FACTS RELATING TO H1 2010**

Region	Operation/ Activity	Key Facts
<b>NICKEL</b>		
Hitura	Nickel Operations	<ul style="list-style-type: none"> <li>• Hitura Nickel Mine purchased from Finn Nickel Bankrupt Estate in February, 2010</li> <li>• Operating since 1970, the mine is a 620,000t/a underground operation.</li> <li>• Sales agreement for 18 months of production signed with Jinchuan in April 2010</li> <li>• Production at Hitura restarts in July 2010</li> <li>• First delivery of concentrate from Hitura is made in August 2010</li> </ul>
	Nickel Exploration	<ul style="list-style-type: none"> <li>• No nickel exploration was completed</li> </ul>
<b>GOLD</b>		
Bothnia Exploration	Hirsikangas	<ul style="list-style-type: none"> <li>• No work done in Q2 2010</li> </ul>
Bothnia Exploration	Ängesneva (Kiimala Property)	<ul style="list-style-type: none"> <li>• 3000 m drilling programme completed in March 2010</li> <li>• NI 43-101 compliant resource estimate announced June 2010</li> </ul>
Kuusamo	Haarakumpu	<ul style="list-style-type: none"> <li>• No work done during Q2 2010</li> </ul>
Rantasalmi	Osikonmäki	<ul style="list-style-type: none"> <li>• No work done during Q2 2010</li> <li>• Interpretation and resource estimate ongoing</li> </ul>
Bothnia Exploration	Kopsa	<ul style="list-style-type: none"> <li>• Kopsa Gold project purchased from Finn Nickel Bankrupt Estate in February, 2010</li> <li>• 3200 m drilling programme commenced in March 2010 and completed in June 2010</li> <li>• Interim drill results released in May 2010</li> <li>• Final drill results releases in August 2010</li> </ul>

**APPENDIX 3- 2010 PRODUCTION SUMMARY**

**No Production from Hitura Nickel Mine or any other project in Q2 2010**

## APPENDIX 4- RESERVES AND RESOURCES

### Nickel Reserves

Prospect	Category	Tonnes	Ni%	Cu%
Hitura	Proven Reserves	365,000	0.61	0.23
Hitura	Probable Reserves	1,985,000	0.62	0.22
<b>Hitura</b>	<b>Total Ore Reserves</b>	<b>2,350,000</b>	<b>0.62</b>	<b>0.22</b>

### Nickel Resources

Prospect	Category	Tonnes	Ni%	Cu%
Hitura	Measured & Indicated	1,372,000	0.64	0.22
Hitura	Inferred	430,000	0.70	0.29

#### Notes:

1. The Hitura Resources and Reserves are valid as of December 31<sup>st</sup> 2007. This is the last NI 43-101 compliant resource statement. Since this statement, approximately 527,000 tonnes of ore were mined from the reserves of Hitura Mine. The mine has been on Care and Maintenance from December 2008. The company is currently preparing an updated NI 43-101 compliant resource and reserve statement.
2. Where a property has Measured and Indicated or Indicated and Inferred resources, Measured and Indicated Resources are separate from Inferred Resources.
3. Where a property has Reserves this figure is in addition to and is not included in the Measured, Indicated or Inferred Resource categories

### Gold Resources

Property	Prospect	Category	Tonnes	Au g/t	Cu%	Co%	Troy Ounces
Hirsikangas		Indicated	3,002,000	1.23			119,000
Hirsikangas		Inferred	2,673,000	1.27			109,000
Rantasalmi	Osikonmäki East	Inferred	3,850,000	1.19			147,000
Rantasalmi	Osikonmäki West	Historical	90,000	4.86			14,000
Rantasalmi	Pirilä	Historical	150,000	8.9			43,000
Kopsa		Historical	25,000,000	0.57	0.15		458,000
Kopsa <sup>2</sup>		Historical	1,100,000	1.9			67,000
Kiimala	K3 (Vesiperä)	Historical	300,000	2.5			24,100
Kiimala	K1 (Ängesneva)	Indicated	3,850,000	1.19			147,000
Kuusamo	Haarakumpu	Historical	900,000		0.46	0.34	
Kuusamo	Kouervaara	Historical	1,580,000	0.4		0.1	20,300

#### Notes:

1. Where a property has Measured and Indicated or Indicated and Inferred resources, Measured and Indicated Resources are separate from Inferred Resources.
2. Kopsa resources: The smaller tonnage, higher grade resource is INCLUDED in the larger bulk resource

### PROPERTY SPECIFIC TECHNICAL INFORMATION OF ESTIMATES

### **HITURA**

*The ore reserve and resource estimate for Hitura is effective from 31st December, 2007, and has been prepared by Markku Meriläinen of Outotec Oyj, acting as an independent “Qualified Person”. The ore resource was calculated using block modelling, made up of 5m x 5m x 5m parent blocks, with sub-blocks of 2.5m x 2.5m x 2.5m constrained by a 0.47% Ni grade envelope. The grades inside the blocks were calculated using a combination of ordinary Kriging and an inverse distance squared method, depending on the quality of the variograms associated with the different ore zones. The maximum search distance was 200m for all estimations. The distance between the drilling profiles used for constructing the grade envelopes, varies from 6 m to 25 m but the most frequent one is 12.5 m. The minimum of 3 and maximum of 15 composites were used to estimate the block grade. An average specific gravity of 2.7 was assigned for all blocks. Further information regarding the status of Hitura in regards environmental, permitting, and title issues can be found in the NI 43-101 Technical Report “Property Portfolio of Suomen Nikkeli Oy (Finn Nickel Ltd) in southern Finland” dated 1<sup>st</sup> October, 2006, and filed on SEDAR 24<sup>th</sup> October, 2006. There are no known issues that may materially affect the mineral resources listed above.*

### **OSIKONMÄKI EAST**

*The Osikonmäki East mineral resource is effective from December, 2005, and has been prepared by Dean Carville and Mike Struthers of AMC, Australia, acting as independent “Qualified Persons”. The ore resource was calculated using block modeling made up of 25m x 25m x 5m blocks with sub-blocks down to 2.5m x 2.5m x 1m. The block models were constrained by a wireframed three-dimensional volume interpreted from mineralised structures on oblique sections. The grades inside the blocks were calculated using ordinary kriging, based on a variogram with a search ellipse dipping 40 to the south and plunging 20 to the east. The search ellipse ranges were 82mX x 38mY x 12mRL. An average specific gravity of 2.73 g/cm<sup>3</sup> was assigned for all blocks. Further information regarding the status of the property in regards to environmental permitting, and title issues can be found in the NI 43-101 Technical Report “Rantasalmi Gold Project, Finland” dated December, 2005, and filed on SEDAR 30<sup>th</sup> October, 2006. There are no known issues that may materially affect the mineral resources listed above.*

### **HIRSIKANGAS**

*The Hirsikangas mineral resource is effective from November 30<sup>th</sup> 2009, and has been prepared by Thomas Lindholm of GeoVista AB of Sweden, acting as independent “Qualified Person”. The ore resource was calculated using block modeling made up of 10m x 10m x 2m blocks with sub-blocks down to 2.5m x 2.5m x 0.5m. The block models were constrained by a wireframed three-dimensional volume interpreted from mineralised structures on oblique sections. The grades inside the blocks were calculated using the Inverse Distance Squared Method, with several passes. The Indicated Resources are where drilling was on a grid of 50m x 50m. The Inferred Resources are where drill spacing was greater than 50m x 100m. An average specific gravity of 2.72 g/cm<sup>3</sup> was assigned for all blocks. Further information regarding the status of the property in regards to environmental permitting, and title issues can be found in the NI 43-101 Technical Report “Hirsikangas Gold Deposit, Central Ostrobothnia, Finland” dated November 30<sup>th</sup>, 2009, and filed on SEDAR. There are no known issues that may materially affect the mineral resources listed above.*

### **K1 (ÄNGESNEVA)**

*The mineral resource estimate for Ängesneva (K1) is effective from 2<sup>nd</sup> June, 2010 and has been prepared by Mr Thomas Lindholm, MSc of GeoVista AB, Luleå, Sweden acting as an independent “Qualified Person” as defined by National Instrument 43-101. Mr. Lindholm is a fellow member of the Australasian Institute of Mining and Metallurgy (Member #230476). Mineral resources of the Ängesneva gold deposit have been prepared and categorised for reporting purposes by Mr. Lindholm, following the guidelines of the JORC Code. Mr Lindholm is qualified to be a Competent Person as defined by the JORC Code on the basis of training and experience in the exploration, mining and estimation of mineral resources of gold deposits. The Ängesneva (K1) database includes 69 diamond drillholes totalling 9,167.71 metres drilled between 1988 and 2010. The database includes 4,442 Au assays. Drill core sample lengths vary between 0.08 and 4.4 metres but were generally about 1.0 metres (average 1.19 metres). All assays were composited to 1.5 m for use in the interpolation. The mineralisation was modelled as one domain. A wireframe was constructed based on a 0.5 g/t Au cut-off grade, permitting the inclusion of up to 7m waste. The mineral resource was calculated using block modelling to a maximum vertical depth of approximately 250 metres (Z=-160), made up of 10m x 10m x 2m blocks constrained by the modelled wireframe. The block model was*

rotated to an azimuth of 030° to better fit the geometry of the body. Block grades were interpolated using 3 concentric search ellipses using ordinary Kriging with a minimum of 3 and a maximum of 25 samples. The first search ellipse had a maximum range of 26m (being 2/3 the range determined by variography), the second was 52m, and the final 104m. 8.6% of blocks were populated in the 1<sup>st</sup> pass, 63.6% in the 2<sup>nd</sup> pass and the remainder of 27.7% populated in the 3<sup>rd</sup> pass. Bulk density of the mineralisation was based on actual specific gravity data collected during exploration. A total of 285 measurements were taken from within the modelled mineralised zone, giving an average bulk density of 2.83 tonnes/m<sup>3</sup>. Further information regarding the status of the property in regards to environmental permitting, and title issues can be found in the NI 43-101 Technical Report “Ängesneva (K1) Gold Deposit, Kiimala Property, Central Ostrobothnia, Finland.” dated June 2<sup>nd</sup>, 2010, and filed on SEDAR. There are no known issues that may materially affect the mineral resources listed above.

### **HISTORICAL RESOURCES**

The following properties only have Historical Resources associated with them, that were prepared prior to the implementation of National Instrument 43-101. The sources of the historical estimates are identified below. The estimates are based upon historical diamond drilling without NI 43-101 compliant QA/QC procedures. Belvedere does not have, and is not aware of, any more recent resource or reserve estimates which are compliant with the standards laid out in National Instrument 43-101. Belvedere advises that it has not done the work necessary to verify the classification of either of the mineral resource estimates and such estimates have not been verified by a qualified person. The Company is not treating the historical resource estimates supplied in this news release as National Instrument 43-101-defined resources, and the historical resource estimates should not be relied upon.

**KOPSA** The historical resource estimate for Kopsa is found in the Outokumpu Oy Report “080/2344/MAI/82 (1982)”. Further information on the deposit is found in the “Technical Report on the Arkala, Kopsankangas and Susineva Properties” filed on Sedar 6<sup>th</sup> September 2002

**KOUVERVAARA** The historical resource estimate for Kouvervaara is found in the Geological Survey of Finland, “Report of Investigation 101 (1991)”. Further information on the deposit is found in the “Technical Report on the Kuusamo Properties” filed on Sedar 17th November 2006

**HAARAKUMPU** The historical resource estimate for Haarakumpu is found in some Lapin Malmi Oy reports dated 1985. Further information on the deposit is found in the “Technical Report on the Kuusamo Properties” filed on Sedar 17th November 2006

**OSIKONMÄKI WEST** The historical resource estimate for Osikonmäki West is found in the Geological Survey of Finland Report “M06/3233/92/1/10 (1992)”. Further general information on the deposit is found in the NI 43-101 Technical Report “Rantasalmi Gold Project, Finland” dated December, 2005, and filed on SEDAR 30<sup>th</sup> October, 2006.

**PIRILA** The historical resource estimate for Pirila is found in the Geological Survey of Finland Report “M19/3233/86/1/10 (1986)”.

**VESIPERÄ** The historical resource estimate for Vesiperä is found in the Geological Survey of Finland Report “M19/2433-88/1/10 (1988)”.