

**ALDERSHOT RESOURCES LTD.**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

For the nine months ended October 31, 2010

# **ALDRSHOT RESOURCES LTD.**

For the nine months ended October 31, 2010

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## **1.1 DATE**

This Management's Discussion and Analysis ("MD&A") of Aldershot Resources Ltd. ("Aldershot" or the "Company") has been prepared by management as of December 7, 2010 and should be read in conjunction with the audited financial statements and related notes thereto of the Company, as at and for the years ended January 31, 2010 and 2009, which were prepared in accordance with Canadian generally accepted accounting principles. The Company's Audit Committee have reviewed and approved this MD&A.

## **1.2 OVERALL PERFORMANCE**

### **Current Quarter Highlights**

- The Company commenced drilling work on its mining licence focusing on iron ore mineralization located in South Australia.
- The Company entered into a Standstill Agreement with American Nuclear Resources ("ANR") and commenced due diligence on uranium properties located in the United States. Subsequent to the quarter-end, this Agreement expired.
- The Company raised \$420,000 through a non-brokered private placement.
- Exploration expenses have increased from a recovery of \$(54,961) in the prior quarter to \$156,032 in the current quarter primarily in conjunction with work conducted its iron ore licence in South Australia.
- Operating expenses have increased from the prior quarter of \$156,304 to \$356,318, primarily due to increased professional fees and stock-based compensation.
- Net loss for the three months ended October 31, 2010 was \$496,484 compared to \$88,173 for the prior quarter.

### **Company Overview**

The Company was incorporated on September 8, 1987 under the name Quattro Resources Ltd. and on October 31, 2001, changed its name to Aldershot Resources Ltd. Aldershot is a publicly traded corporation listed on the Toronto Venture Stock Exchange under the symbol ALZ. The address of the registered and records office and the address for service of the Company is 10<sup>th</sup> Floor, 595 Howe Street, Vancouver, B.C. V6C 2T5. The business address of the Company is Suite 209, Old Stock Exchange Building, 475 Howe Street, Vancouver, BC., V6C 2B3.

## **ALDRESHOT RESOURCES LTD.**

For the nine months ended October 31, 2010

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The Company is engaged in the acquisition and exploration of resource properties. The Company has not yet determined whether its properties contain enough mineral reserves, such that their recovery would be economically viable.

The mission of Aldershot is to find and develop a mineral prospect to create wealth for shareholders. This is being achieved through acquiring and exploring properties which have the highest potential for future discoveries or development of existing mineral resources into mineable reserves. Management continues to rationalize all of its significant core holdings to maintain percentage ownership while granting other companies options to earn interests in the properties by them undertaking the exploration work at no cash cost to the Company.

Management is well-rounded with the necessary skills required to achieve success, both in the technical and financial area with experienced mining engineers and consulting geologists and those with entrepreneurial and financial experience. Shareholders are represented by a strong Board of Directors, experienced in the mining industry.

### **Our Exploration Process**

Aldershot uses its management's strengths to find properties that can be tested, developed and ultimately brought into production, although there are no assurances that this will occur. We focus first on advanced prospects that can rapidly be tested or assessed to determine their potential and whether ongoing exploration is justifiable. These can be acquired through literature research, conceptual models or assessment of projects offered to the Company. After this process is completed, we develop the appropriate exploration/development strategies for each style of deposit and time frame with key decision points throughout the year. During periods where the Company's cash resources are limited and the markets are not receptive to financing, the Company enters into joint venture agreements with others to share the costs and risks associated with the necessary exploration work.

### **Our Exploration Results**

Jeremy Caddy, President, a qualified person as defined by National Instrument 43-101, reviewed the technical information presented herein.

### **Australia**

#### Northern Territory

Aldershot entered into an agreement with Royal Resources Limited ("Royal"), granting them the option to acquire a 60% interest in its licences, focusing on uranium mineralization in the Northern Territory. Under the terms of the agreement, Royal paid the Company \$83,937 (AUD \$100,000) and must spend AUD \$900,000 (CAD \$765,000, at date of agreement) of exploration expenditures on the properties over a three year period. Once the required level of expenditures is made by Royal, the Company must pay its pro-rata share of costs to retain its 40% ownership of the property. The Company retains a 2% NSR on the Mt. Thomas licence that it sold last year. EL27354 (Amangal Project) which abuts the northern edge of the George

## **ALDRSHOT RESOURCES LTD.**

For the nine months ended October 31, 2010

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Project and was granted to Royal in 2009, is included as part of the agreement being within an agreed buffer zone.

*George EL24550: Royal earning 60%, Royal manages*

During the quarter, the report and final maps of the remapping program conducted over the George and Amangal tenements was received. The revised geology and interpretation of the previous airborne magnetic survey refined the known target areas and identified additional areas. One zone was tested by ground electrical (IP) and radiometric surveys. The radiometric survey (100m line spacing with a continual reading GR-135 spectrometer) has identified extensions of the anomalism associated with the Adelaide River Mine area into the Amangal tenement. The IP survey identified weak chargeability zones that are interpreted as extensions of the structures hosting the Adelaide River mineralisation. Drilling permits are currently being assessed by the authorities.

*Waterhouse West EL24563: Royal earning 60%, Royal manages*

The regional airphoto interpretation and final report have now been received and have identified target zones for future exploration. Drilling approvals are in place and the drilling program is scheduled to be undertaken concurrent with drilling programs at George. It is anticipated that this will be undertaken after the monsoon season.

*ABC EL24555: Royal earning 60%, Royal manages*

Negotiations with the Northern Lands Council for access to this property are continuing. As part of this process, a heritage survey was completed in September and we are waiting on the anthropologist's report and map to identify areas that may be excluded from exploration.

*Ngalia EL24571: Royal earning 60%, Royal manages*

During the quarter, the exploration focus was on the Ngalia Project with all required access and drilling approvals received from the Government and the traditional owners. Access tracks were partially completed before unseasonal rain stopped all further field work. Repeated attempts for access were frustrated by ongoing rains but drilling commenced on 30 October. No results are available as yet.

Western Australia

*Turee Creek EL52/1763: Cameco earning 70%, Cameco manages*

The Company entered into an agreement with Cameco Australia Pty Ltd. ("Cameco") granting Cameco the option to acquire a 70% interest in the Turee Creek licence, with a focus on uranium mineralization. Under the terms of the agreement, Cameco paid the Company \$197,474 and must spend at least AUD \$2,500,000 (CAD \$2,125,000, at date of agreement) on the property over a four year period. Once the required level of expenditures is made by Cameco, the Company must pay its pro-rata share of costs to retain its 30% ownership of the property. Subsequent to

## **ALDERSHOT RESOURCES LTD.**

For the nine months ended October 31, 2010

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the quarter-end, Cameco advised the Company that they would not be proceeding with any further exploration on this licence due to native title issues which could not be resolved, and therefore terminated their rights under the Agreement.

### *Yuinmery EL57/593: 100% Aldershot*

The Company maintains a licence in the Yuinmery area. All rents have been paid and reports submitted as required to maintain the licence in good standing. Subsequent to October 31, 2010, the Company granted an unrelated purchaser the option to acquire the Yuinmery licence for an option payment of \$10,000 which is refundable if the licence cannot be extended within six months, for a further two years to 2012. Once the licence is extended, the purchaser has the right to exercise its option to acquire the licence for a cash payment of \$60,000 plus shares worth \$50,000.

South Australia

### *Martin's Well JV, Aldershot earning 70%, Aldershot manages*

The Company has entered into an agreement over the Martin's Well Project in South Australia with Strategic Minerals Corporation NL ("SMC") (ASX:SMC) of Perth, Western Australia, covering SMC's Exploration Licence 3508 focusing on iron ore mineralization in South Australia. Under the terms of the agreement Aldershot may acquire a 70% interest by spending approximately \$237,500 (AUD \$250,000) over a period of two years. Upon the Company completing its expenditure commitment, Aldershot and SMC shall associate in an unincorporated joint venture for the purpose of exploring and, if warranted, developing and mining the tenement for minerals.

During the quarter, Aldershot completed a 198 metre diamond drillhole to test a magnetic anomaly on the southern edge of the Willippa Dome which is considered prospective for magnetite iron ore and/or copper-gold mineralisation. Drilling intersected a sequence of siltstone and minor sandy units before entering a magnetic unit (Holowilena Ironstone) between 151-176 metres. Magnetic susceptibility readings on the core returned up to 0.9 SI units. The drill core is currently being sampled in preparation for assay.

## **Republic of Zambia**

### *Kariba JV, African Energy earning 51%, African Energy manages*

The Company entered into an agreement with African Energy Resources Zambia Ltd. ("African Energy"), granting African Energy the option to acquire an initial 51% interest in the Company's two Prospecting Licences in Zambia (15305-HQ-LPL and 13506-HQ-LPL) with a focus on uranium mineralization. Under the terms of the agreement, African Energy must spend at least AUD \$500,000 (CAD \$425,000) in exploration expenditures on the properties over a three year period. Once the required level of expenditures is made by African Energy, the Company must pay its pro-rata share of costs to retain its 49% ownership of the property. African Energy can increase its ownership to 70% through the completion of a Prefeasibility Study on an inferred resource.

## **ALDERSHOT RESOURCES LTD.**

For the nine months ended October 31, 2010

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Work completed by African Energy during the quarter is outlined below.

### Kariba (8418-HQ-LPL)

The licence (formerly 13505-HQ-LPL) was reissued with licence number 8418-HQ-LPL and formal approval was received on 15 September.

### Office Based Activity

Planning and supervision of field surveys and drilling programs was completed.

### Fieldwork Activity

- Geological mapping and ground radiometric surveys were completed in the southern part of the Licence area over the Makonoto and Zeze prospect areas.
- The work program included geological mapping and an assessment of uranium content of the soils on a 400m by 25m grid pattern with some infill to a 200m by 25m grid pattern. The uranium content in soils was established at each grid point using a calibrated RS-125 spectrometer in assay mode.
- Some uranium bearing horizons were identified and these areas were subsequently inspected. None of the areas were deemed to be sufficiently compelling for drill testing at this stage.

### RC Percussion Drilling

Two high intensity radiometric anomalies in the central part of the permit, identified by AGIP in the late 1970s named Nangandwe East and West, were visited by African Energy geologists and confirmed as high priority drilling targets based on elevated uranium levels as determined by hand-held spectrometer readings.

A program of 13 RC percussion holes was completed in late September 2010, for a total of 725m drilling. No assay results have been received.

Future work planned and considered by African Energy includes:

- Follow-up of identified targets and areas of interest.
- Assay of new samples collected.
- Structural interpretation of air photography and satellite imagery.
- Ground truthing of geological interpretation.
- Ground based scintillometer surveys over selected areas.
- Ground truthing of historical data where possible and applicable.

After completion of the above work, consideration will be given to the design and implementation of an airborne radiometric-magnetic survey over the permit area. If this survey is undertaken then the following is anticipated:

- Ground follow-up of the selected airborne radiometric anomalies, including ground based scintillometer surveys and mapping.
- Detailed mapping of selected areas.
- Possible trenching of the more prospective anomalies identified by the airborne survey and subsequent detailed ground radiometric surveys.
- Possible drill testing of the more prospective areas. However, this will be dependent upon future results.

## **ALDRSHOT RESOURCES LTD.**

For the nine months ended October 31, 2010

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Sinazongwe (8414-HQ-LPL)

The licence was originally identified as LPL/32/07 and then reissued with licence number 13506-HQ-LPL before being reissued with licence number 8414-HQ-LPL. The formal approval of the reapplication to comply with the new Act and lodged in Q1 2009 is still awaited.

### Fieldwork Activity

- A reconnaissance inspection of historical uranium occurrences was completed in order to determine access and logistics for further work within the permit area.
- The recently completed review of the tenement area indicates that unexploded ordinances (UXO) and land mines may potentially be a safety issue for exploration teams. No detailed fieldwork will be undertaken until a strategy for safe access to the permit area has been developed.

Future work planned and considered by African Energy Resources on 8414-HQ-LPL includes:

- Ongoing literature searches and data compilation.
- Submission of an Environmental Project Brief to the Environmental Council of Zambia.
- Identification of target horizons and areas of interest.
- Structural interpretation of air photographs and satellite imagery.
- Ground truthing of geological interpretation.
- Ground based scintillometer surveys over selected areas.
- Ground truthing of historical data where possible and applicable, particularly drill hole locations.

After completion of the above work, consideration will be given to the design and implementation of an airborne radiometric-magnetic survey over the permit area. If this survey is undertaken then the following is anticipated:

- Ground follow-up of the selected airborne radiometric anomalies, including ground based scintillometer surveys and geological mapping.
- Possible trenching of the more prospective anomalies identified by the airborne survey and subsequent detailed ground radiometric surveys.
- Possible drill testing of the more prospective areas. However, this will be dependent upon future results.
- Assaying of anomalous samples.

### United States

During the quarter ended October 31, 2010, the Company commenced due diligence on certain uranium properties in the United States. Pursuant to a Standstill Agreement with American Nuclear Resources LLC ("ANR"), the Company advanced a non-refundable deposit of \$160,725 (USD \$150,000) which prohibits ANR from marketing or disposing of the properties for a period of ninety days while the Company conducts its due diligence. The Company has also incurred property investigation costs amounting to \$10,063 during the quarter ended October 31, 2010

## **ALDRESHOT RESOURCES LTD.**

For the nine months ended October 31, 2010

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in regards to these properties. The exclusivity period expired on November 19, 2010 and the deposit was therefore written off effective on this date.

### **Risk Factors**

Through its operations, the Company is exposed to various business risks outlined below. Additional risks and uncertainties, including those that we are not aware of now or that we currently deem immaterial, may also adversely affect our business.

- The Company has not been profitable since inception and it may continue to incur substantial losses.
- The Company operates in the highly speculative business of mining exploration and development and is currently in the exploration stage. The Company has not yet determined whether their properties contain enough mineral reserves, such that their recovery would be economically viable.
- The Company is exploring for mineral resources and these commodities are subject to pricing and other risks.
- The Company may not be able to secure adequate financing to support the expenditures required to sustain the Company until profitable operations are achieved.
- The Company operates in several jurisdictions and although professional advice is obtained to ensure the Company meets all the local requirements, there may be deficiencies in some areas.
- The Company faces currency risks in its operations.
- The Company has limited personnel with various degrees of knowledge concerning their area of expertise and there may be instances where segregation of duties does not exist and reliance must be placed on outside advisors to assist with complex areas.

The Company undertakes its best efforts to mitigate the above risks using the resources at its disposal, but believes that uncertainties and risks do exist in its business operations.

The Company has incurred losses since inception and as at October 31, 2010, the Company had an accumulated deficit of \$18,724,103. The Company's consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. The ability of the Company to continue as a going concern is in substantial doubt and is dependent upon the continued support from its directors, the ability to continue to raise adequate financing or achieving profitable operations in the future, the outcome of which cannot be predicted at this time. Management is seeking financing and business opportunities, including joint venture or merger opportunities or acquisition of properties to continue operations. Financing options available to the Company include public equity financings and loans. The Company's consolidated financial statements do not reflect any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue in business. Further details on financing alternatives available to the Company are more fully discussed in 1.6/1.7 LIQUIDITY AND CAPITAL RESOURCES.

## **ALDRSHOT RESOURCES LTD.**

For the nine months ended October 31, 2010

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### **Financial Performance**

During the quarter ended October 31, 2010, the Company commenced drilling and continued its exploratory work on its iron ore prospect in South Australia. Exploration costs amounted to \$156,032 for the quarter ended October 31, 2010 compared to costs of \$8,127 for the prior quarter ended October 31, 2009, net of exploration tax credits received of \$63,088, for a net recovery of \$(54,961).

The Company's operating costs (other than exploration expenses) were higher than the prior quarter. Increased professional fees, property investigation costs, salaries, stock-based compensation and travel costs accounted for the increase. These increases arose due to increased activity in the Company, as the Company strives to develop new business. Increases in professional fees relate to legal costs for business opportunities; property investigation costs and increased travel costs relate to review of new properties; salary increases are due to the reinstatement of management's contracted salaries after voluntary reductions which were taken in the prior year and stock-based compensation costs increased as new stock options were granted. The Company also realized a foreign exchange gain of \$9,358 primarily due to the strengthening of the AUD dollar compared to the CAD dollar.

At October 31, 2010, the Company had cash and cash equivalents on hand of \$231,589 compared to \$187,521 on January 31, 2010. The Company will require further financing to fund its exploration programs, for operations and for general working capital purposes. Further details on financing alternatives available to the Company are more fully discussed in 1.6/1.7 LIQUIDITY AND CAPITAL RESOURCES.

### **Company Objectives and the Year Ahead**

The Company's corporate objectives are to continue to pursue opportunities to enhance shareholder value including business combinations, joint venture agreements and any other appropriate business ventures. The Company has rationalized its land holdings with various agreements which enable exploration to continue at no-cash cost to the Company. The Company will continue to manage its cash flow during these challenging times and will continue to minimize its expenditures as much as possible until financing markets are more favourable.

## ALDRESHOT RESOURCES LTD.

For the nine months ended October 31, 2010

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### 1.3 SELECTED ANNUAL INFORMATION

	Year ended January 31		
	2010	2009	2008
Exploration costs	\$ (84,438)	\$ (555,460)	\$ 2,825,573
Other operating expenses	444,224	628,957	1,949,080
Equipment rental income	(13,682)	-	-
Foreign exchange loss (gain)	(145)	(8,427)	102,542
Gain on sale of equipment	-	(21,764)	-
Interest income	(2,090)	(16,050)	(62,950)
Write-down of resource properties	-	2,377,045	1,013,750
Net loss	343,869	2,404,301	5,827,995
Basic and diluted (loss) per share	\$ (0.01)	\$ (0.04)	\$ (0.10)
Resource properties acquisition costs	-	-	2,194,625
Total assets	257,798	318,321	2,979,045
Shareholders' equity	194,937	203,350	2,550,916

The above financial information has been prepared in Canadian dollars in accordance with Canadian generally accepted accounting principles.

### 1.4 RESULTS OF Q3 2011 OPERATIONS

Aldershot commenced drilling and continued its exploratory work on its iron ore project in South Australia and incurred \$156,032 in **exploration costs** during the quarter compared to \$8,127 for the previous quarter, net of exploration tax credits received of \$63,088 resulting in a net exploration recovery of \$(54,961).

The Company's other operating expenses were higher during the current quarter compared to the prior quarter. Significant changes in these expenses are outlined below.

**Professional fees** increased from \$13,280 to \$49,076 for the current quarter due to legal fees for due diligence on new properties and general business operations discussions undertaken.

**Property investigation costs** of \$10,063 relate to work undertaken on review of new properties in the United States.

**Salaries and benefits administration** increased to \$40,147 from \$31,367 in the prior quarter due to reinstatement of the contracted salary amounts to management due to the cessation of voluntary pay reductions taken by management of the Company.

**Stock-based compensation** of \$183,649 reflects the fair value of stock options granted during the quarter.

## **ALDRESHOT RESOURCES LTD.**

For the nine months ended October 31, 2010

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**Travel** costs increased from \$4,863 to \$22,870 due to costs incurred as management conducted due diligence on new properties.

**A foreign exchange gain** of \$9,358 was realized in the quarter as the AUD dollar strengthened compared to the CAD dollar.

**The Company's net loss** for the three and nine months ended October 31, 2010 was \$(496,484), (\$0.01) per share and \$(783,736) (\$0.01) per share, respectively, compared to a net loss of \$(88,173) (\$0.01) per share and \$(251,905) (\$0.01) per share respectively, in the prior comparative quarter.

During the quarter ended October 31, 2010, the Company commenced due diligence on certain uranium properties in the United States. Pursuant to a Standstill Agreement with American Nuclear Resources LLC ("ANR"), the Company advanced a non-refundable deposit of \$160,725 (USD \$150,000) which prohibits ANR from marketing or disposing of the properties for a period of ninety days while the Company conducts its due diligence. This exclusivity period expired on November 19, 2010 and the deposit was therefore written off effective on this date.

Aldershot's **cash and cash equivalents** amounted to \$231,589 at October 31, 2010 compared to \$187,521 at January 31, 2010. The Company will require further financing to fund its exploration programs, pay for its operations and for general working capital purposes. See details on financing alternatives available to the Company as more fully discussed in 1.6/1.7 LIQUIDITY AND CAPITAL RESOURCES.

### **Commitments and Contingencies**

The Company has no commitments for lease rentals, nor any property commitments. Once the required level of expenditures are made by its optionee partners and joint ventures are established, the Company will be required to pay its pro-rata share of costs to retain its ownership of the related properties.

### **Segmented Information**

All of the Company's operations are in the resource properties exploration industry with its principal business activity in the acquisition and exploration of resource properties. The Company has no value assigned to its resource properties as at October 31, 2010. The expenditures on exploration costs totalling \$211,837 for the nine months ended October 31, 2010 were undertaken primarily in Australia. The cash and cash equivalents and the equipment are located as follows: \$215,126 in Canada and \$54,341 in Australia.

# ALDRSHOT RESOURCES LTD.

For the nine months ended October 31, 2010

## 1.5 SUMMARY OF QUARTERLY RESULTS

	2011				2010				2009
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	
<b>Exploration costs</b>	\$ 156,032	\$ 52,179	\$ 3,626	\$ 10,506	\$ (54,961)	\$ 7,960	\$ (47,943)	\$ (158,840)	
<b>Stk based comp (non-cash)</b>	183,649	-	-	(955)	75,391	-	-	-	
<b>Other cash expenses</b>	172,669	108,018	111,239	85,091	80,913	110,835	92,949	110,088	
<b>Interest rental income</b>	(6,508)	(206)	(929)	(1,483)	(13,398)	(180)	(711)	(12,347)	
<b>FX, gain on sale</b>	(9,358)	5,083	8,242	(1,195)	228	(41)	863	2,534	
<b>Write-down of prop</b>	-	-	-	-	-	-	-	2,228,882	
<b>Net loss</b>	\$ (496,484)	\$ (165,074)	\$ (122,178)	\$ (91,964)	\$ (88,173)	\$ (118,574)	\$ (45,158)	\$ (2,170,317)	
<b>Loss per share</b>									
<b>Basic &amp; diluted</b>	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.02)	
<b>Resource properties</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
<b>Total assets</b>	\$ 488,510	\$ 361,803	\$ 421,023	\$ 257,798	\$ 326,114	\$ 328,928	\$ 230,395	\$ 318,321	
<b>Total liabilities</b>	\$ 176,744	\$ 117,053	\$ 48,264	\$ 62,861	\$ 38,258	\$ 28,290	\$ 72,203	\$ 114,971	
<b>Shareholders' equity</b>	\$ 311,766	\$ 244,750	\$ 372,759	\$ 194,937	\$ 287,856	\$ 300,638	\$ 158,192	\$ 203,350	

Note: Certain of prior period quarterly amounts have been reclassified to conform with the financial statement presentation adopted in the current year.

Note: Loss per share amounts disclosed above on a quarterly basis may not necessarily equal the cumulative amounts disclosed in the Company's annual financial statements, due to the timing of changes in the weighted average number of shares throughout the year versus the weighted average number of shares throughout the quarter.

## **ALDRSHOT RESOURCES LTD.**

For the nine months ended October 31, 2010

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### **1.6/1.7 LIQUIDITY AND CAPITAL RESOURCES**

The Company held cash and cash equivalents of \$231,589 as at October 31, 2010 compared to \$187,521 as at January 31, 2010. The Company reported working capital of \$368,239 at October 31, 2010 compared to \$146,118 at January 31, 2010.

The Company used cash of \$66,825 in its operations for the quarter ended October 31, 2010 compared to generating cash of \$3,518 for the quarter ended October 31, 2009. This was offset by cash generated of \$404,282 in regards to financing activities for the quarter ended October 31, 2010 compared to cash used of \$4,708 from financing activities for the quarter ended October 31, 2009. Aldershot did not spend any funds on investing activities for the quarter ended October 31, 2010 compared to using \$851 for the quarter ended October 31, 2009.

During the three months ended October 31, 2010, the Company closed a private placement raising funds of \$420,000 through the issuance of 8,400,000 units at \$0.05 per unit, each unit consisting of one common share and one common share purchase warrant to purchase an additional share for two years at \$0.10 per share.

The Company has no contractual commitments for operating leases and has down-sized its space requirements. Aldershot has no commitments for capital expenditures at the present time, but once the required level of expenditures are made by its optionee partners and joint ventures are established, the Company will be required to pay its pro-rata share of costs to retain its ownership of the related properties.

The Company is dependent upon its ability to raise additional funds to support its operations and it does require additional financing since it is an exploration stage company with no current sources of revenue. Funding options available to the Company are limited in this market and are outlined below.

The Company will utilize the public market when practicable to raise the additional funds it requires, either through brokered or non-brokered private placements. Aldershot has been successful in optioning out most of its properties to share the costs and risks in exploring them. The Company has periodically raised funds through debt financing as well, but this option is limited. The Company has also received significant funds in the past related to exploration tax credits which are used to fund operations, but no further amounts are anticipated in this regard.

Aldershot has 8,410,000 stock options outstanding, exercisable at a weighted average price of \$0.10 which expire from 2011 to 2015. The Company also has 41,778,186 warrants outstanding exercisable at a weighted average price of \$0.10, expiring from 2011 to 2015.

## **ALDRESHOT RESOURCES LTD.**

For the nine months ended October 31, 2010

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Management continues to manage its operations and reduce its expenses to maximize its cash runway. It also has been successful in renting out its mining equipment to generate cash. The Company will continue to seek other business opportunities to enhance and continue the Company's operations in this difficult market environment.

### **1.8 OFF-BALANCE SHEET ARRANGEMENTS**

Aldershot does not utilize off-balance sheet arrangements.

### **1.9 TRANSACTIONS WITH RELATED PARTIES**

[a] Related party transactions with directors and officers or companies controlled by them during the nine months ended October 31 are as follows:

	<b>2010</b>	<b>2009</b>
	<b>\$</b>	<b>\$</b>
Exploration costs--Australia	54,296	8,177
Consulting fees	7,500	7,500
Rent	15,348	10,560
Interest and accretion on debenture	13,164	—
Rental income from equipment	5,708	13,260

Related party transactions are in the normal course of operations, occurring on terms and conditions that are similar to those of transactions with unrelated parties and, therefore, are measured at the exchange amount.

[b] The balances due from (to) related parties are non-interest bearing and have no fixed repayment terms.

[c] During the three months ended July 31, 2010 the Company received funds of \$100,000 pursuant to a debenture agreement with a company controlled by a director of the Company.

### **1.10 FOURTH QUARTER**

Please see 1.5 SUMMARY OF QUARTERLY RESULTS for information on the fourth quarter of 2010.

### **1.11 PROPOSED TRANSACTIONS**

None.

## **ALDRESHOT RESOURCES LTD.**

For the nine months ended October 31, 2010

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### **1.12 CRITICAL ACCOUNTING ESTIMATES**

Not applicable as the Company is a venture issuer.

### **1.13 CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION**

#### **Changes in accounting policies**

None.

#### **Initial adoption of accounting policies**

##### **Business Combinations – Section 1582**

In January 2009, the Canadian Institute of Chartered Accountants ("CICA") issued Handbook Section 1582, *Business Combinations*, which provides the Canadian equivalent to International Financial Reporting Standard ("IFRS") 3, *Business Combinations* and replace the existing Handbook Section 1581, *Business Combinations*. The new standard will apply prospectively to business combinations for which the acquisition date is on or after January 1, 2011. Earlier adoption is permitted as of the beginning of a fiscal year, in which case an entity would also be required to early adopt Handbook Section 1601, *Consolidated Financial Statements* and Handbook Section 1602, *Non-controlling Interests*. This new accounting policy had no impact on the Company's consolidated financial statements.

##### **Consolidated Financial Statements – Section 1601**

In January 2009, the CICA also issued Handbook Section 1601, *Consolidated Financial Statements*, which established standards for the preparation of consolidated financial statements and, along with Section 1602, will replace the existing Handbook Section 1600, *Consolidated Financial Statements*. The new standard is effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. Earlier adoption is permitted as of the beginning of a fiscal year, in which case an entity would also be required to early adopt Handbook Section 1582, *Business Combinations* and Handbook Section 1602, *Non-Controlling Interests*. This new accounting policy had no impact on the Company's consolidated financial statements.

## **ALDRESHOT RESOURCES LTD.**

For the nine months ended October 31, 2010

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### **New Canadian Accounting Standards**

International Financial Reporting Standards ("IFRS")

In February 2008, the CICA Accounting Standards Board confirmed that the use of International Financial Reporting Standards ("IFRS") will be required in 2011 for public companies in Canada (i.e., IFRS will replace Canadian generally accepted accounting principles for public companies). The official changeover date will apply for interim and financial statements relating to fiscal years beginning on or after January 1, 2011.

The Company has determined that the key elements of this IFRS changeover on the Company will be in the areas of accounting for resource properties' acquisition and exploration costs, impairment of long-lived assets, accounting for reclamation costs, accounting for share capital including stock options and warrant valuations and general IFRS disclosure requirements. The Company is currently assessing the specific impact on the Company's financial reporting and finalizing an implementation timetable.

### **1.14 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT, INCLUDING CAPITAL DISCLOSURE**

#### **Capital Disclosure**

The Company manages its capital to ensure that it will be able to continue as a going concern with the objective of maximizing the return to stakeholders through the optimization of the issuance of debt and equity instruments. The capital structure of the Company consists of equity attributable to common shareholders comprised of share capital, contributed surplus, stock options and share purchase warrants.

In order to facilitate the management of capital, the Company manages its operating expenses and property exploration expenditures. The Company manages its exploration projects by entering into joint venture agreements with other parties to enable work to continue on the property and to share the risk of exploration. The Company may issue new equity as the need arises and the ability to do so presents itself. When the Company has excess cash, its investment policy is to hold cash in interest-bearing accounts at high credit quality financial institutions to minimize risk and maximize liquidity. In order to maximize ongoing operations, the Company does not pay dividends. The Company expects to continue to raise funds from its shareholders to continue to meet its capital management objectives.

The Company's overall strategy remains unchanged from the prior year.

## **ALDRESHOT RESOURCES LTD.**

For the nine months ended October 31, 2010

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### **Financial Instruments and Risk Management**

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

In conjunction with its accounting policies, the Company classified its financial instruments into the related categories. Cash and cash equivalents, restricted cash and deposits are classified as held-for-trading; accounts receivable are classified as loans and receivables and accounts payable and amounts due to/from related parties are classified as other financial liabilities. The carrying value of cash and cash equivalents, restricted cash, accounts receivable, deposits, accounts payable and amounts due to related parties approximates their fair value because of the short-term nature of these instruments.

The Company is subject to currency risk as it conducts operations in jurisdictions other than Canada, primarily being exposed to changes in the Canadian dollar compared to the Australian dollar. The Company has not hedged its exposure to currency fluctuations, but does manage its cash resources to complement the denomination of the expenditures required.

The Company is subject to interest rate risk as it invests excess cash not immediately required for operations, in short-term investments. This risk is minimal as the Company does not have significant amounts of excess cash to invest and its investments are in instruments with short-term maturities. As well, the Company borrows funds periodically and the interest rate negotiated will affect the related interest cost on any financing completed. The Company mitigates this risk by offering non-cash options to purchase common shares of the Company in conjunction with any financing undertaken. This financing is not readily available to the Company since it is in the exploration stage and is not generating significant cash flows from its operations, so the financings occur infrequently, and therefore the interest rate risk is minimal.

The Company is not subject to significant credit risk as its receivables are due from government agencies, so the risk is minimal.

The Company is subject to liquidity risk in that the Company may not be able to meet its financial obligations as they come due. The Company manages this risk through the management of its capital structure as outlined above.

## **ALDERSHOT RESOURCES LTD.**

For the nine months ended October 31, 2010

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### **1.15 OTHER MD&A REQUIREMENTS**

#### **DISCLOSURES FOR VENTURE ISSUERS WITHOUT SIGNIFICANT REVENUE**

The information required on the Company's resource properties' capitalized acquisition costs and the related exploration costs expensed are readily available from the Company's consolidated financial statements for the year ended January 31, 2010 and therefore are not required to be repeated here.

#### **DISCLOSURE OF OUTSTANDING SHARE DATA**

The information on the Company's share capital including numbers of shares outstanding, details of any conversion features, number of shares issuable on conversion of stock options and warrants, etc. are detailed in the Company's consolidated financial statements for the year ended January 31, 2010. The number of common shares outstanding as of the date of this report on December 7, 2010 is 88,492,975 shares.

Additional disclosures pertaining to Aldershot including material change reports, press releases and other information are available at [www.sedar.com](http://www.sedar.com).