

# **PACIFIC COMOX RESOURCES LTD.**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS TWELVE MONTH PERIOD ENDED October 31, 2009 (Form 51-102F1)**

### **General**

The following discussion (the "MD&A") of the financial condition and results of operations of Pacific Comox Resources Ltd. (the "Company" or "Pacific Comox") constitutes management's review of the factors that affected the Company's financial and operating performance for the twelve month period ended October 31, 2009. The MD&A was prepared as of February 25, 2010 and should be read in conjunction with the Audited Consolidated Financial Statements for the fiscal year ended October 31, 2009, and the Company's Audited Consolidated Financial Statements for the fiscal year ended October 31, 2008 and notes thereto. Unless otherwise indicated, the following discussion is based in Canadian dollars and presented in accordance with Canadian Generally Accepted Accounting Principles ("Canadian GAAP"). The information contained in this Management's Discussion and Analysis is dated Feb. 25, 2010.

The Company's public filings can be accessed and viewed through the Company's website [www.pacificcomox.com](http://www.pacificcomox.com). A link to the Company's Canadian Securities Commissions filings can be viewed via the System for Electronic Data Analysis and Retrieval (SEDAR) at [www.sedar.com](http://www.sedar.com).

### **Description of Business**

Pacific Comox is engaged in mineral exploration and development and the present focus of its operations is mineral exploration in Canada and in Mexico.

### **RYAN LAKE PROPERTY**

On March 16, 2005 the Company acquired a two year option to acquire the Ryan Lake copper-molybdenum property and mill located near Matachewan, Ontario. The property consists of 10 claims totaling 513 acres. Ryan Lake Mines Ltd. staked the property in 1947 and put it into production in 1950 at a 150 ton/day rate with a shaft sunk to 459 feet with development on 4 levels. The development extended for 1,000 feet on an east-west direction and about 500 feet north-south. The J. F. Ariz report dated October 20, 1978 gave the production during the 1950-1957 period as 163,490 tons grading 1.5% copper, 0.008 oz of gold and 0.21 oz of silver. A successor Company was also reported to have mined 6,000 tons grading 1.3% copper and 0.4% molybdenite in 1964. No production or significant exploration is reported on the property since 1966.

To acquire a 100% interest in the mining rights of the property, Pacific Comox over the two year period would make cash payments of C\$600,000, issue 2,000,000 shares to the Vendors and fulfill a \$300,000 work commitment. The Vendors retain a 1% NSR and Pacific Comox may purchase 50% of the NSR for \$1,000,000 in the period expiring two years after commercial production is attained. Under the Option Agreement Pacific Comox could also acquire the mill building located on the property and certain equipment for C\$100,000.

On November 17, 2006 Pacific Comox exercised its option to accelerate the fulfillment of the terms of the March 2005 Option Agreement to acquire the Ryan Lake property and mill. In addition to the work commitment on the Ryan Lake claims, which had been satisfied, Comox paid the vendors the remainder of the Option payments of about \$262,000.00, issued 1,500,000 common shares to the vendors. The claims have been transferred to Pacific Comox and Pacific Comox is updating the Closure Plan and other permits for the property.

A Closure Plan for the Ryan Lake claims is currently being prepared.

The mill which is currently processing barite is expected to be a major asset going forward to facilitate the resumption of copper/molybdenum production on the property.

Pacific Comox's diamond drilling and sampling on the Ryan Lake property has started to outline 3 areas of drill intersected mineralization. A number of other showings on the claims have not been tested to-date.

The **South Zone**, the area of the former underground copper mine.

The **North Zone**, the area of the former producing molybdenum open pit which is located about 350 meters north of the former underground copper mine.

The **CLT Zone**, area is about 100 meters north of the North Zone.

### **CLT ZONE**

Three of the six holes Pacific Comox drilled on the zone in 2006 reported drill intersected mineralization averaging 0.135% molybdenum (Mo) or 2.70 lbs/ton over 19 meters or 63 feet starting at 9 meters or 28 feet from the collar of the holes. Further drilling is warranted but is not currently scheduled to test and define this zone of drill intersected mineralization.

### **NORTH ZONE**

The former producing molybdenum open pit (the North Zone) is approximately 350 meters north of the underground mine which was in production during the 1950-1964 period. No production or exploration has taken place in this pit area since the 1960's. On March 21, 2005 the Company reported assays for the samples taken on the walls of the former producing molybdenum open pit at the Ryan Lake property for due diligence and to assist in planning the exploration program. A series of two meter chip samples were taken on sections of the west and north walls of the molybdenum open pit.

A series of 2 meter chip samples totaling 24 meters in the syenite porphyry west and north walls of the pit averaged 0.15% molybdenum plus 0.05% copper, 0.01 g/tonne gold and 1.2 g/tonne silver.

All holes have intersected copper and molybdenum mineralization with minor amounts of gold and silver. Of the 30 holes completed in the North Zone by Pacific Comox during 2005-07, 20 holes have reported intervals with an average grade of 2.4 lbs/ton or 0.12 % molybdenum. The average length of the intervals was 36 meters or 118 feet starting at 4 meters or 13 feet in the core. The average copper grade in the intervals was 0.16%.

The results to-date indicate the drill intersected mineralization in the North Zone extends 100 meters NE-SW, 100 meters NW-SE and to a depth of at least 80 meters in the area of the open pit. The potential remains open in all directions and at depth. Further drilling is warranted but is not currently scheduled.

Robert Hill P. Eng. served as the qualified person (QP) for the sampling and exploration program under the definitions of National Instrument 43-101. The samples were assayed by Swastika Laboratories Ltd. at Swastika, Ontario.

On February 22, 2010 Comox reported the assays given in the following table for two sawn channel samples in the floor of the open pit to test the surface grades in an area where significant molybdenum and copper grades were reported in diamond drill holes at shallow depth. Three of the one meter samples were much higher grade than the assays from the 30 hole drill program. In addition to the mineralized quartz vein matrix which is prevalent in the North Zone there are a number of north-east, south-west trending mineralized fractures. The assays reported include a particularly wide outcropping vein. This vein material is very friable and some of the higher grade material in this or similar veins may have been washed away in the diamond drilling process by the circulating high pressure drilling water.

Bhagwat Singh P. Eng. served as the qualified person (QP) for this sampling and exploration program under the definitions of National Instrument 43-101. For the channel sampling, each sample was sawn on four sides and removed to a uniform depth and bagged. The channel sample was shipped by Company personnel to Swastika Laboratories Ltd., Swastika Ontario an accredited laboratory.

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Table 1: Channel Samples In North Zone Open Pit						
Ryan Lake Property						
Channel Sample #	Length (m)	Copper (%)	Molybdenum (%)	Molybdenum (lbs/ton)	Silver (g/t)	Gold (g/t)
<b>Channel CH-1</b>						
01	1	0.286	0.615	12.3	6.4	0.02
02	1	2.605	4.470	89.4	53.7	0.11
03	1	0.321	0.726	14.5	8.1	0.03
04	1	0.031	0.057	1.1	1.0	0.01
05	1	0.058	0.089	1.8	1.4	0.01
<b>Channel CH-2</b>						
06	1	1.890	3.050	61.0	34.5	0.07
07	1	3.705	6.110	122.2	71.9	0.14
08	1	0.037	0.029	0.6	0.3	<0.01
09	1	0.037	0.050	1.0	0.8	<0.01
10	1	0.026	0.008	0.1	0.2	0.01
11	1	0.018	0.008	0.1	0.2	0.02

## SOUTH ZONE

To February, 2010, including closure plan related holes and exploration holes Pacific Comox has drilled 88 diamond drill holes on the South Zone testing the open pit, bulk-tonnage potential of the of the area mined from underground during the 1950-64 period. The results demonstrated the potential to extend the mineralized zone east and west on strike with the former underground workings and at depth. The 88 diamond drill holes completed by Pacific Comox to-date encompass an area over 250 meters or 820 feet on the East-West strike of the former underground copper mine and extend over an area 250 meters or 820 feet from the former underground mine to the North. The zone is considered to be open in all directions.

On May 29, 2008 the Company reported it had received the resource estimate for the South Zone. The resource estimate is classified as indicated and is 5,969,917 tonnes grading 0.34% copper, 0.039% molybdenum, 0.09g/tonne gold and 5.0g/tonne silver. The mineral resource estimate was prepared pursuant to the Canadian Institute of Mining, Metallurgy and Petroleum (CIM), CIM Standards on Mineral Resources and Reserves, Definitions and Guidelines prepared by the CIM Standing Committee on Reserve Definitions and adopted by CIM Council December 11, 2005 and compliant with National Instrument 43-101 Standards of Disclosure for Mineral Exploration and Development and Mining Properties. Mr. Lawrence Buss, P. Geo., P. Geol. of Buss Services Inc. is the Independent Qualified Persons for Pacific Comox's Resource Estimate for the South Zone.

The resource estimate was developed via block model analysis from 88 NQ diamond drill holes with an average length of 132 meters, with most drilled at a dip of 45 degrees on a nominal 15 meter spacing. All assay values are uncut and the inverse distance squared grade search criteria was used for the resource grade calculation. The specific gravity factor of 2.83 was determined by SGS Lakefield from 16 core samples of various rock units within the mineralized zone.

The Company plans to have separate resource estimates prepared for the North and CLT zones but no work is currently underway on these reports. The next exploration program will test to expand the mineralized zones to depth and the area between the two deposits. No drilling is currently scheduled. Robert Hill P. Eng. served as the qualified person (QP) for the sampling and exploration program under the definitions of National Instrument 43-101, reviewed the above mentioned programs and reports, and supervised the drilling program. The geologists on the programs were Murray McGill P. Geo., Dan Crossley P. Eng.,

Robert Van Ingen P. Eng. and Lawrence Buss P. Geo.. The split NQ core samples were assayed at Swastika Laboratories Ltd., Swastika Ontario, an accredited laboratory.

### **MABEL PROPERTY**

Pacific Comox optioned the Mabel claims in northern Sonora State, Mexico in 2002 and has now completed the terms to acquire the property. The Mabel property is about a 2 hour drive south from Tucson, Arizona.

The Company is also the owner of two other properties in Mexico, the Dana and the Famosa. The Dana property is located 125 meters north of the Mabel property. Geochemical targets are known on Dana but work to date has been concentrated on Mabel.

The Famosa property is located several kilometers south of Mabel and Comox's exploration work has outlined an attractive near surface gold/silver, lead/zinc target associated with a former producing mine.

Pacific Comox has drilled 611 holes on the Mabel property totaling 12,546 meters. Carmelitas has been an area of concentrated closed spaced drilling to provide data for the resource estimate which is currently underway. Most of the holes have been RC and 20 diamond drill holes twinning RC holes have now been completed to provide additional information for the resource estimate. The Mabel property has additional exploration potential in several areas where Comox's drilling has intersected mineralization in one or more holes that warrant additional work.

As shown in Table 1, all the zones which have been drilled have returned a number of mineralized holes or clusters of holes which offer significant exploration potential. More closely spaced drilling is needed to assess the economic potential of the holes. For example, 11 contiguous holes in the Gate North area have averaged 1.6 g/tonne gold and 78 g/tonne silver over average mineralized intervals of 5 meters. However, the holes are approximately 50 meters apart and more closely spaced drilling is planned to test the ultimate size of the zone and the continuity of the mineralization.

To February 2010, 195 mineralized holes have been drilled in the Carmelitas Zone (see Table 1 which includes 46 higher grade holes that averaged:

Gold grade 2.9 g/tonne,

Silver grade 104 g/tonne, with an average mineralized interval of 4.5 meters.

- The higher grade holes are concentrated in 5 sections of the Carmelitas zone.
- A preliminary economic assessment incorporating the resource estimate concentrating on the Carmelitas Zone of the Mabel property is underway. To provide additional geological information on the structure of the mineralized zone and the assay profile of the zone, 20 selected mineralized holes in the Carmelitas Zone have been twinned with diamond drill holes. The assays will be used in the preparation of the resource estimate.
- The preliminary economic assessment of the project will incorporate the completed metallurgical test work by SGS and test recovery data from Comox's work currently underway.

<b>Table 1: Summary of Mabel Results by Area To March 2009</b>				
Area	Number Of Holes	Thickness (meters)	Gold (g/tonne)	Silver (g/tonne)
<b>Carmelitas Zone Mineralized Holes</b>	<b>195</b>	<b>3.9</b>	<b>1.2</b>	<b>42</b>
<b>Carmelitas Zone Holes Include</b>	<b>46</b>	<b>4.5</b>	<b>2.9</b>	<b>104</b>
Gate North	11	5.0	1.6	78
Gate South	8	3.0	0.5	35
Ridge Zone	10	3.0	1.7	35
Ridge Zone – 3 Meter Chip Samples	14	-	0.7	68
Micho – RC Holes	10	All Holes Reported Au/Ag Mineralization		
Micho – 3 Meter Chip Samples (1)	9	-	4.6	192
1. Also reported 0.43% average copper grade in chip samples.				
Note: All thicknesses and grades are arithmetic averages.				

Preliminary metallurgical work on a 100 kg composite sample from the areas of drill intersected mineralization has been partially completed. The heap leach amenability tests (coarse mineralization bottle roll cyanidation tests) were conducted on approximately 1,000 gram of whole mineralization at different crush sizes for a 14 day period. Test results are summarized in Table M-1. The heap leach amenability cyanidation recovery of gold increased from 85.1% to 86.7% for gold and from 81.7% to 86.0% for silver when the feed size was decreased from 12.7 mm (1/2 inch) to 2.0 mm.

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<b>Table M-1: Cyanide Leach Test Results</b>			
<b>Mabel Property - Carmelitas Zone</b>			
1	<b>HEAP LEACH AMENABILITY CYANIDATION RESULTS</b>		
2	Whole Rock - 14 Days		
3		<b>Gold</b>	<b>Silver</b>
4	Head Grade (g/tonne)	3.3	117
5			
6	Feed Size - minus 12.7 mm		
7	Recovery (%)	<b>85.1</b>	<b>81.7</b>
8			
9	Feed Size - minus 2.0 mm		
10	Recovery (%)	<b>86.7</b>	<b>86.0</b>
11			
12	<b>CONVENTIONAL CYANIDATION RESULTS</b>		
13	Whole Rock - 48 hours		
14	Head Grade (g/tonne)	4.1	114
15			
16	Feed Size - minus 0.095 mm		
17	Recovery (%)	<b>95.2</b>	<b>89.2</b>
October 8, 2008			

In the Micho area Comox previously reported in hole RC-62, 6 meters of 1.5g/tonne gold, and 51g/tonne silver followed by 23 meters of 1.1% oxide copper and 10g/tonne silver. Further drilling is planned to test the gold-silver anomaly previously reported to the west of the Micho drilling as well as more shallow and deeper drilling in the Micho zone area.

A preliminary economic assessment including a resource estimate is underway for the Mabel property. It will assess the economics of different production alternatives. Comox has commenced other planning to expedite a small gold/silver production operation at Mabel.

Robert Hill P. Eng. and Bhagwat Singh P. Eng. serve as the qualified persons (QP) for the sampling and exploration programs under the definitions of National Instrument 43-101, and supervise the drilling programs. The geologist on the Mabel program is Cesar Lemas. A split sample is shipped by Company personnel to the ALS Chemex sample preparation facility at Hermosillo, Sonora which forwards prepared samples to the ALS Chemex Vancouver facility, an accredited laboratory, for assay.

#### **Log Lake Claims Option Agreement**

Pacific Comox, in September 2005 signed a preliminary Option Agreement on the “Log Lake Claims” totaling about 3,400 acres contiguous to the northern boundary of the Ryan Lake claims at Matachewan, Ontario. For the exercise of the 36 month option the Company has made total cash payments of \$180,000, and issued 850,000 common shares. The option also contains a \$235,000 work commitment. The Vendor retains a 2% NSR on all minerals mined or processed. The Company may buy back 1% of the 2% NSR for \$1,000,000 at any time. The royalty on precious stone production is 1% of gross sales. Previous exploration on the claims has indicated anomalous copper/molybdenum zones. The claims have been transferred to Pacific Comox.

#### **Continuing Exploration Work**

The Company is in the process of determining whether its exploration properties contain mineral resources that may be economically recoverable. Pending the availability of funding the Company plans to further explore and test the properties to determine their economic merit. As a result the Company has no current sources of revenue other than interest earned on cash which is derived from the issuance of common shares in the Company.

#### **Selected Financial Data**

The following table provides selected consolidated financial information that should be read in conjunction with the audited consolidated financial statement of the Company.

	October 31, 2009	October 31, 2008	October 31, 2007	October 31, 2006	October 31, 2005
Total Revenue	Nil	Nil	Nil	Nil	Nil
Loss (Income) for the Year	179,313	(412,326)	(29,192)	435,150	1,088,091
Loss per Share	0.00	0.00	0.00	0.005	0.02
Total Assets	7,871,955	7,939,994	5,838,688	4,533,548	1,262,178
Dividends per Share	Nil	Nil	Nil	Nil	Nil
Total Long-term Debt	Nil	Nil	Nil	Nil	Nil
Cash Dividends	Nil	Nil	Nil	Nil	Nil

#### **Results of Operations: October 31, 2009-2008**

For the year ended October 31, 2009 the Company reported a loss before income taxes of \$179,313 which included \$10,000 write-off of mineral properties and no stock based compensation compared to a loss of \$452,396 in 2008 which did include a write-off of \$48,231 and a stock based compensation cost of \$88,000. The loss of \$193,168 for 2007 did not include a write-down of mineral properties and is before the future

income tax recovery of \$222,360. As a result of lower cash balances during 2009 the Company reported interest income of \$7,030 compared to \$22,859 in 2008 and \$61,256 in 2007 and an expense of \$857 in 2006. The Company had no income tax recovery in 2009, compared to a future tax recovery of \$841,863 in 2008, \$222,360 for 2007, and \$105,000 for 2006. The Company reported a loss of \$179,313 in 2009 compared to an income of \$412,326 for 2008, \$29,192 for 2007 and a loss of \$435,150 for 2006.

General, office and administration expenses were \$186,343 in 2009, \$452,396 in 2008, \$250,747 for 2007 relatively unchanged from the \$257,587 for 2006.

#### **October 31, 2008-2007**

For the year ended October 31, 2008 the Company reported a loss before income taxes of \$429,537 which included \$48,231 write-off of mineral properties and \$88,000 in stock based compensation compared to a loss of \$193,168 in 2007 which did not include a write-off or compensation item. The loss of \$540,150 for 2006 included a write-down of mineral properties of \$281,707. As a result of lower cash balances during 2008 the Company reported interest income of \$22,859 compared to \$61,256 in 2007 and an expense of \$857 in 2006. After allowing for a future tax recovery of \$841,863 in 2008, \$222,360 for 2007, and \$105,000 for 2006 the Company reported income of \$412,326 for 2008, \$29,192 for 2007 and a loss of \$435,150 for 2006.

General, office and administration were \$252,586 in 2008, \$250,747 for 2007 relatively unchanged from the \$257,587 for 2006.

#### **October 31, 2007-2006**

For the year ended October 31, 2007 the Company reported a loss before income taxes of \$193,168 compared to a loss of \$540,150 for 2006 which included a write-down of mineral properties of \$281,707. As a result of higher cash balances during 2007 the Company reported interest income \$57,579 for the year compared to an expense of \$857 in 2006. After allowing for a future tax recovery of \$222,360 for 2007, compared to \$105,000 for 2006 the Company an income of \$29,192 for 2007 compared to a loss of \$435,150 for 2006.

General, office and administration were \$250,747 for 2007 relatively unchanged from the \$257,587 for 2006.

#### **October 31, 2006-2005**

The Company's net loss for the year ended October 31, 2006 was \$435,150 substantially smaller than the \$1,088,091 reported in the previous year as a result of the smaller property write-downs during the period. During the previous year 50% of the carrying value of the Mabel property was written off and all the Pepa de Oro property in Chile for a total write-down of \$906,194 compared to \$281,707 in 2006.

Administrative expenses accounted for the major share of operating expenses for the year ended October 31, 2006 and increased to \$257,586 compared to \$180,880 in 2005 and \$239,767 for the 2004 period as a result of the higher level of exploration activity and larger financings.

#### **October 31, 2005-2004**

The Company's net loss for the year ended October 31, 2005 was \$1,088,091 substantially larger than the \$243,011 reported in 2004 as a result of a 50% write off of the carrying value of the Mabel property and all the Pepa de Oro property in Chile for a total of \$906,194.

Administrative expenses accounted for the major share of operating expenses for the year ended October 31, 2005 and declined to \$180,880 from \$239,767 for the 2004 period as a result of the lower level of exploration activity.

#### **Summary Of Quarterly Results**

The following table gives the summary of quarterly results during the periods indicated. The loss was \$87,577 in the fourth quarter compared to \$24,421 in the third quarter, \$32,355 in the second quarter, and \$34,960 in the first quarter. The loss was \$91,736 for the first nine months of 2009 compared to a loss of

\$123,139 during the same period of 2008 before \$715,000 for future income tax recovery. There was no future income tax recovery items in 2009.

The loss was \$306,400 in the Oct. 31 2008 quarter compared to \$9,835 in the third quarter, \$58,634 in the second, and \$54,670 in the first quarter. Property write-offs of \$22,000 and 26,231 were taken in the second and final quarters. Interest income of \$19,583 was reported in the third quarter of 2008 significantly reducing the loss. A stock compensation expense of \$88,000 was reported in the fourth quarter of 2008, with no stock compensation expense in 2009. In 2007 the loss was \$68,676 in the third quarter and \$110,996 in the second. Administrative expenses were \$131,057 in the fourth quarter of 2008 compared to \$29,412 in the third quarter when interest income of \$19,583 was reported. The loss before tax recovery for the 2008 fourth quarter of \$245,400 reflects the higher administrative expenses, the \$26,231 property write-off and the stock based compensation charges. The net loss for the 2008 fourth quarter was reduced by the \$40,000 income tax recovery reported in the quarter. The tax recovery of \$715,000 in the first quarter of 2008 resulted in a net profit of \$660,330 reported in the quarter. The second and third quarters of 2008 reported net income losses of \$58,634 and 9,835.

Quarter (ending)	2009 Oct. 31	2009 July 31	2009 April 30	2009 Jan. 31	2008 Oct. 31	2008 July 31	2008 April 30	2008 Jan. 31	2007 Oct. 31
Revenue	-	-	-	-	-	-	-	-	-
Income (Loss) from continuing operations	(87,577)	(24,421)	(32,355)	(34,960)	(306,400) Bef. Inc. Tax Rec.\$126,863	(9,835)	(58,634)	(54,670) Before Inc. Tax Rec. of \$715,000	50,091 Before Inc. Tax Rec. of \$222,360
Income (Loss) per common share basic and diluted	(0.001)	(0.001)	(0.001)	(0.000)	0.001	(0.000)	(0.001)	(0.001)	0.001
Net Income (Loss)	(87,577)	(24,421)	(32,355)	(34,960)	(179,537)	(9,835)	(58,634)	660,330	222,360
Net Income (Loss) per common share basic and diluted	(0.001)	(0.000)	(0.000)	(0.000)	0.001	(0.000)	(0.001)	0.004	0.002

#### Mineral Exploration Activities During Twelve Months Ended October 31, 2009

During 2009 total deferred exploration expenditures were \$637,997 compared to \$2,036,549 in 2008, and \$1,945,537 during 2007.

Expenditures on the Ryan Lake properties were \$201,262 in 2009 much less than the \$1,060,039 in 2008 and \$1,584,784 in 2007 when large diamond drill programs were completed.

Expenditures on the Mexican properties, mainly Mabel were \$401,345 in 2009 compared to \$783,162 in 2008 when a larger drilling program was underway, and \$265,256 in 2007.

In 2009, expenditures of \$10,000 were made to test other properties which were not optioned compared to \$48,231 in 2008 and nil in 2007.

The largest expenses on the Ryan Lake area work in 2009 were geological consulting and mapping programs. In 2008 and 2007 the programs involved larger drilling campaigns with more substantial geological consulting, assaying, and drilling expenses. Drilling charges declined from \$899,671 in 2007 to \$171,496 in 2008 to nil in 2009. Assaying charges were \$2,852 in 2009 compared to \$199,927 in 2008 and \$166,567 in 2007. Geological consulting declined to \$102,994 in 2009 as a result of less activity from \$377,005 in 2008 and from \$288,570 in 2007. Surveying charges were nil in 2009 compared to \$27,687 in 2008 and \$40,909 in 2007. Property taxes were \$20,070 in 2009 compared to \$38,489 in 2008 and \$14,901 in 2007.

For Mabel the drilling charges were \$110,995 in 2009 mainly for the hole twinning program as part of the resource estimate program. Drilling charges were much higher in 2008 at \$443,429 as a result of a large drilling program and up sharply from \$71,897 in 2007. Assaying charges were \$37,731 in 2009, smaller than the \$94,548 in 2008 due to the smaller drilling program and approximately the same as the \$35,168 in 2007. Geological consulting expenses were \$141,157 in 2009 compared to \$94,791 in 2008 and \$52,330 in 2007. The IVA tax recoveries were \$11,943 in 2009 lower than the \$50,820 in 2008 due to the lower expenditure level and compared to nil in 2007.

Increased exploration and development expenditures including production planning are planned for the Ryan Lake properties during 2010 due the stronger base metal prices but the level is dependent on funding. The resource estimate and preliminary economic assessment are proceeding for Mabel due to the strength in gold and silver prices.

#### **Mineral Exploration Activities During Three Months Ended July 31, 2009**

During the third quarter of 2009 deferred exploration expenditures were \$26,558 at Ryan Lake compared to \$241,345 during the same period of 2008. Mabel deferred expenditures were \$228,167 during the third quarter of 2009 and \$410,719 during the same period of 2008. During the first nine months of 2009 the Ryan Lake deferred expenditures were \$104,611 compared to \$829,932 during the same period of 2008. During the first nine months of 2009 the Mabel deferred expenditures were \$346,879 compared to \$783,666 during the same period of 2008. During 2009 the Mabel work has largely been related to doing the resource estimate and the scoping study, including a diamond drilling program of about 1,000 meters during the third quarter. During the 2008 period a major RC drilling program was underway at Mabel. A large diamond drilling program was underway at Ryan Lake during 2008 and the work during 2009 has been largely geological assessment programs on several areas.

#### **Mineral Exploration Activities During Three Months Ended April 30, 2009**

During the second quarter of 2009 the deferred exploration expenditures were \$64,176 on Mabel and \$36,172 on Ryan Lake compared to \$329,972 on Mabel and \$207,386 on Ryan Lake during the same period of 2008. The Mabel work represented exploration and field work associated with the resource estimate for Mabel which is being prepared. Some geological assessment work was completed on Ryan Lake in the period compared to the major drilling program being completed in 2008. For the six month period ended April 30 exploration expenditures on Mabel totalled \$118,712 compared to \$372,947 during 2008 when a large drilling program was underway. Ryan Lake exploration expenditures totalled \$78,053 during the six month period compared to \$588,587 during 2008 when a large drilling program was completed.

#### **Mineral Exploration Activities During Three Months Ended January 31, 2009**

During the first quarter of 2009 the total deferred exploration expenditures were \$54,536 on Mabel and \$41,881 on Ryan Lake compared to \$42,975 on Mabel and \$381,201 on Ryan Lake during the same period of 2008. The Mabel work represented the final assays and geological work for the 2008 drilling campaign and preparation for the Mabel resource estimate which is underway. Some geological assessment work was completed on Ryan Lake in the current period compared to the completion of a major drilling program during the 2008 period.

#### **Mineral Exploration Activities During Twelve Months Ended October 31, 2008**

During 2008 total deferred exploration expenditures were \$2,036,549, slightly larger than the \$1,945,537 during 2007. Expenditures on the Ryan Lake properties were \$1,060,039 in 2008 compared to \$1,584,784 in 2007 when a larger diamond drill program was completed. Expenditures on the Mexican properties, mainly Mabel were \$783,162 in 2008, larger than the \$265,256 in 2007 due to a larger drilling program.

In 2008 expenditures of \$48,231 were made on testing on other properties which were not optioned compared to nil in 2007.

The largest expenses on the Ryan Lake area work in 2008 were geological consulting, assaying, and drilling the same as in 2007. Drilling charges declined from \$899,671 in 2007 to \$171,496 in 2008. Assaying charges rose to \$199,927 in 2008 from \$166,567 in 2007. Geological consulting rose to \$377,005

in 2008 from \$288,570 in 2007. Surveying charges were lower in 2008 at \$27,687 compared to \$40,909 in 2007. Property taxes were higher in 2008 at \$38,489 compared to \$14,901 in 2007.

For Mabel the drilling charges rose sharply from \$71,897 in 2007 to \$443,429 in 2008 as a result of the larger program. Assaying charges rose from \$35,168 in 2007 to \$94,548 in 2008. Geological consulting rose to \$377,005 in 2008 from \$288,570 in 2007. The IVA tax recoveries were \$50,820 in 2008 compared to nil in 2007.

No major exploration and development expenditures are planned for the Ryan Lake properties during 2009 due the weak base metal prices. The resource estimate and scoping study are proceeding for Mabel due to the strength in gold and silver prices.

### **Liquidity and Capital Resources**

The Company's cash position at October 31, 2009 was \$299,847 compared to \$1,007,322 at October 31, 2008 and \$759,318 at October 31, 2007. A \$2.5 million financing was completed during the 2008 period.

On December 23, 2005, the Company completed and received approval from the TSX, on a private placement for \$351,000 comprised of \$321,000 Flow-Through Units and \$30,000 Common Share Units. Each Flow-Through Unit consist of one flow-through common share and one-half of one common share purchase warrant exercisable at \$0.10 per common share to June 23, 2007. A director of the Company subscribed for 600,000 Common Share Units.

The March 2005 option payment on Mabel was made in January 2006 and the July and October payments were made in July 2006. As a result of the option payments not being made the carrying value of the Mabel property was reduced by 50% at October 31, 2005.

Pacific Comox reported on June 14, 2006 the closing of a brokered private placement of approximately 37.2 million common share units ("CS Units") of the Company at a price of C\$0.07 per CS Unit for proceeds of approximately \$2.6 million and approximately 11.8 million 'flow through' units ("FT Units") at a price of C\$0.09 per FT Unit for proceeds of approximately \$1.1 million. Each CS Unit consisted of one common share and one common share purchase warrant (a "Warrant") which entitles the holder to purchase one additional common share of the Company ("Warrant Shares") at an exercise price of C\$0.10 per Warrant Share until June 12, 2008. Each Flow-Through Unit consisted of one 'flow through' common share and one Warrant. Any Warrant Shares issued on exercise of the Warrants will be non 'flow-through' shares. The CS Units and FT Units are, and any Warrant Shares issued under the Offering would be subject to a four month hold period to October 13, 2006.

The agent for the financing was Dominick & Dominick Securities Inc. (the "Agent"). The Agent received a commission equal to 8% of the gross proceeds raised. In addition, the Company issued to the Agent Broker Warrants entitling the Agent to purchase, for C\$0.10 per CS Unit until June 12, 2008, a total of 4,894,256 CS Units (being 10% of the number of all Units in the financing). Any Common Shares, Warrants and Warrant Shares issued on the exercise of the Broker Warrants would be subject to a four month hold period to October 13, 2006.

Pacific Comox announced the Closing of non-brokered private placements of C\$300,000 on December 21, 2006. The financing was in the form of units consisting of one flow-through share and one-half share purchase warrant. A warrant is exercisable for one common share at C\$0.12 for one year from closing. Each unit was priced at C\$0.10. The securities will be subject to a four month hold period from the date of closing. A finder's fee of 8% was payable on \$155,000 of the Units. Directors of the Company subscribed for C\$112,500 of the financing.

On November 30, 2007, the Company closed a private placement of \$2,551,101. The financing was in the form of units consisting of a flow-through share and one-half of one share purchase warrant and was at \$0.11 per unit. One full purchase warrant entitles the buyer to purchase one common share at \$0.15 until November 30, 2008. A finder's fee of \$122,000 was payable on the units. Directors of the Company subscribed for \$275,000 of the financing.

The Company used the net proceeds of the financings to diamond drill and develop its Ryan Lake copper-molybdenum properties near Matachewan, Ontario and working capital.

**Additional funding is required for the Company to delineate resources and/or reserves on its properties, complete scoping/feasibility studies and move the properties into production.**

**The Company has been successful in accessing the equity markets in the past but there is no guarantee that this will continue to be available in the near term due to market conditions.**

<b>Deferred Expenditures - Mineral Properties</b>		
<b>31-Oct-09</b>		
<b><u>Expenditures Relating to Mabel and LaFamosa, Mexico Property</u></b>		
<b><u>Acquisition Costs</u></b>		
Balance - beginning of period	\$857,610.00	\$785,743.00
Incurred during the period	\$0.00	\$71,867.00
Balance - end of period	<u>\$857,610.00</u>	<u>\$857,610.00</u>
<b><u>Exploration Expenditures</u></b>		
Assaying	\$37,731.00	\$94,548.00
Drilling	\$110,995.00	\$443,429.00
Equipment	\$0.00	\$4,167.00
Geological Consulting	\$141,157.00	\$94,791.00
Labour	\$48,301.00	\$70,405.00
Mining Taxes	\$24,717.00	\$22,549.00
Road Construction	\$3,773.00	\$17,364.00
Support Services	\$19,893.00	\$29,936.00
Supplies	\$26,721.00	\$39,149.00
Surveying	\$0.00	\$17,644.00
IVA tax recoverable	(\$11,943.00)	(\$50,820.00)
	<u>\$401,345.00</u>	<u>\$783,162.00</u>
Balance - Beginning of Period	\$2,337,229.00	\$1,554,067.00
Balance - End of Period	<u>\$2,738,574.00</u>	<u>\$2,337,229.00</u>
Cumulative Deferred Expenditures on Mineral Properties (Before Write-Down)	\$3,596,184.00	\$3,194,839.00
Cumulative Writedown - Beginning of Period	(\$996,528.00)	(\$996,528.00)
Writedowns during the period	\$0.00	\$0.00
Cumulative Writedown - End of Period	<u>(\$996,528.00)</u>	<u>(\$996,528.00)</u>
Cumulative Deferred Expenditures on Mineral Properties	<u>\$2,599,656.00</u>	<u>\$2,198,311.00</u>
<b><u>Expenditures Relating to Ryan Lake, Matachewan, Ontario Properties</u></b>		
<b><u>Acquisition Costs</u></b>		
Balance - beginning of period	\$1,134,750.00	\$1,044,000.00
Incurred during the period	\$34,390.00	\$90,750.00
Balance - end of period	<u>\$1,169,140.00</u>	<u>\$1,134,750.00</u>
<b><u>Exploration Expenditures</u></b>		
Assaying	\$2,852.00	\$199,927.00
Geological Consulting	\$102,994.00	\$377,005.00
Travel/Hotel/Meals/Miscellaneous	\$40,235.00	\$101,675.00
Drilling	\$0.00	\$171,496.00
Supplies	\$15,079.00	\$46,970.00
Equipment	\$19,906.00	\$53,283.00
Closure Plan	\$126.00	\$43,507.00
Surveying	\$0.00	\$27,687.00
Permitting	\$0.00	\$0.00
Property taxes	\$20,070.00	\$38,489.00
	<u>\$201,262.00</u>	<u>\$1,060,039.00</u>
Balance - Beginning of Period	\$3,209,235.00	\$2,149,196.00
Balance - End of Period	<u>\$3,410,497.00</u>	<u>\$3,209,235.00</u>
Cumulative Deferred Expenditures on Mineral Properties	<u>\$4,579,637.00</u>	<u>\$4,343,985.00</u>
<b><u>Expenditures Relating to Other Properties</u></b>		
<b><u>Exploration Expenditures</u></b>		
Geological Consulting	\$10,000.00	\$48,231.00
Balance - Beginning of Period	\$0.00	\$0.00
Balance - End of Period	<u>\$10,000.00</u>	<u>\$48,231.00</u>
Cumulative Writedown - Beginning of Period	\$0.00	\$0.00
Writedowns during the period	(\$10,000.00)	(\$48,231.00)
Cumulative Writedown - End of Period	<u>(\$10,000.00)</u>	<u>(\$48,231.00)</u>
Cumulative Deferred Expenditures on Mineral Properties	<u>\$0.00</u>	<u>\$0.00</u>
	<u>\$7,179,293.00</u>	<u>\$6,542,296.00</u>

**Off-Balance Sheet Arrangements**

The Company has no material off-balance sheet arrangements, no material capital lease arrangements and no long-term debt obligations.

**Transactions With Related Parties**

During the 2009 and 2008 twelve month periods the Company paid consulting fees of \$54,000 and \$79,200 respectively to an officer of the Company. At October 31, 2009 the Company reported \$92,816 due to an officer compared to \$184 at October 31, 2008. During the 2009 period rent of \$9,932 was paid to a corporation under common management compared to \$9,860 during the 2008 period.

Pacific Comox at October 31, 2009 was owed \$364,117 and at October 31, 2008 was owed \$330,685 by a company which has one person in common management.

**Administration Expenses In 2009 And 2008**

The administration expenses including the writedown of mineral properties declined to \$186,343 in 2009 from \$452,396 in 2008. Expenses were lower in most categories due to the lower level of activity.

The legal and audit charges declined to \$29,740 in 2009 from \$40,029. Consulting fees declined to \$54,000 from \$79,200 in 2008. No finder's fees were paid in 2009 compared to \$61,000 in 2008 when a major financing was completed.

With no major financings or other financing activity stock exchange and filing fees declined to \$8,291 in 2009 from \$31,688 in 2008.

Writedown of mineral properties declined to \$10,000 in 2009 from \$48,231 in 2008 as a result of a lower level of activity in examining new properties.

As no stock options were exercised or granted in 2009, stock based compensation declined from \$88,000 in 2008 to nil in 2009.

<b>Pacific Comox</b>		
<b>Supplementary Information</b>		
	12 months ended	12 months ended
	<u>31-Oct-09</u>	<u>31-Oct-08</u>
<b>Expenses</b>		
Bank charges and interest	\$1,592.00	\$2,579.00
Legal and audit fees	\$29,740.00	\$40,029.00
Amortization	\$292.00	\$418.00
Consulting fees	\$54,000.00	\$79,200.00
Foreign exchange gain/loss	\$12,751.00	\$11,168.00
Rent	\$9,932.00	\$9,860.00
Investor relations	\$0.00	\$9,384.00
Office supplies and services	\$36,983.00	\$41,362.00
Press and news releases	\$2,983.00	\$6,380.00
Proxy report and mailing	\$1,941.00	\$2,255.00
Printing expense	\$0.00	\$5,831.00
Telephone	\$1,503.00	\$1,434.00
Travel	\$0.00	\$434.00
Finders fees	\$0.00	\$61,000.00
<i>Office, general and investor relations</i>	<b>\$43,410.00</b>	<b>\$128,080.00</b>
Stock exchange and filing fees	\$8,291.00	\$31,688.00
Transfer agent fees	\$16,335.00	\$13,143.00
<i>Transfer agent and regulatory fees</i>	<b>\$24,626.00</b>	<b>\$44,831.00</b>
Writedown of mineral property	\$10,000.00	\$48,231.00
Stock based compensation	\$0.00	\$88,000.00
	<b>\$186,343.00</b>	<b>\$452,396.00</b>

### **Critical Accounting Estimates**

The Company's accounting estimates used in the preparation of the financial statements include the Company's estimate of recoverable value on its mineral properties and from a Company with some common management. Both of these estimates involve considerable judgment and are, or could be affected significantly by factors that are out of the Company's control.

### **Future Income Taxes**

The Company uses the asset and liability method in accounting for income taxes. Under this method of tax allocation, future income and mining tax assets and liabilities are determined based on differences between the financial statement carrying values and their respective income tax basis (temporary differences). Future income tax assets and liabilities are measured using the enacted tax rates expected to be in effect when the temporary differences are likely to reverse. The effect on future income tax assets and liabilities of a change in tax rates is included in income in the year in which the change is enacted or substantively enacted. The amount of future income tax assets recognized is limited to the amount that is more likely than not to be realized.

### **Foreign Currency Translation**

The accounts of the Company's foreign operations are considered to be integrated and are translated into Canadian dollars using the temporal method. Foreign currency transactions of the Company and its integrated subsidiaries are translated into Canadian dollars at the rates prevailing on the dates of the transactions. Realized and unrealized exchange gains and losses resulting from foreign currency transactions are included in current earnings. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange prevailing at the end of the accounting period and any

gains or losses are included in current earnings. Non-monetary assets are translated at the rates of exchange prevailing when the assets were acquired.

### **Changes In Accounting Policy**

The following changes have been made in adopted standards and significant accounting policies.

#### **(a) Goodwill and Intangible Assets**

Effective November 1, 2008, the Company adopted the recommendations of the CICA Handbook Section 3064, "Goodwill and Intangible Assets", which provides guidance on the recognition, measurement and disclosure of goodwill and intangible assets. The adoption of the new standard did not have any impact on the Company's consolidated financial statements.

#### **(b) General Standards of Financial Statement Presentation**

Effective November 1, 2008, the Company adopted the recommendations of the CICA Handbook Section 1400, "General Standards of Financial Statement Presentation", which provides guidance on the requirements to assess an entity's ability to continue as a going concern and disclose any material uncertainties that cast doubt on its ability to continue as a going concern. The adoption of this new standard did not have any impact on the Company's consolidated financial statements other than disclosure in Note 1 above.

#### **(c) Credit Risk and the Fair Value of Financial Assets and Financial Liabilities**

In January 2009, the CICA issued EIC 173 "Credit Risk and the Fair Value of Financial Assets and Financial Liabilities". The committee reached a consensus that a company's credit risk and the credit risk of its counterparties should be considered when determining the fair value of its financial assets and financial liabilities, including derivative instruments. The transitional provisions resulting from the implementation of EIC 173 require the abstract to be applied retrospectively without restatement of prior periods. The Company adopted this EIC effective January 20, 2009. The adoption of the EIC did not have a significant impact on the Company's financial statements.

#### **(d) Inventory**

Effective November 1, 2008, the Company adopted Section 3031, "Inventory" of the CICA handbook. The adoption of this new inventory standard requires changes for accounting of inventory including the requirement to allocate overhead costs based on normal production levels and changes to the definition of net realizable value. The new inventory standard clarifies the definition of 'cost' to include all costs of purchase, costs of conversion and other costs incurred to bringing the inventories to their present location and condition. As a result, companies are required to systematically allocate fixed and variable production overheads that are incurred in converting materials into finished goods. The allocation of fixed production overheads is based on normal production capacity of the production facilities. In addition, the standard requires companies to assess the recoverability of inventory costs in comparison to net realizable value. Declines in replacement cost below carrying values for raw materials inventories do not require write downs if the finished goods in which they will be incorporated are expected to be sold at or above cost. The adoption of this new standard did not have a impact on the Company's financial statements.

#### **(e) Mining Exploration Costs**

On March 27, 2009, the CICA approved EIC 174, "Mining Exploration Costs". This EIC provides guidance on capitalization of exploration costs related to exploration properties in particular and on impairment of long-lived assets in general. The application of this new accounting standard did not have a material impact on the Company's financial statements.

## **Future Changes In Accounting Policies**

### **International Financial Reporting Standards**

In January 2006, The Accounting Standards Board (AcSB) adopted a strategic plan for the direction of accounting standards in Canada. As part of the plan, Canadian public companies will be required to adopt International Financial Reporting Standards (IFRS) for annual and interim financial statements for years beginning on or after January 1, 2011. The Company will adopt IFRS effective November 1, 2011 and will be required to restate, for comparative purposes, amounts reported by the Company for its year ended October 31, 2011. The Company is continuing to assess the impact on the Company's financial statements and is developing an implementation plan.

### **Business Combinations**

The new Section 1582, "Business Combinations", which replaces Section 1581. "Business Combinations", establishes standards for the measurement of a business combination and the recognition and measurement of assets acquired and liabilities assumed. The new standard applies to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. Earlier application is permitted.

The Company does not expect the adoption of this new standard to have an impact on its financial statements.

### **Consolidated Financial Statements and Non-Controlling Interest, together replace**

The new section 1601, "Consolidated Financial Statements" and Section 1602, "Non-Controlling Interest", together replace Section 1600, "Consolidated Financial Statements". Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602 establishes the accounting for a non-controlling interest in a subsidiary, in the consolidated financial statements, subsequent to a business combination. These standards apply to interim and annual consolidated 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.

The Company does not expect the adoption of these new standards to have an impact on its financial statements.

### **Evaluation of Disclosure Controls**

As required by Multilateral Instrument 52-109, management carried out an evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures as of October 31, 2008. Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that the company's disclosure controls and procedures are effective in recording, processing, summarizing and reporting, on a timely basis, information required to be disclosed by the Company to satisfy its continuous disclosure obligations, and are effective in ensuring that information required to be disclosed in reports that the Company files is accumulated and communicated to management as appropriate to allow for timely decisions regarding required disclosure.

### **Other MD & A Requirements**

The Company's authorized share capital is an unlimited number of common shares. On June 17, 2005 the Company filed new Articles under the B. C. Business Corporations Act. The authorized share structure was changed at that time to no maximum number of common shares.

At October 31, 2009 the Company had 172,260,655 shares outstanding, increased from 171,960,655 on October 31, 2008 and 148,343,828 shares at October 31, 2007.

At October 31, 2009 the Company had no warrants outstanding. The 11,595,914 warrants with an exercise price of \$0.15 expired November 30, 2008 and were not exercised. At October 31, 2008 the Company had 11,595,914 warrants outstanding compared to 50,576,807 at October 31, 2007. During the 2008 period 50,501,807 warrants expired.

The Company at October 31, 2009 had 10,400,000 options outstanding. Of the total, 1,900,000 options with an exercise price of \$0.10 expire on December 23, 2010. On October 20, 2008 the Company granted 8,500,000 options to directors, officers, and consultants at an exercise price of \$0.10 per share for a period of five years.

#### **Directors & Officers**

Donald Empey – Director, President, CEO and Secretary,  
James Janzen – Director, CFO, and V-P Exploration,  
Marvin Wolff – Director  
Brent Johnson – Director

#### **Trends**

The market conditions for resource explorations companies have been difficult for many periods during the past ten years. Consequently, it has at times been difficult for such companies to raise funding for the acquisition of exploration properties, exploration programs on properties and for general administration costs. These conditions improved greatly during 2005 to early 2008 but deteriorated sharply during the last half of 2008. During the late 2008 to current period there has been a significant improvement in operating conditions but conditions are volatile.

**The potential to raise money for future exploration and development on our properties is very uncertain.**

#### **Risk Factors**

If exploration and development programs are successful, additional funds will be required for further exploration and development work to identify an economic ore body or to bring any such ore body to production. The only source of future funds available to the Company is through the sale of additional equity capital or borrowing the funds. There is no assurance that such funds will be available to the Company. Even if such financing is successfully completed, there can be no assurance that it will be obtained on terms favorable to the Company or providing the Company with sufficient funds to meet its objectives, which may adversely affect the Company's business and financial condition.

#### **Outlook**

Based on the economic and market conditions and metal prices prevailing during the late 2009 and early 2010 period, the Company will focus on its development efforts on the Mabel gold-silver-copper property in Mexico and to a less extent the Ryan Lake copper-molybdenum property in Ontario.

The Company will examine other properties which may be available to be optioned by the Company.

**The funds required to explore the properties and fund the Company's general and administrative expenses are expected to be raised through the exercise of existing options, private placements and other public financings.**

#### **Subsequent Events**

On December 31, 2009, the Company closed a private placement of \$200,000. Of the financing, \$100,000 is in the form of flow-through units consisting of one flow-through share and one share purchase warrant and \$100,000 is in the form of units consisting of one flow-through share and one share purchase warrant. Each unit was priced at \$0.05 and each warrant is exercisable at \$0.10 for a period of two years expiring December 31, 2011. Directors of the Company subscribed for \$175,000 of the financing. The funds raised

will be used to advance the exploration program at Ryan Lake copper-molybdenum properties near Matachewan, Ontario, the Mabel gold/silver property in Mexico, and for general working capital purposes.

**Forward Looking Statements**

The above comments contain forward looking statements that are subject to a number of known and unknown risks, uncertainties, and other factors that may cause actual results to differ materially from those anticipated in our forward looking statements. Factors that could cause such differences include: changes in world gold and base metal markets, equity markets, costs and supply of materials relevant to the mining industry, changes in government policy, and changes to regulations affecting the mining industry. Although we believe the expectations reflected in our forward looking statements are reasonable, results may vary, and we cannot guarantee future results, levels of activity, performance or achievements.