

# Management's Discussion and Analysis

Year ended December 31, 2010

Management's Discussion and Analysis ('MD&A') for Kirrin Resources Inc. (the 'Company' or 'Kirrin') has been prepared as of March 15, 2011. It should be read in conjunction with the Company's consolidated financial statements and notes thereto for the year ended December 31, 2010. Information provided herein relating to 2011 and later years is based on assumptions regarding future events and results may vary. All prices are in Canadian dollars unless otherwise stated.

The above referenced financial statements and the Company's other public filings can be found on SEDAR at [www.sedar.com](http://www.sedar.com).

## Kirrin's Business

Kirrin is engaged in uranium and rare earth elements ('REE') exploration in Newfoundland & Labrador, Quebec and Saskatchewan and in the expansion of its portfolio through acquisition, merger, strategic partnership and joint venture. The Company holds its property interests through its wholly owned Alberta incorporated subsidiary, Kirrin Exploration Inc. ('KEI'). The Company also wholly owns Monroe Minerals Holdings Limited, incorporated in Isle of Man.

Kirrin is a reporting issuer in Alberta and British Columbia and its shares trade on the TSX Venture Exchange under the symbol KYM.

## Fourth Quarter Highlights

Highlights during the fourth quarter of 2010 include:

- On November 29, 2010, the Company completed a private placement of 8,425,000 units at a purchase price of \$0.08 per unit for proceeds of \$674,000. Each unit consisted of one common share and one-half of one common share purchase warrant. Each full warrant is exercisable into one common share at a price of \$0.12 per common share for eighteen months from the date of issue, subject to earlier expiry in certain circumstances.
- On December 6, 2010, Kirrin announced that it had initiated a 1,500 m drill program at its Lost Pond uranium project in western Newfoundland. Drilling was intended to test the continuation of the uranium bearing Cataclastic Zone at depth and down plunge. The program was completed during December 2010 and consisted of 1,358.3 m in four holes of BQ-TK sized core, with each hole ranging between 253 and 390 m in length.
- On December 8, 2010, the Company announced a new geophysical interpretation program at its Grevet REE project in northwestern Quebec. The new interpretation was followed by a synthesis of all 2010 and historic results, with both reports completed at end December 2010. The results, conclusions and recommendations from these two reports are currently being evaluated and it is expected that the recommendations therefrom will form the foundation for the planned 2011 exploration program at Grevet.
- On December 23, 2010, Kirrin completed a private placement of 15,000,000 flow-through units at a purchase price of \$0.10 per flow-through unit for proceeds of \$1,500,000. Each flow-through unit consisted of one flow-through common share and one-half of one common share purchase warrant. Each full warrant is exercisable into one common share at a price of \$0.14 per common share for twelve months from the date of issue and \$0.18 per common share for the following twelve months, subject to earlier expiry in certain circumstances.

## Rare Earth Elements

The Rare Earth Elements ('REE') are 15 chemically-similar elements called lanthanides (from lanthanum, element 57, to lutetium, element 71). Commercially, REE also include scandium and yttrium, not strictly in the REE group but which share with REE some chemical, functional and occurrent features. They are all usually soft, ductile metals, with very unique properties: catalytic, magnetic, optical and others. REE are sometimes referred to as 'industrial vitamins' due to the fact that tiny quantities of them, when added to other elements, tend to confer unique properties on the latter. In many applications, moreover, no substitute has been identified for a particular REE.

REE are used extensively in high-tech and green industries. Growth in demand has accelerated dramatically over the past five years and is expected to remain strong in the foreseeable future. REE are incorporated in the manufacture of many common high-technology items, for example, neodymium is used in the light magnets found in earphones, mobile phones and hard disk drives and europium is present in the liquid crystal displays of computers and flat-panel television sets, while fibre optic cables that power the Internet depend on erbium. The lenses in photo and video cameras are almost exclusively polished with cerium oxide and high-efficiency fluorescent light bulbs contain several different REE. Other applications of REE include as catalysts in oil refining and exhaust converters in automobiles, in lasers, superconductors, medical imaging devices, as well as in a range of other metallurgical and nuclear applications. Important defence applications are anti-missile defences, jet engines, missile guidance systems and night vision goggles.

It was widely acknowledged during 2010 that several REE represented critical strategic minerals, not least because 97% of global production, and therefore supply, is sourced in China. The European Union, Japan and the USA all announced plans to help secure the supply of REE and other strategic minerals for their domestic industries.

## Uranium

The primary peaceful use of uranium is as fuel in electricity generating nuclear power plants. The potent combination of population growth, urbanisation and economic development is resulting in a sustained surge in electricity demand. The OECD/IEA forecasts electricity demand increasing twice as fast as overall energy use to 2030. Over 70% of the expected increased demand is from developing countries, led by China and India. These, and others with energy deficits, have committed to increasing electricity supplies through aggressive nuclear plant construction programs. While the plans of China, India and Russia are well known, no fewer than 50 countries have informed the International Atomic Energy Agency that they are considering introducing nuclear power.

The WNA global upper scenario foresees operating nuclear reactors increasing 123%, from 443 at present to 987 reactors in 2030. The current global economic environment is not dampening plans for nuclear generation growth. Since December 2009, the largest increases in announced planned and proposed new nuclear reactors are in India (+22 to 60 reactors, up 58%), and China (+29 to 154 reactors, up 23%) (*Research Capital Corporation*). As a result, IAEA estimates of nuclear generated electricity in 2030 have increased markedly from 573,000 MW estimated in 2003 to its current estimate of more than 946,000 MW.

In 2009 the OECD/IEA published its *World Energy Outlook*. This highlighted the increasing importance of nuclear power in meeting energy needs while achieving security of supply and minimizing carbon dioxide emissions. Nuclear power is especially suitable for large-scale, continuous electricity demand which requires reliability (i.e., base-load). The world requires major decarbonization of its energy system and nuclear is the only option that can deliver this with security of supply and proven technology.

Currently, uranium production from mining meets less than 75% of demand, the gap being filled by nuclear utility stockpiles and the decommissioning of nuclear weapons. Stockpiles are rapidly being drawn down and nuclear weapon decommissioning is slated to end in 2013. As a result, it is predicted that by 2015 uranium supply will fall short of then demand, with obvious pricing implications.

## Properties

Kirrin's technical expertise lies in project selection, exploration planning, implementation and evaluation. Present goals include the identification of additional uranium and REE exploration properties.

The Company is current on its earning obligations in relation to all of its properties.

The Qualified Person who has reviewed the information under 'Properties' contained in this MD&A is Dr. Reg Olson, Ph.D., P. Geol.

### KEY LAKE SW

Kirrin has an option agreement with Majesta Resources Inc. ('Majesta') allowing Kirrin to earn a 70% interest in the Key Lake SW uranium property located in northwestern Saskatchewan, by spending \$3,000,000 on exploration by December 31, 2015, making payments to Majesta of \$268,000 by December 31, 2013, and issuing 350,000 common shares to Majesta by June 30, 2010.

The eastern margin of the Athabasca Basin is home to the most productive uranium mines in the world with roughly 20% of current global uranium production coming from this area. Kirrin's target at Key Lake SW is basement-hosted unconformity-type uranium deposits, similar to Cameco's basement-hosted Millennium deposit, located about 60 km to the northeast; Denison's Phoenix discovery within its Wheeler River property, located about 60 km northeast; and the former Key Lake mine, located about 25 km east-northeast. Key Lake SW is at the southwest end of the geologically favourable trend that hosts numerous uranium mines including these important deposits.

Kirrin flew a 1,076 line-km Fugro magnetic-electromagnetic ('EM') airborne survey in April 2010. The evaluation and interpretation of the airborne EM and magnetic data identified nineteen priority targets warranting follow-up assessment. Some of these anomalies correlate with geological, geophysical or geochemical anomalies identified from prior exploration; others are newly identified. All are prospective for ingress style (i.e., basement hosted) uranium deposits along the geologically favourable Wollaston Group basement trend. During 2010 Kirrin expanded its land holdings at Key Lake SW by 6% to 38,621 hectares.

The discovery of ingress style uranium deposits such as Phoenix (up to 117 m below the Athabasca Group basement unconformity), Millennium (up to 100 m below the unconformity), Eagle Point (up to 450 m below the unconformity) and some others within the Athabasca Basin, indicates that important uranium deposits can occur from several tens of metres up to a few hundred metres below the unconformity. Hence, there is potential for important basement-hosted uranium deposits to exist within Kirrin's Key Lake SW property.

In February 2011, Kirrin flew a 1,100 line-km Geotech helicopter-borne magnetic-EM survey of many of the priority targets identified in the Fugro 2010 survey. This will be followed by a geophysical-geological interpretation of the survey results in the context of all prior exploration data and the identification of selected targets for ground follow-up work during 2011. It is anticipated the 2011 program will include one or more of physical gridding, ground geophysical surveys, prospecting, local geochemical surveys and detailed geological mapping. Finally, it is anticipated this work will result in the selection of drill targets for a multi-site drill program at the Key Lake SW property during 2011 or 2012.

## **GREVET**

Kirrin has an option agreement with Michel Proulx to earn a 100% interest in the Grevet REE property, located in northwestern Quebec about 150 km northeast of Val-d'Or. Kirrin is required to spend \$1,850,000 on exploration, including a minimum first year commitment of \$200,000, and to make payments to M. Proulx of \$20,000, over four years. Kirrin's program at Grevet is directed by Dr. Reg Olson and Dr. David Lentz. Dr. Lentz has suggested that, because of the ferroan carbonatite association with magnetite, the Grevet property has some geological similarities to the large Bayan Obo REE-bearing carbonatitic body in Mongolia, China. Bayan Obo is the world's largest REE deposit, containing about 70% of the world's known REE resources.

Field work during 2010 focused on intensive prospecting, including the collection of 156 rock channel, chip and grab samples from carbonatites and associated magnetite/siderite stockwork occurrences believed prospective for REE. In mid December, Kirrin completed a new geophysical interpretation of the merged and integrated 2001, 2002 and 2010 ground magnetic data at Grevet and a geological integration of the interpreted geophysical targets with all prior exploration data from Grevet. These studies identified 15 geophysical targets and several other carbonatite occurrences that warrant follow-up exploration, as well as a recommendation that a three-phase exploration program be carried out in 2011.

The main Grevet carbonatite showing, from which a continuous systematic rock chip sample assays 1.61% LREO across 2.2 m, can be traced to the southeast for at least 160 m and thereafter potentially through several other carbonatite showings along strike for a strike extent that may exceed 2 km. Further, this carbonatite showing is thought to continue northwest under swamp. To the northwest, a grab sample from a narrow (~2.5 cm wide) carbonatite dyke assayed 14.08% LREO and also had elevated HREO of 0.14%. This result is important both because it is high grade and it extends the area underlain by potentially high-REE grade carbonatite bodies several hundred metres northwest of the main carbonatite showing.

The 2010 sampling results confirm that high grade REE-bearing carbonatites exist at least locally within the Grevet property. Dr. Lentz has suggested that only smaller carbonatite occurrences are likely to be present in outcrop and that larger bodies, because of their recessive nature, would tend to be in drift covered draws or other overburden covered areas along the strike of the carbonatite dyke or dyke swarms. During 2010 Kirrin expanded its land holdings at Grevet by 58% to 1,049 hectares.

Kirrin is planning further intensive exploration in 2011, including systematic rock sampling of all carbonatites and, dependent upon results, the selection of drill targets for a multi-site drill program.

## ALEXIS RIVER

The Alexis River property, located in southeastern Labrador, is approximately 2,500 hectares in size and the area is underlain by rocks assigned to the Pinware Terrane of the Eastern Grenville Province, which are potential hosts for uranium mineralization. Kirrin may earn a minimum 60% interest in the Alexis River property over five years by spending \$1,250,000 on exploration and issuing 250,000 shares to Altius Resources Inc. ('Altius').

Since acquiring an interest in the Alexis River property, Kirrin has overseen a helicopter-borne radiometric and magnetometer survey conducted by Altius in July 2007; limited follow-up prospecting by Altius over selected airborne radiometric anomalies; additional lake sediment sampling of Anomaly Lake during August and September 2007; further systematic lake sediment sampling conducted by Altius in February 2008 and by Kirrin in June and July 2008; semi-detailed geological mapping and prospecting during summer 2008; and a total of 1,294.5 m drilled in five holes in October 2008 intended to test bedrock beneath Anomaly Lake.

The lake sediment sample results for uranium within Anomaly Lake are unusually high, being well over two orders of magnitude higher than the average uranium content of lake sediment samples within Labrador. The highest uranium content recorded at Anomaly Lake during the above programs was 2,370 ppm U.

The key drilling results are from two holes, with the best intercepts (a) in hole AL0802 being 0.754%  $U_3O_8$  across 0.2 m from 58.9 m to 59.1 m core length, plus a second intercept of 0.069%  $U_3O_8$  across 2.0 m from 83.0 m to 85.0 m core length, and (b) in hole AL0805 being 0.188%  $U_3O_8$  across 0.85 m from 197.7 m to 198.55 m core length, with five other lower grade intercepts higher in the hole ranging down to 0.034%  $U_3O_8$  across 0.4 m from 16.7 m to 17.1 m core length. These intersections are all from unaltered, biotitic coarse-grained granitic dykes cutting mafic rocks. However, these narrow, relatively localized uranium intercepts are not likely to be the cause or source of the highly anomalous uranium in lake sediment at Anomaly Lake.

Exploration plans for 2011 include a more detailed interpretation of selected airborne geophysical, hydrological, regional geochemical and geological data, to be followed by additional prospecting, sampling and possibly expanded airborne or follow-up ground geophysical surveys.

## LOST POND URANIUM AND BOTTOM BROOK REE PROJECTS

These projects share the same land area in western Newfoundland. The Company has an option agreement with Ucore Rare Metals Inc. ('Ucore') to earn a minimum 50% over four years in the Lost Pond uranium and Bottom Brook REE property. Kirrin is required to spend \$2,600,000 on exploration, including a minimum first year commitment of \$700,000, and issue 300,000 shares to Ucore, including 50,000 shares on signing and the balance over four years on each anniversary of the agreement.

Initial prospecting identified a 200 m wide uranium mineralized zone, named Cataclastite Zone, and drilling discovered 0.045%  $U_3O_8$  over 12.3 m core length at 72 m depth. Kirrin's 2008 drilling extended the uranium discovery with 0.038%  $U_3O_8$  over 20.1 m at 235 m depth. Kirrin's 2010 drilling program comprised 1,354 m in four holes to test the Cataclastite Zone at depth. The 2010 drill program was primarily laid out to test the down plunge potential of the uranium mineralization and all holes were successful in intersecting the zone. In summary, drilling to date at the Cataclastite Zone has defined a relatively continuous zone of low grade uranium with grades ranging from 0.01 to 0.045%  $U_3O_8$  over widths up to 15 m true thickness. The 2010 drilling targeted an increase in grade below the existing holes and although the zone was intersected the uranium grades did not increase. The deepest hole drilled to date intersected the zone at a vertical depth of approximately 250 m below surface and the interpretation currently is that no additional drilling is warranted to further test the Cataclastite Zone to depth. Any mineralization found deeper would require underground access, necessitating minimum economic grades of at least 0.15%  $U_3O_8$  across mineable widths. The final report on the 2010 program has been submitted and it is anticipated that no further work will be recommended at the Cataclastite Zone at this time.

The project's drilling on selected REE targets points to high grade REE mineralization. The highest grade achieved (REE grades are usually reported as calculated rare earth oxides or REO) is 15.04% total REO over 0.3 m core length. Examples of wider intervals are 4.47% total REO over 5.64 m core length, 4.32% total REO over 2.0 m core length, and 1.16% total REO over 15.3 m core length.

The REE potential at Bottom Brook was re-evaluated during 2009 and the results of the subsequent exploration program exceeded expectations. There are now nine REE targets at Bottom Brook and the best result from the latest assays shows 10.04% total REO in rock grab samples, which includes individual assays of 4.13%  $Ce_2O_3$  (cerium oxide), 2.22%  $La_2O_3$  (lanthanum oxide) and 1.88%  $Nd_2O_3$  (neodymium oxide).

A follow-up program of ground magnetics and geochemistry is planned for 2011, to be followed by trenching and/or drilling on the discrete magnetic targets that have been found to be associated with the REE-bearing zones. Additional prospecting will also be done at other targeted areas deemed prospective for REE.

### BOXEY POINT

The Company had an option agreement with Altius dated January 15, 2008 to earn a 60% interest over four years in the Boxey Point uranium property, located in southern Newfoundland. The 2009 exploration program, which included drilling 1,323 m in nine diamond drill holes, did not sufficiently improve the project's prospects and the Company terminated the option and wrote off its \$553,000 carrying cost.

## Properties Analysis

The following table presents the approximate carrying amounts and expenditures on the Company's mineral properties, net of government grants:

Property	December 31, 2009	Inurred during the year ended December 31, 2010	Expensed, amortized, disposed of or written down in 2010	December 31, 2010
Alexis River	\$ 759,200	\$ 4,000	\$ –	\$ 763,200
Boxey Point	–	2,900	(2,900)	–
Lost Pond	669,700	147,100	(431,300)	385,500
Key Lake SW	–	263,100	–	263,100
Grevet	–	230,200	–	230,200
Projects under review	–	25,400	(25,400)	–
Office equipment	–	2,300	(600)	1,700
Total	\$ 1,428,900	\$ 675,000	\$ (460,200)	\$ 1,643,700

## Results of Operations

### OPERATIONS

The Company's operations are at the exploration stage and the Company therefore continues to create operating losses as a result of general and administration expenses required to review, acquire and evaluate assets and to maintain a public listing.

The Company continued its exploration programs during the fourth quarter on the Key Lake SW and Lost Pond uranium properties and the Grevet REE property. Details are provided above under 'Properties'.

One of the Company's objectives remains the identification of suitable uranium and REE companies and assets for acquisition, merger, strategic partnership or joint venture. Several opportunities were reviewed during the fourth quarter and the outcome of some of these remains to be determined.

### GENERAL AND ADMINISTRATION EXPENSES

	2010	2009
Salaries and benefits	\$ 111,033	\$ 118,685
Financial administration	128,908	130,430
Audit	66,400	41,317
Legal	5,557	40,284
Investor relations	126,073	144,621
General office and miscellaneous	26,481	21,481
Travel and marketing	35,199	40,828
Total	\$ 499,651	\$ 537,646

General and administration expenses remain tightly controlled and consistent with 2009 despite the increased size of the Company's exploration portfolio and consequent increase in activity. Each of salaries, financial administration and investor relations include contracts for the provision of key services. The negotiated compensation for these services was reduced in 2008 in the light of economic uncertainties. Management expects the level of general and administration expenses to come under pressure as the level of activity within Kirrin continues to increase.

## Summary of Quarterly Results

Quarterly results are unaudited.

(All figures are in \$ except share numbers)

Three months ended	Dec. 31, 2010	Sept. 30, 2010	June 30, 2010	Mar. 31, 2010	Dec. 31, 2009	Sept. 30, 2009	June 30, 2009	Mar. 31, 2009
Exploration and Project development	16,406	851	3,263	14,105	745	21,949	12,266	54,716
Amortization	138	149	161	174	–	–	–	–
(Income) loss for the period	622,922	97,090	130,955	(41,424)	786,119	131,803	(218,042)	225,028
Working capital	1,335,347	(154,146)	4,150	280,409	303,164	(210,403)	(93,198)	(197,601)
Mineral interests	1,642,010	1,867,522	1,794,024	1,507,552	1,428,943	1,750,386	1,732,299	1,739,691
Equipment	1,701	1,839	1,988	2,149	–	–	–	–
Total assets	3,673,022	1,930,993	2,053,325	2,066,044	2,312,870	1,862,549	2,166,960	1,901,213
Shareholders' equity	2,869,058	1,513,376	1,600,162	1,680,110	1,622,107	1,429,983	1,529,101	1,322,090
Shares outstanding <sup>(1)</sup>	46,268,263	22,793,263	22,743,263	22,393,263	20,599,673	12,477,002	12,387,002	12,387,002
Net (income) loss per share – basic and diluted	0.02	0.01	0.00	0.00	0.06	0.01	(0.02)	0.02

1. Share consolidation on the basis of one new common share for ten old common shares was approved by the shareholders on May 1, 2009. All share and per share amounts have been restated to reflect the 1 for 10 share consolidation.
2. Quarterly information has been conformed to year end presentation.
3. No dividends have ever been paid.
4. The above information has been summarized from the consolidated financial statements of the Company prepared in accordance with accounting principles generally accepted in Canada.
5. Refer to 'Results of Operations' for a discussion of factors that have caused period to period variations, significant acquisitions, changes in direction of Kirrin's business and other information relevant to an understanding of the Company's financial condition and results of operations.

## Liquidity

### WORKING CAPITAL

At December 31, 2010, the Company had working capital of \$1,335,347 (December 31, 2009 – \$303,164). The Company does not generate positive cash flow from operations and is dependent on its current working capital, private placements and the exercise of stock options to supplement its limited financial resources. The Company continues to face difficult capital market conditions particularly for financing its working capital needs.

### AMOUNT DUE TO RELATED PARTY

The President of the Company is owed \$250,000 (December 31, 2009 – \$245,000) in respect of accumulated remuneration. \$110,000 (December 31, 2009 – \$110,000) has been recorded as long term as the President has agreed not to request repayment of this amount before January 2012. The balance is recorded in accounts payable and accrued liabilities.

## STOCK OPTIONS

On January 25, 2010, the Company granted options over 640,000 common shares to eight directors, employees and consultants at an exercise price of \$0.14 per share, and on February 21, 2010, the Company granted options over 30,000 common shares at an exercise price of \$0.14 each to a consultant. The options vest 25% per annum commencing on the date of grant and expire between January 25 and February 21, 2015.

In September 2010, 320,000 options expired unexercised.

On December 5, 2010, the Company granted options over 75,000 common shares at an exercise price of \$0.10 each to a consultant. The options vest 33% per annum commencing one year from the date of grant and expire on January 25, 2015. On December 22, 2010, the Company granted options over 100,000 common shares at an exercise price of \$0.12 each to a consultant. The options vest 25% per annum commencing on the date of grant and expire on December 22, 2015.

## OFF BALANCE SHEET ARRANGEMENTS

The Company does not have any off balance sheet financial arrangements.

## Environmental Liabilities

Kirrin maintains its environmental rehabilitation liabilities on a current basis, thus obviating the need to accumulate a provision for this purpose.

## Capital Resources

At the Annual General and Special Meeting held on May 1, 2009, shareholders approved the change of name to 'Kirrin Resources Inc.' and the consolidation of the share capital on the basis of one new common share for each ten old common shares of the Company. All shares and per share amounts have been restated to reflect the 1 for 10 share consolidation.

On February 1, 2010, the Company issued 50,000 common shares at \$0.125 each for consideration of \$6,250 as part of the acquisition of its interest in the Lost Pond property.

On February 23, 2010, the Company issued 76,923 common shares at \$0.13 each for consideration of \$10,000 in satisfaction of a finder's fee as part of the acquisition of its interest in the Grevet property.

On March 12, 2010, the Company completed a private placement of 1,666,667 units at a purchase price of \$0.12 per unit for proceeds of \$200,000. Each unit consisted of one common share and one common share purchase warrant. Each warrant is exercisable into one common share at a price of \$0.14 per common share for eighteen months from the date of issue, subject to earlier expiry in certain circumstances.

On April 20, 2010, the Company issued 350,000 common shares at \$0.13 each for consideration of \$45,500 as part of the acquisition of its interest in the Key Lake SW property.

On July 15, 2010, the Company issued 50,000 common shares at \$0.05 each for consideration of \$2,500 as part of the acquisition of its interest in the Alexis River property.

On November 29, 2010, the Company completed a private placement of 8,425,000 units at a purchase price of \$0.08 per unit for proceeds of \$674,000. Each unit consisted of one common share and one-half common share purchase warrant. Each whole warrant is exercisable into one common share at a price of \$0.12 per common share for eighteen months from the date of issue, subject to earlier expiry in certain circumstances.

On December 23, 2010, the Company completed a private placement of 15,000,000 flow-through units at a purchase price of \$0.10 per flow-through unit for proceeds of \$1,500,000. Each flow-through unit consisted of one flow-through common share and one-half common share purchase warrant. Each whole warrant is exercisable into one common share at a price of \$0.14 per common share for twelve months from the date of issuance and \$0.18 per common share for the following twelve months, subject to earlier expiry in certain circumstances.

On December 31, 2010 the Company issued 50,000 common shares at \$0.135 each for consideration of \$6,750 as part of the acquisition of its interest in the Lost Pond property.

## Outlook

Kirrin has developed an interesting portfolio of mineral interests and has available almost all of the capital for the associated 2011 exploration program. Kirrin still faces challenges, particularly in relation to financing its overhead and portfolio expansion plans. At December 31, 2010, the Company was current on its obligations on its portfolio of mineral interests. The buoyancy of the capital markets has improved during 2010. Kirrin continues to pursue its dual objectives of developing a high quality portfolio and expanding through corporate development opportunities. Management remains optimistic that it will succeed with this strategy provided it is able to finance its plans. Despite encouraging results from programs, there can be no assurance that the Company will be successful in raising additional capital to expand or even maintain operations.

## Transactions with Related Parties

There were no significant transactions with related parties excepting the debt arrangements referred to in 'Liquidity' and as follows.

Included in general and administrative expense is \$46,908 (2009 – \$29,930), of which \$14,254 (2009 – \$6,338) is included in accounts payable and accrued liabilities, in respect of financial administrative services paid to a company controlled by the Chief Financial Officer of the Company.

## Critical Accounting Estimates

The Company is a development stage company. The consolidated financial statements have been prepared using accounting principles applicable to a going concern which assumes the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. There are conditions which may raise doubt regarding this assumption. The financial statements do not include adjustments that would be necessary should the Company be unable to continue as a going concern. These adjustments could be material.

The amounts recorded for capitalized exploration expenses, amortization, write down of mineral interests, stock based compensation and future income taxes are based on estimates. By their nature, these estimates are subject to measurement uncertainty and changes in these estimates may impact the consolidated financial statements for future periods. Amounts recorded for mineral interests represent costs incurred to date and are not intended to reflect present or future values. The recoverability of amounts shown for mineral interests is dependent upon the discovery of economically recoverable reserves and future production or proceeds from the disposition thereof.

## Changes in Accounting Policies Including Initial Adoption

The Canadian Accounting Standards Board established 2011 as the year that Canadian companies' financial reporting requirements should comply with International Financial Reporting Standards ('IFRS'). The transition date, January 1, 2011, will require the restatement for comparative purposes of amounts reported by the Company for the year ended December 31, 2010.

The Company has completed its internal review of the impact of the adoption of IFRS. This review considered potential differences between applicable IFRS policies and those currently used by the Company. Accounting policy changes are expected due to IFRS in the areas of mineral interests impairment testing, asset retirement obligations, stock based compensation and exploration expenses. Available elections under IFRS will minimize the impact of these changes such that the financial reporting impact of the transition to IFRS is not expected to be material to the Company's financial results. The Company has initiated the audit of its opening balance sheet under IFRS, which is expected to be completed during the next few months.

Other changes in accounting policies and recent accounting pronouncements are discussed in Note 2(j) to the consolidated financial statements for the year ended December 31, 2010. These include the adoption of standards with respect to 'Business Combinations' as of January 1, 2011.

## Financial Instruments and Other Instruments

The Company's exposure to financial risk factors is minimal and is detailed in Note 6 to the consolidated financial statements. While the Company is a development stage company and has no production or sales revenues, it bears commodity price risk in that commodity prices may influence investors and thus impact the outcome of the Company's future equity financings. The Company considers that supply and demand fundamentals for uranium remain strong. REE are not exchange traded commodities. While the Company considers that supply and demand fundamentals remain strong, the risks associated with monopoly conditions are present due to China's effective control over global supplies.

## Controls and Procedures

In the light of the Company's small size, controls and procedures for financial reporting and public disclosure are affected by limited segregation of duties. To mitigate potential control weaknesses, the Chief Executive Officer ('CEO') is actively involved in the day to day business of the Company, the CEO and Chief Financial Officer ('CFO') jointly review all payments, and the Company has implemented accounting data review procedures to assist the integrity of reports. It is not economically feasible, at the Company's current size and with the limited number of staff available, to achieve optimum or complete segregation of duties. Also, Kirrin does not have a sufficient number of finance personnel with the required technical knowledge to address all complex and non-routine accounting transactions that may arise. These weaknesses in internal controls raise the possibility that a material misstatement may not be prevented or detected.

Management and the Board of Directors work towards mitigating the risk of material misstatements: the integral role of the CEO in day to day operations provides a direct connection to source data, the review and approval by the Board of all material transactions and the use of accounting data review procedures, all provide a further level of assurance. Kirrin has no plans to remediate the above weaknesses which are linked with its current size and nature of operations.

## Other Matters

### INVESTOR RELATIONS

The investor relations program is aimed at investor communications and interaction with the financial community in Canada and Europe. CHF Investor Relations is the Company's primary investor relations counsel in Canada. CHF has been granted an option to acquire 125,000 shares in the Company expiring April 2012 and exercisable at \$0.10 each. Investment Connections of Versoix, Switzerland, is the Company's primary investor relations counsel in Europe. Remuneration arrangements are on a *per diem* basis as well as a finder's fee for private placements of the Company's securities. In Canada, Kirrin has also engaged DIG Media to include the Company's activities in its publications Rare Earth Investing News and Uranium Investing News and in Europe, Kirrin has engaged Marino Pieterse to include those activities in his publications Uraniumletter International and Rare Earth Elements Letter. Pieterse has been granted an option to acquire 75,000 shares in the Company expiring January 2015 and exercisable at \$0.10 each.

### DISCLOSURE OF OUTSTANDING SHARE DATA

The Company's authorized share capital consists of unlimited common shares without par value and unlimited preferred shares in one or more series. No preferred shares have been issued. Outstanding share data at December 31, 2010 and March 15, 2011 was:

	December 31, 2010	March 15, 2011
Issued and outstanding common shares	46,268,263	46,268,263
Warrants outstanding	20,391,838	20,391,838
Options and other finder's warrents outstanding (Note 1)	2,669,742	4,424,742

Note 1: 568,492 broker options entitle the holder to acquire 568,492 common shares as well as 568,492 warrants. The warrants are exercisable to acquire 568,492 common shares, which are not included in the above table as the options have not been exercised.

**BUSINESS RISKS**

Exploration of resource properties involves a range of risks which includes, but is not limited to, the uncertainty of discovery, lack of commercial deposits following discovery, title to properties, changes in government regulations, uninsured risks, product price fluctuations, environmental factors, political and economic risks, exchange rate fluctuations and exchange controls.

Kirrin's projects are at an early stage of exploration and success will depend on the expertise of its technical management. The Company competes with others possessing greater financial resources for both properties and personnel. Kirrin does not generate positive cash flow, has limited financial resources and must raise additional capital to implement its programs. The state of the capital markets remains challenging. There can be no assurance that the Company will be successful in raising additional capital to maintain operations.

Readers are directed to the Company's web site for a fuller disclosure of business risks.

**ADDITIONAL INFORMATION**

Additional information is available on the Company's web site [www.kirrinresources.com](http://www.kirrinresources.com).