

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

For the Twelve Month Period Ended July 31, 2009

**CRESTON MOLY CORP.**

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# CRESTON MOLY CORP.

## Management Discussion and Analysis for the twelve-month period ended July 31, 2009

### Background

This discussion and analysis of financial position and results of operation is prepared as at November 30, 2009 and should be read in conjunction with the audited consolidated financial statements for the years ending July 31, 2009 and 2008 of Creston Moly Corp. (the “Company” or “Creston”) where necessary. Those financial statements have been prepared in accordance with Canadian Generally Accepted Accounting Principles (“GAAP”). All dollar figures included therein and in the following Management Discussion and Analysis (“MD&A”) are quoted in Canadian dollars unless otherwise indicated. Additional information relevant to the Company’s activities can be found on SEDAR at [www.sedar.com](http://www.sedar.com).

Currently the Company’s business activity is the evaluation, exploration and development of the El Creston Molybdenum Deposit in Sonora, Mexico (“El Creston Deposit”) and the Ajax and Moly Brook molybdenum properties in Canada. The Company is a reporting issuer in British Columbia, Alberta and Manitoba, and is a Tier 1 issuer trading on the TSX Venture Exchange under the symbol “CMS”.

The past sixteen months have seen a number of challenges, accomplishments and changes in the Company, these include:

#### Creston Property

- Thirteen HQ sized drill holes totaling 2,997 metres in length drilled, 12 of which tested the Red Hill Zone with the remaining hole being drilled in the Creston Main Deposit. The drilling at Red Hill intersected both shallow and at depth molybdenum mineralization.
- Eighteen condemnation holes totaling 1,831 metres in length drilled in an area selected for tailings impoundment.
- Grid mapping and sampling completed over the Alejandra Grid outlined several anomalies containing elevated molybdenum in rock values
- Completion of a resource calculation by Mine Development Associates (MDA) which using a 0.03% Mo-equivalent Cutoff outlined a Measured Mineral Resource of 52,240,000 tonnes averaging 0.074% Mo and 0.050% Cu and an Indicated Mineral Resource of 124,650,000 tonnes averaging 0.070% Mo with 0.044% Cu
- Completion of positive pre-feasibility study on the Creston Main Deposit by M3 Engineering and Technology Corporation.
- The undertaking of a property review that resulted in the outlining of several targets that are considered to have the potential to host additional Mineral Resource.
- Received the arbitration ruling regarding the El Creston Finder’s Fee and commenced the appeal process.

#### Moly Brook Property

- The completion of 3 NQ sized drill holes totaling 637 metres and the excavation of 4 trenches totaling 651 metres in length were completed at the Moly Brook Zone. The program outlined widespread at surface molybdenum mineralization.
- Completion of a Resource Estimate by Kirkham Geosystems for the Moly Brook Deposit using a 0.03% Mo cutoff outlined an Indicated Mineral Resource of 86,781,029 tonnes averaging 0.065% Mo and 0.034% Cu and Inferred Mineral Resources of 31,263,359 tonnes averaging 0.056% Mo with 0.027% Cu
- Mapping and sampling of the Wolf and Chimney Pond Zones identified widespread molybdenite mineralization

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- 2009 metallurgical work completed was successful in determining that in bench scale tests rougher stage molybdenum recoveries in excess of 90% can be achieved;

#### Other

- Completed management and Board changes related to the business combination with Tenajon Resources Corp.
- Completion of a \$3,000,000 financing in July 2009
- Reorganization of the Company's future commitments

### Acquisition of Tenajon Resources Corp.

On May 27, 2009 the Company entered into a Letter of Agreement to merge with Tenajon, by way of a plan of arrangement (the "Transaction") that was completed on August 26, 2009. Under the Transaction, Creston acquired all of the issued and outstanding shares of Tenajon in consideration for the issuance of Creston shares on the basis of 0.84 share of Creston for each one share of Tenajon. The boards of Creston and Tenajon unanimously approved the terms of the Transaction.

#### Highlights of the Transaction:

*(All amounts are in US\$ unless otherwise stated.)*

- 100% ownership of two Canadian development molybdenum deposits, Ajax and Moly Brook, both of which possess significant 43-101 Resource estimates and the Creston Molybdenum Deposit, located in Mexico which has a pre-tax NPV8% of US\$503 million at \$15/lb Mo and \$1.75/lb Cu under an owner mining scenario. (The PFS has been filed on SEDAR and is available at [www.sedar.com](http://www.sedar.com));
- The new Company creates a leading molybdenum development company via organic growth as all three projects have excellent exploration potential ;
- Consolidation of a large Mineral Resource base consisting of three projects in favourable mining jurisdictions (Mexico and Canada);
- Strengthened management team with extensive development experience;
- An improved Creston balance sheet with the addition of significant resources.

### Transaction

Creston and Tenajon completed the Transaction by way of a statutory plan of arrangement whereby Creston acquired all of the issued shares of Tenajon. The Transaction was subject to certain conditions including: completion of due diligence reviews by each party, the approval of the Supreme Court of BC and the affirmative vote of not less than 66 2/3% of the common shares of Tenajon represented at a special meeting of the shareholders.

Full details of the transaction were included in the definitive Arrangement Agreement and Management Information Circular prepared and filed with the regulatory authorities and mailed to Tenajon shareholders in accordance with applicable securities laws. Under the terms of the Transaction, each Tenajon shareholder was entitled to 0.84 share of Creston for each share of Tenajon. Tenajon's outstanding options and warrants were adjusted in accordance with their terms so that the number of Creston shares to be received upon exercise and the exercise price of the warrants were adjusted proportionately to reflect the exchange ratio described above. The Transaction involved the issuance of 53,241,129 Creston shares for the acquisition of all outstanding shares of Tenajon.

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The Transaction was completed on August 26, 2009. Creston engaged Haywood Securities Inc. as its financial advisor and Miller Thomson LLP as its legal advisor in respect of this transaction. Tenajon engaged Canaccord Capital Corporation as its financial advisor and DuMoulin Black LLP as its legal advisor in respect of the transaction.

#### About Tenajon

Tenajon has a 100% interest in the Moly Brook Molybdenum Property, located 2.5 km from the Hamlet of Grey River on the southern coast of Newfoundland and the Ajax Molybdenum Property located 13 km north of Alice Arm, BC.

The Moly Brook and Ajax Molybdenum Projects contain the following mineral resources at a 0.04% Mo cut-off grade:

<u>Project</u>	<u>Category</u>	<u>Tonnes (000's)</u>	<u>Mo (%)</u>	<u>lbs Mo (000's)</u>	<u>Cu (%)</u>	<u>lbs Cu (000's)</u>
MolyBrook <sup>(1)</sup>	Indicated	86,781	0.065	124,600	0.034	65,800
	Inferred	31,263	0.056	38,600	0.027	18,800
Ajax <sup>(2)</sup>	Indicated	69,000	0.065	98,900	N/A	N/A
	Inferred	483,120	0.061	649,800	N/A	N/A

1. *The Resource estimate for the Moly Brook Molybdenum Property was completed by Kirkham Geosystems Ltd under the direction of Garth Kirkham, an independent qualified person as defined by National Instrument 43-101. The Moly Brook Report is available at [www.sedar.com](http://www.sedar.com).*
2. *The Resource estimate for the Ajax Molybdenum Property was completed under the direction of Gary Giroux, P.Eng., an independent qualified person as defined by National Instrument 43-101. The Ajax Report is available at [www.sedar.com](http://www.sedar.com).*

#### Moly Brook Project Highlights

- Completed a 39 drill hole program totaling 11,640 metres in 2008 which tested the along strike and down dip continuity of the Moly Brook Zone. The program showed the Moly Brook Zone to be at least 750 metres long with the width variable to 500 metres. The zone is open along strike to the north and south and at depth and is one of three zones located over a four km north trend that includes the Moly Brook, Wolf and Chimney Ponds. A 2009 Resource Estimate of the Moly Brook Zone showed it to contain an Indicated Resource of 86.8 million tonnes grading 0.065% Mo (124.6 million pounds Mo contained) and an Inferred Resource of 31.2 million tonnes grading 0.056% Mo (38.6 million pounds Mo contained) at a 0.04% cut-off grade (NI 43-101 compliant);
- The Resource Estimate report shows Indicated Resources of 120.0 million pounds of molybdenum and Inferred Resources of 32.1 million pounds of molybdenum are contained within a pit shell, which has an estimated strip ratio of 2.03:1. Within this shell there is the potential for a higher grade starter pit with an estimated strip ratio of 1.09:1 hosting Indicated Resources of 43.4 million pounds of molybdenum and Inferred Resources of 4.3 million pounds of molybdenum;
- 2009 metallurgical work completed was successful in determining that in bench scale tests rougher stage molybdenum recoveries in excess of 90% can be achieved;
- Mapped and sampled at the Wolf Pond Zone in 2008 and outlined a 270 metre wide x 200 metre long zone of sheeted quartz veining containing molybdenite. Channel sample results included 2.5 and 3 metre samples assaying 0.122 and 0.185% molybdenum.

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- Completed limited sampling around the Chimney Pond Zone identified widespread molybdenum values in outcrop. In October, 2009 conducted an exploration program consisting of prospecting mapping and sampling on the Moly Brook Property. The purpose of the program was to further define the mineralization at both the Chimney and Wolf Pond Zones and to evaluate the area between all three zones and other prospective areas for their potential to host additional reserves. Results are pending.

The Resource estimate for the Moly Brook Molybdenum Property was completed by Kirkham Geosystems Ltd under the direction of Garth Kirkham, an independent qualified person as defined by National Instrument 43-101. The metallurgical study was completed by P & T Metallurgical Consulting under the direction of Peter Taggart, an independent qualified person as defined by National Instrument 43-101.

#### Ajax Project Highlights

- One of North America's largest undeveloped primary molybdenum deposits - the deposit covers a surface area approximately 650m by 600m;
- Very good infrastructure with both tidewater access and hydro electric power situated at Kitsault 16 km to the south;
- Completed a 2,639 metre (13 hole) drill program in October 2007 -- the program targeted near surface higher grade mineralized zones within a potential starter pit -- initial results include a 109.49 metre intercept averaging 0.126% Mo;
- A Mineral Resource Estimate was calculated in 2008 that showed the Ajax Deposit hosted an indicated mineral resource of 69.0 million tonnes averaging 0.065% Mo (98.9 million pounds Mo contained) and an inferred resource of 483.120 million tonnes grading 0.061% Mo (649.8 million pounds Mo contained) at a 0.04% cut-off grade (NI 43-101 compliant);

The Resource estimate for the Ajax Molybdenum Property was completed under the direction of Gary Giroux, P.Eng., an independent qualified person as defined by National Instrument 43-101.

#### Positive Pre-feasibility Study received for the El Creston Deposit

During 2009 the Company received an independent PFS on its wholly-owned El Creston Deposit. The independent PFS, prepared by M3, estimates production, capital and operating cost parameters along with project economics, and considers both owner and contract mining scenarios.

#### Highlights of the Pre-Feasibility Study and Base Case Mine Plan include:

(Based on \$15/lb Mo and \$1.75/lb Cu)

*(All amounts are in US\$ unless otherwise stated.)*

- A pre-tax Net Present Value ("NPV") at an 8% discount rate of \$465.3 million with contract mining and \$502.9 million with owner mining;
- A pre-tax Internal Rate of Return ("IRR") of 28.2% with contract mining and 27.2% with owner mining;
- Annual molybdenum and copper production of approximately 20 million pounds and 12 million pounds respectively from processing of 40k tonnes per day (ktpd) of ore;

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- Direct costs, inclusive of copper byproduct credits, of \$6.57 per lb of Mo equivalent with contract mining and \$5.74 per lb with owner mining;
- An estimated initial capital expenditure of \$511.6 million utilizing contract mining and \$576.2 million with owner mining.

### Financial Evaluation

Financial evaluations of the project have been made for both owner mining and contract mining scenarios. In addition the study examined the sensitivity of the project value to changes in metal prices. The metal prices for the base case are established as \$15 per pound for molybdenum and \$1.75 per pound for copper. As of January 2009 the historic 3-year rolling average price for molybdenum and copper were \$28.67 per pound and \$3.12 per pound respectively.

Creston performed a survey of banks and financial institutions during the fourth quarter 2008 and the first quarter 2009, to obtain their short and long term projections for molybdenum and copper prices. Fourteen provided molybdenum forecasts and twenty-one provided copper forecasts with a few submitting projections for one or two years, but most projected out to 10 years. The forecast average for molybdenum for 2009 to 2018 was \$14.37 per pound, including those given by companies that only forecasted one or two years. The average of all surveyed companies for the next three years (2009, 2010 and 2011) is \$17.42. The projected average for copper for 2009 to 2018 was \$2.18 per pound, including those companies that only forecasted one or two years. The average of all forecasts for the next three years (2009, 2010 and 2011) is \$2.19.

**Table 1 – Financial Highlights – Contract Mining      Table 1a – Financial Highlights – Owner Mining**

Capital Cost Payback Period	3.6 Years
Initial Capital Investment (000's)	\$511,601
Mine Life	11 years
Total Ore Processed (000's)	146,705 tonnes
Mill Throughput	40,000 tonnes/day
Molybdenum Price	(US\$15/lb)
Copper Price	(US\$1.75/lb)

Capital Cost Payback Period	3.6 Years
Initial Capital Investment (000's)	\$576,241
Mine Life	11 years
Total Ore Processed (000's)	146,705 tonnes
Mill Throughput	40,000 tonnes/day
Molybdenum Price	(US\$15/lb)
Copper Price	(US\$1.75/lb)

**Table 2- Net Present Values- Contract Mining  
(based on 100% equity, \$15/lb Mo, \$1.75/lb Cu)**

	<u>IRR</u> (%)	<u>NPV 0%</u> (\$ Million)	<u>NPV 8%</u> (\$ Million)	<u>NPV 10%</u> (\$ Million)
<b>Pre-tax</b>	28.2	1,004	465.3	379.7
<b>After-tax</b>	21.0	707.3	285.2	218.8

**Table 2a – Net Present Values – Owner Mining  
(based on 100% equity, \$15/lb Mo, \$1.75/lb Cu)**

	<u>IRR</u> (%)	<u>NPV 0%</u> (\$ Million)	<u>NPV 8%</u> (\$ Million)	<u>NPV 10%</u> (\$ Million)
<b>Pre-tax</b>	27.2	1,104	502.9	407.8
<b>After-tax</b>	20.2	780.0	306.0	231.9

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The Pre-Feasibility Study also stated after-tax NPV values under flat price scenarios. Flat price sensitivities on an after-tax discounted basis are presented in Tables 3 & 3a below.

**Table 3 -Flat Price Sensitivities –  
Contract Mining**  
(After-tax discounted basis)

<u>Mo \$ per lb</u>	<u>NPV 8% (\$ Million)</u>	<u>NPV 10% (\$ Million)</u>	<u>IRR (%)</u>
\$12.50	62.7	22.0	11.2
\$15.00	285.2	218.8	21.0
\$20.00	730.2	612.4	36.5

**Table 3a -Flat Price Sensitivities –  
Owner Mining**  
(After-tax discounted basis)

<u>Mo \$ per lb</u>	<u>NPV 8% (\$ Million)</u>	<u>NPV 10% (\$ Million)</u>	<u>IRR (%)</u>
\$12.50	83.6	35.1	11.7
\$15.00	306.0	231.9	20.2
\$20.00	751.0	625.4	34.0

### Capital and Operating Costs

Total initial capital investment in the project is estimated to be \$511.6 million utilizing contract mining and \$576.2 million under the owner mining scenario. These figures represent the total direct and indirect costs for the complete development of the project. The life-of-mine sustaining capital for the processing plant is estimated to be \$22.7 million with contract mining and \$56.2 million with owner mining.

**Table 4 – Operating Costs – Contract Mining (based on \$15/lb Mo, \$1.75/lb Cu)**

	<u>Includes</u>	<u>\$/Mo equivalent lb</u>
Mining	Contractor services and mine general services	\$2.19
Milling	Processing, site power, maintenance, environmental	\$3.91
General and Administration	Management, employee transportation, camp costs	\$0.47
<b>Total Operating Costs</b>		<b>\$6.57</b>

**Table 4a – Operating Costs – Owner Mining (based on \$15/lb Mo, \$1.75/lb Cu)**

	<u>Includes</u>	<u>\$/Mo equivalent lb</u>
Mining	Drilling, blasting, haul, mine support & general services	\$1.36
Milling	Processing, site power, maintenance, environmental	\$3.91
General and Administration	Management, employee transportation, camp costs	\$0.47
<b>Total Operating Costs</b>		<b>\$5.74</b>

Management intends to continue to advance the project in order to position the Company for a resurgent market. The Creston Project is, management believes, one of the more viable primary molybdenum projects in the Americas and is preparing the project to take full advantage of improved steel markets when they arrive.

### Development Plan

The El Creston Deposit has been planned as a conventional open-pit mining operation. The average stripping ratio is estimated at 1.23 to 1 (waste to ore) over the life of mine.

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The grade of ore processed from the mine in the first five years will average 0.088% Mo and the average grade processed for the life of mine is expected to be 0.077% Mo. The project will produce 219 million pounds of molybdenum and 129 million pounds of copper over an 11 year mine life. As well there is an opportunity to extend the life of the project by increasing the overall resource in the Main Zone and through continuing evaluation, exploration and assessment of other zones including the Red Hill and Alejandra.

### Mineral Reserves and Resources

In accordance with National Instrument 43-101 - *Standards of Disclosure for Mineral Projects* of the Canadian Securities Administrators, the Company has delineated proven and probable reserves and measured, indicated and inferred mineral resources.

The El Creston Deposit's reserves and resources, as determined in accordance with National Instrument 43-101, are illustrated in Tables 5 and 6 below.

**Table 5 – Proven and Probable Reserves and In-Pit Inferred Resources**

The El Creston Deposit contains the following Mineral Reserves and Inferred Resources at a 0.037% Mo equivalent\* cut-off grade:

<u>Category</u>	<u>Tonnes (000's)</u>	<u>Mo (%)</u>	<u>lbs Mo (000's)</u>	<u>Cu (%)</u>	<u>lbs Cu (000's)</u>
Proven Reserves	44,736	0.079	78,024	0.053	52,217
Probable Reserves	101,968	0.076	171,924	0.047	106,614
<b>Proven and probable reserves</b>	<b>146,705</b>	<b>0.077</b>	<b>249,948</b>	<b>0.049</b>	<b>158,831</b>
In-pit Inferred Resources	8,718	0.065	12,464	0.063	12,158
*Mo equivalent: Mo% + (Cu%/7.5)					

**Table 6 – Mineral Resources**

The El Creston Deposit contains the following Mineral Resources at a 0.03% Mo equivalent\* cut-off grade:

<u>Category</u>	<u>Tonnes (000's)</u>	<u>Mo (%)</u>	<u>lbs Mo (000's)</u>	<u>Cu (%)</u>	<u>lbs Cu (000's)</u>
Measured	52,240	0.074	85,490	0.050	58,080
Indicated	124,650	0.070	192,720	0.044	121,060
<b>Total (M + I)</b>	<b>176,890</b>	<b>0.071</b>	<b>278,210</b>	<b>0.046</b>	<b>179,140</b>
Inferred	16,300	0.051	18,320	0.061	21,860
*Mo equivalent: Mo% + (Cu%/7.5)					

1 The mineral resources referred to herein have been estimated in a NI 43-101 technical report (the "MDA Report") prepared for the Company in December 2008 by Mine Development Associates ("MDA"). The person responsible for the resource estimate on behalf of MDA is Michael Gustin, P.Ge., and a qualified person for the purposes of National Instrument 43-101. The MDA Report is available at [www.sedar.com](http://www.sedar.com).

2 Proven and probable reserves are included in the statement of resources.

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### Opportunities

The PFS states that opportunities exist to enhance the project's economics including:

- Increasing the overall resource.
- Refined engineering during a feasibility study.
- Inclusion of revenue from the recovery of silver.
- Enhance the project value by processing lower-grade material at the end of the mine life that has not been included in proven and probable reserves.
- Improved terms for the contract mining case as the project becomes better defined and contractors are able to bid with more certainty.
- Investigate the potential for economic recovery of tungsten.

### Going Forward

The Company will continue to prudently advance the El Creston Deposit. In view of the state of the present financial markets, work on the Bankable Feasibility Study will continue, but will be done in a measured and cash conservative manner.

Currently the Company is conducting a comprehensive review of the El Creston data base. Several targets have been identified and prospecting, mapping and sampling are currently being undertaken at the El Creston Property to evaluate these targets. It is anticipated that in the first quarter of 2010 that a 3D Inversion Induced Polarization Survey will be completed over the El Creston Deposit with the purpose of defining its geophysical signature. Contingent upon results additional surveying may be completed over other zones on the property. In the first quarter of 2010, geotechnical drilling will be completed to determine the stability of the proposed open pit walls. In addition, both infill and drilling to test areas adjacent to the Creston Deposit for their potential to host additional molybdenum reserves and to gain confidence in higher grade portions of the deposit will be undertaken.

In addition, management is revisiting the basic tenets of the PFS in light of the economic downturn in order to ensure that the plan and cost information used is reflective of the current price environment. It is believed that a capital reduction is possible and combined with a potential increase in resources, could make the project economics even more robust.

In addition to the the work program at Creston a limited exploration program was recently completed at the Moly Brook Property. The purpose of the program was to further define the mineralization at both the Chimney and Wolf Pond Zones and to evaluate the area between all three zones for their potential to host additional reserves. Results are pending.

### Qualified Persons

An NI 43-101 compliant report titled "NI 43-101 Technical Report, Creston Project, Pre-Feasibility Study, Sonora, Mexico, Volume 1" has been posted on the Company's website ([www.crestonmoly.com](http://www.crestonmoly.com)) and filed on SEDAR.

Lee A. Becker, P.E. of M3, is the qualified person responsible for the scientific and technical overview in accordance with NI 43-101. Michael Gustin, P.Geo of MDA, is the qualified person responsible for the

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preparation of the mineral resource estimate in accordance with NI 43-101. Thomas Dyer, P.E. of MDA, is the qualified person responsible for the preparation of the mineral reserve estimate.

Dave Visagie, P. Geo., a Qualified Person as defined by NI 43-101, reviewed the technical contents in this MD&A in accordance with NI 43-101.

#### Red Hill and Alejandra Zones

A 12 hole, 2,808 metre diamond drill program on the Red Hill Zone located approximately 300 metres southwest of the Main Zone was completed.

Analytical results are tabulated below:

<u>Hole</u>	<u>Inclination</u> (°)	<u>Azimuth</u> (°)	<u>Length</u> (m)	<u>From</u> (m)	<u>To</u> (m)	<u>Interval</u> (m)	<u>Mo %</u>	<u>Cu %</u>
EC08-053	- 50	180	200.65	64.10	89.85	25.75		0.24
EC08-054	-90		496.50	27.75	208.40	180.65	0.023	0.05
				208.40	494.50	<b>241.40</b>	<b>0.083</b>	<b>0.059</b>
		includes		385.50	456.00	<b>70.50</b>	<b>0.148</b>	<b>0.072</b>
EC08-055	-60	180	209.90	21.70	190.02	168.32	0.022	0.039
EC08-056	-60	180	221.85	117.40	221.85	104.45	0.034	0.049
EC08-057	-60	180	106.20	35.90	97.05	<b>61.15</b>	<b>0.193</b>	<b>0.100</b>
EC08-058	-90		200.75	39.20	122.50	<b>83.30</b>	<b>0.069</b>	<b>0.071</b>
EC08-059*	-60	180	249.65	8.75	168.72	<b>159.97</b>	<b>0.062</b>	<b>0.023</b>
				201.43	246.60	45.17	0.034	0.020
EC08-060	-90		158.35	118.10	150.00	31.90	0.022	0.020
EC08-061*	-60	180	200.85	2.60	41.17	38.57	0.039	0.039
EC08-062	-90		499.10	183.80	499.10	<b>315.13</b>	<b>0.058</b>	<b>0.066</b>
EC08-063	-50	360	72.65	22.00	72.65	50.65	0.057	0.024
EC08-065	-90		191.95	79.00	191.95	112.95	0.024	0.078

\*both oxide and sulphides present in upper part of hole.

The Red Hill Zone is a mineralized area located south of the El Creston Main Zone deposit, below a low angle normal fault known as the Creston Fault. The 2008 drill program was aimed at evaluating the extent of shallow molybdenite mineralization encountered by previous operators and also to further investigate a buried porphyry system intersected by Amax in drill hole A-35. The 12 holes drilled by Creston are widely spaced and cover an area of 900 metres x 300 metres.

The results of this drilling confirmed the presence of shallow, high grade molybdenum mineralization, immediately south of the Creston Fault between sections 532700 E and 533000 E (61.15 metres of 0.19% Mo and 0.10% Cu in hole EC08-057 and 83.8 metres of 0.07% Mo and 0.07% Cu in hole EC08-058). This style of mineralization is akin to that found within the bulk of the El Creston Main Zone deposit, consisting of molybdenite-bearing quartz stockworks hosted by a leucocratic Proterozoic granitoid (Creston Granite).

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The two deep vertical holes (EC08-054 and EC08-062), drilled to investigate the extent of the porphyry system, both encountered extensive Mo-Cu mineralization and were stopped in mineralization at 496.5 and 499.1 metres respectively. The mineralized intercepts included 241.4 metres of 0.08% Mo and 0.06% Cu in hole 054 and 315.5 metres of 0.06% Mo and 0.07% Cu in hole EC08-062. The mineralization in these intersections is hosted by a series of porphyry dykes and apophyses interfingering with pre-existing lithologies. Both porphyries and country rocks are pervasively altered (silica, phyllic alteration and Kspar flooding) and locally brecciated. Although molybdenite bearing quartz veins are present, the bulk of mineralization occurs as clots, disseminations and, locally in, molybdenite veinlets without accompanying quartz.

The results from holes EC08-054, EC08-062 and Amax's hole A-35 indicate that the porphyry-style mineralization is open in all directions and at depth.

At the newly discovered Alejandra Zone, situated two kilometres northeast of the Main Zone, a program of detailed mapping and sampling has been completed and numerous molybdenum bearing outcrops have been discovered on the northeast flank of the Alejandra Zone. Rock chip sampling, using the 100 ppm molybdenum in rock contour has outlined several anomalies within rocks similar to those hosting the Creston Deposit. Individual anomalies are up to 800 metres long and 300 metres wide with values of up to 0.145% Mo.

#### **Sampling and QA/QC for Drill Program at the Red Hill Zone**

Drilling at Red Hill was carried out by Layne Drilling employing one wireline drill rig using HQ core and where necessary the core was reduced to NQ size. The core was transported to a secure facility at the nearby Opodepe camp where it underwent geotechnical and geological logging. Prior to delivering the core to ALS Chemex preparation lab in Hermosillo, the core was photographed and all mineralized zones were photographed in detail. Blanks, standards, field and coarse reject duplicates, and pulp duplicates were inserted in the stream of samples prior to delivery to the preparation lab.

The core was sawed in half. One half of the core was retained and stored at the Opodepe camp and the other half was delivered to ALS Chemex's preparation lab in Hermosillo.

Sample preparation in Hermosillo consisted of crushing the whole interval to minimum of > 70% of the crushed sample passing a 2 mm screen and then splitting the -2mm crushed sample to produce a representative split of 1,000 grams. Each 1,000 gram sample was then pulverized to at least 85% passing - 75 microns.

The pulps were shipped to ALS-Chemex in North Vancouver to be analyzed for total Mo% and Cu% using a four acid digestion and ICP-AES (Atomic Emission Spectroscopy) finish. Samples from the oxide zone were sent to Skyline Labs in Tucson to be analyzed for molybdenum oxide.

#### **Board & Management**

Following the completion of the Tenajon acquisition, D. Bruce McLeod was appointed as President and CEO, Colin K. Benner as Executive Chairman, Wayne Johnstone as CFO and Brenda Nowak as Corporate Secretary. The new Board of the Directors of Creston consists of Colin K. Benner, D. Bruce McLeod, Richard Godfrey, John McCleery, John Robins and Dr. Michael Gunning.

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### Management Discussion and Analysis for the twelve-month period ended July 31, 2009

A summary of the additions to the Board are as follows:

D. Bruce McLeod is a Mining Engineer with over 25 years experience in all areas of the exploration and mining industry. Mr. McLeod is currently the President & CEO of Troon Ventures Ltd., and sits as an independent board member of Capstone Mining Corp., and Reunion Gold Corp. He was a founder of Stornoway Diamond Corporation and founder and Executive Chairman of Sherwood Copper Corp., which in 2008 completed a business combination with Capstone Mining Corp. Mr. McLeod primarily focuses on project development, strategic planning and financing activities.

John Robins is a graduate from the University of British Columbia with a degree in geological sciences. With over 25 years of experience in mineral exploration, Mr. Robins has earned a reputation as being an innovative explorer and an astute business man. He is a registered professional geologist in the province of British Columbia and a Fellow of the Geological Association of Canada. Mr. Robins is a principal in the Hunter Exploration Group, one of Canada's most successful private mineral exploration firms and an active director of several successful public companies.

Dr. Gunning is the President and CEO of Triex Minerals Corporation ("Triex") with a Ph.D. in Mineral Deposits and Volcanology from the University of Western Ontario. He has over 20 years of experience in mineral exploration, regional mapping and geological research. Prior to joining Triex, he served as the principal Mineral Deposits Research Geologist at the Saskatchewan Geological Survey, where he was responsible for publication and presentation of Exploration and Development overviews for the province. Prior to his departure from the survey, he managed the Minerals Group within the Strategic Development division of Saskatchewan Industry and Resources ("SIR"), where he successfully proposed, developed and initiated a new Natural Gas from Coal initiative for the province. Prior to joining SIR in 2002, Dr. Gunning was a Senior Project Geologist in Exploration at Teck Cominco, exploring in the Canadian Arctic and South America. Dr. Gunning is extensively published, has been an invited speaker at numerous technical and investor conferences throughout the past ten years, is a past President of the Saskatchewan Geological Society, and is an active member of AME BC's OH&S and Exploration Roundup committees.

### Operations and Financial Results

The Company incurred a net loss of \$5,520,305 (2008 - \$3,209,891) during the twelve months ended July 31, 2009. As at July 31, 2009 the Company had a working capital deficiency of \$239,598 which included \$ 2,745,996 of cash and cash equivalents (2008 - working capital of \$5,112,325 which included \$7,220,728 of cash and cash equivalents).

### Fiscal Year Ended July 31

	<u>2009</u>	<u>2008</u>	<u>2007</u>
	\$	\$	\$
Revenue	-	-	-
Net Loss for Year	5,520,305	3,209,891	4,909,492
Net Loss for Year per share (basic and fully diluted)	0.04	0.03	0.09
Total assets	64,024,618	64,108,724	64,313,992
Long Term Debt	Nil	Nil	Nil
Cash Dividends	-	-	-

## CRESTON MOLY CORP.

### Management Discussion and Analysis for the twelve-month period ended July 31, 2009

The following tables set out selected quarterly information of the Company:

	<u>07/31/2009</u>	<u>04/30/2009</u>	<u>01/31/2009</u>	<u>10/31/2008</u>
	\$	\$	\$	\$
Revenue	-	-	-	-
Net Loss before extra-ordinary items or discontinued operations	504,101	711,909	3,028,036	1,276,259
Net Loss period before extra-ordinary items or discontinued operations per share (basic and fully diluted)	0.01	0.01	0.02	0.01
Net Loss	504,101	711,909	3,028,036	1,276,259
Net Loss per share (basic and fully diluted)	0.01	0.01	0.02	0.01
	<u>07/31/2008</u>	<u>04/30/2008</u>	<u>01/31/2008</u>	<u>10/31/2007</u>
	\$	\$	\$	\$
Revenue	-	-	-	-
Net Loss before extra-ordinary items or discontinued operations	522,227	1,400,963	626,212	660,489
Net Loss before extra-ordinary items or discontinued operations per share (basic and fully diluted)	0.01	0.01	0.01	0.01
Net Loss	522,227	1,400,963	626,212	660,489
Net Loss per share (basic and fully diluted)	0.01	0.01	0.01	0.01

### Financial Condition, Liquidity and Solvency, and Capital Resources

#### Operating Activities

The Company incurred a net loss of \$5,520,305 (2008 - \$3,209,891) during the twelve months ended July 31, 2009 and has incurred operating losses for some time previously. As at July 31, 2009 the Company had a working capital deficiency of \$239,598 which included \$2,745,996 of cash and cash equivalents (2008 - working capital of \$5,112,325 which included \$7,220,728 of cash and cash equivalents).

The reduction in the Company's financial position at July 31, 2009 reflects the Company's continued work in Mexico and the loss at arbitration of a \$4,140,000 award to a third party with respect to a finder's fee, which the Company is challenging. In fiscal 2007 the Company entered into a finder's fee agreement that provided that the finder would receive 5% of the deemed value of the US\$30,000,000 El Creston acquisition cost. Under the terms of the agreement the fee could be paid in either cash or shares, subject to TSX regulations. To finance the acquisition, the Company raised approximately \$40,000,000 at a price of \$0.70 per shares. In addition, part of the acquisition price consisted of shares valued at \$0.70 per share. The TSX approved issuing the finder shares at \$0.70 per share price, however, the finder felt that under the TSX regulations he should receive shares at \$0.15 per share which was the price of the stock the day before the Company was halted from trading to announce the acquisition, and took the Company to arbitration to resolve this difference. In arbitration the finder was awarded \$4,140,000. The Company intends to pay the undisputed US\$1,500,000 portion of the award and has reflected the total amount as a liability in its financial statements as at July 31, 2009. The Company has appealed to the Courts for a reversal of this ruling but the process is difficult as it requires that the Company first be granted the right to appeal the award and then it is allowed to pursue its appeal of the award in the Courts. In August 2009, the Company's application for the leave to appeal the award was denied and the Company is now in the process of appealing this to a higher court. Subsequent to July 31, 2009 and prior to filing an appeal to a higher court the Company paid the finder the undisputed US\$1,500,000 leaving a balance of more than \$2,500,000 that is subject to the appeal and which was placed in escrow subsequent to July 31, 2009.

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### Management Discussion and Analysis for the twelve-month period ended July 31, 2009

Subsequent to July 31, 2009 the Company completed the acquisition of Tenajon which added cash in excess of \$2,500,000 to the consolidated company. The Company may be dependent in the future on completing additional equity financing to continue to meet its obligations as they become due.

The Company's operating activities used cash of \$1,275,855 (2008 – \$2,811,955) during the twelve months ended July 31, 2009, arising from a net loss of \$5,520,305 (2008 - \$3,209,891), adjusted for add-back of non-cash items for amortization of \$25,597 (2008 – amortization of \$24,891), stock based compensation expense of \$270,035 (2008 – \$1,301,400), recovery of future income taxes of \$102,000 (2008 - \$nil) and from changes in non-cash working capital items of \$4,050,818 (2008 – \$(928,355)).

#### Investing Activities

During the twelve months ended July 31, 2009 the Company invested a total of \$6,689,283. In 2009 a total of \$4,983,714 was invested in mineral property expenditures, \$1,734 was spent on the acquisition of equipment, \$85,335 was expended on the Tenajon acquisition and \$1,618,500 (US\$1,500,000) was placed in escrow to be held for payment of the arbitration award. Subsequent to July 31, 2009 the US\$1,500,000 was paid by the Escrow Agent to the finder and the unpaid balance of the arbitration award of approximately \$2,500,000 was deposited into escrow with the Escrow Agent.

During the twelve months ended July 31, 2008 the Company invested a total of \$5,376,176. A total of \$5,339,738 was invested in mineral property expenditures on the Creston Project and \$36,438 on the acquisition of equipment.

#### Financing Activities

During the twelve-month period ended July 31, 2009, the Company's financing activities generated at total of \$3,539,999 before share issue costs \$49,593.

- i) On July 17, 2009 the Company issued 16,950,000 units at a price of \$0.10 per unit by way of a private placement. Each unit consisted of one common share and one non-transferable share purchase warrant. One share purchase warrants entitles the holder to purchase one additional common share at a price of \$0.15 expiring July 17, 2011. In connection with the private placement, a finders' fee of 690,000 units and \$25,500 was paid. The units issued as a finders' fee bear the same terms and conditions as the private placement.
- ii) On July 27, 2009 the Company issued 13,050,000 units at a price of \$0.10 per unit. Each unit consisted of one common share of the Company and non-transferable share purchase warrant. One share purchase warrant entitles the holder to purchase one additional common share of the Company at a price of \$0.15 per share expiring July 27, 2011. In connection with the private placement a finder's fee of 783,000 units was paid. The units issued as a finder's fee bear the same terms and conditions as the private placement.
- iii) A further \$539,999 was raised by way of the issuance of 599,999 common shares upon the exercise of warrants.

During the twelve months ended July 31, 2008, the Company issued 2,477,501 shares at an average price of \$0.19 per share pursuant to the exercise of stock options and share purchase warrants.

## **CRESTON MOLY CORP.**

### **Management Discussion and Analysis for the twelve-month period ended July 31, 2009**

#### **Expenses**

Overall expenses were \$5,695,443 during the twelve months ended July 31, 2009 as compared to \$3,687,954 in the same period in 2008. Expenses increased during 2009 largely as a result of the Company reflecting an additional \$2,601,450 awarded the finder by the arbitrator in the Company's finder fee dispute. The Company had previously accrued US\$1,500,000 payable to the finder; however, as a result of the loss at arbitration an additional \$2,601,450 has to be recorded as an expense of fiscal 2009.

The most significant contributors to the expenses are: finder's fees of \$2,601,450 (2008 - \$nil), stock-based compensation expense of \$270,035 (2008 - \$1,301,400), consulting fees of \$503,491 (2008 - \$537,380), shareholder communication expenses of \$219,087 (2008 - \$495,458), travel and promotion expenses of \$161,662 (2008 - \$378,068), management fees of \$378,000 (2008 - \$378,000), office expenses of \$366,338 (2008 - \$350,223), foreign exchange loss \$491,906 (2008 - gain \$107,451) and professional fees of \$585,739 (2008 - \$304,061).

#### **Fourth Quarter Financial Condition, Liquidity and Solvency, and Capital Resources**

Historically, the Company has funded its operations through the sale of equity securities, related party debt and loans. As at July 31, 2009, the Company had a working capital deficiency of \$239,598 which included \$2,745,996 of cash and cash equivalents (2008 - working capital of \$5,112,325 which included \$7,220,728 of cash and cash equivalents). Subsequent to the end of the fourth quarter of fiscal 2009, the Company completed the acquisition of Tenajon that added cash in excess of \$2,500,000 to the combined entity.

During the fourth quarter of fiscal 2009 the Company completed a 30,000,000 unit private placement at a price of \$0.10 per unit. Each unit consisted of one share and one non-transferable share purchase warrant entitling the holder to buy an additional share in the capital of the Company at a price of \$0.15 per share for a period of two years. A finders' fee of 1,473,000 units and \$25,500 was paid in connection with the private placement. The finders' units bear the same terms and conditions as the units of the private placement.

During the fourth quarter of fiscal 2009, the Company incurred a net loss of \$504,101 (2008 - \$522,227). The most significant contributors to the expenses are stock-based compensation expense of \$3,647 (2008 - \$195,621), management fees of \$94,500 (2008 - \$94,500), consulting fees of \$52,500 (2008 - \$123,960), office expenses of \$79,275 (2008 - \$97,345) and professional fees of \$97,638 (2008 - \$109,019).

#### **iv. CHANGES IN ACCOUNTING POLICIES**

Effective August 1, 2008 the Company adopted the new accounting policies of the Canadian Institute of Chartered Accountants ("CICA") Handbook.

##### **i) Financial Instruments**

The Canadian Accounting Standards Board ("AcSB") issued CICA Handbook Section 3862, Financial Instruments – Disclosures, which requires entities to provide disclosures in their financial statements that enable users to evaluate (a) the significance of financial instruments for the entity's financial position and performance; and (b) the nature and extent of risks arising from financial instruments which the entity is exposed during the period and at the balance sheet date, and how the entity manages those risks. The principles in this section complement the principles for recognizing, measuring and presenting financial assets and financial liabilities in Section 3855, Financial Instruments –

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Recognition and Measurement, Section 3863, Financial Instruments – Presentation, and Section 3865, Hedges.

The AcSB issued CICA Handbook Section 3863, Financial Instruments – Presentation, which is to enhance statements users' understanding of the significance of financial instruments to an entity's financial position, performance and cash flows. This section establishes standards for presentation of financial instruments and non-financial derivatives. It deals with the classification of financial instruments, from the perspective of the issuer, between liabilities and equity, the classification of elected interest, dividends, losses and gains, and the circumstances in which financial assets and financial liabilities are offset.

#### ii) Capital Disclosures

The AcSB issued CICA Handbook Section 1535, which establishes standards for disclosing information about an entity's capital and how it is managed.

#### iii) Assessing Going-concern

The Accounting Standards Board amended CICA Handbook Section 1400, to include requirements for management to assess and disclose an entity's ability to continue as a going concern.

Other than additional disclosures in Notes 2, 8, and 9 of the July 31, 2009 audited financial statements, the adoption of these sections had no impact on the Company's financial statements.

### Recent Accounting Pronouncements

- i) CICA Handbook Section 3064: Goodwill and Intangible Assets which replaces Section 3062, Goodwill and Other Intangible Assets, and Section 3450 Research and Development Costs. This new section establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets. Standards concerning goodwill remain unchanged from the standards included in the previous Section 3062. This revised standard applies to financial statements relating to fiscal years beginning on or after October 1, 2008.
- ii) CICA Handbook Section 1582: Business Combinations which replaces Section 1581, Business Combinations. The new section establishes standards for the accounting for a business combination. It provides the Canadian equivalent to International Financial Reporting Standards IFRS 3- Business Combinations. The section applies prospectively 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.
- iii) CICA Handbook Section 1601: Consolidated Financial Statements and CICA Handbook Section 1602: Non-controlling Interests in consolidated Financial Statements together replace existing CICA Handbook Section 1600. Section 1601 establishes the standards for preparing consolidated financial statements. Section 1602 specifies that non-controlling interests be treated as a separate component of equity, not as a liability or other item outside of equity. It is equivalent to the corresponding provisions of International Financial Reporting Standard IAS 27, Consolidated and Separate Financial Statements. These revised standards apply to financial statements prepared for periods beginning on or after January 1, 2011 and will be applied prospectively to all non-

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controlling interests, including any that arose before the effective date. The Company does not anticipate that the adoption of the above recent accounting pronouncements will have a significant impact on its consolidated financial statements.

#### iv) International Financial Reporting Standards (IFRS)

In 2006, the AcSB published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five-year transitional period. In February 2008 the AcSB announced that 2011 is the changeover date for publicly listed companies to use IFRS, replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended July 31, 2011. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

### v. Outstanding Share Data

The following information is provided as at November 30, 2009:

Authorized:	Unlimited
Issued and Outstanding	212,381,381

#### Warrants

Number	Exercise Price	Expiry Date
27,980,001	\$0.90	May 9, 2010
3,429,600	\$0.90	May 9, 2010
7,932,143	\$0.90	May 15, 2012
17,640,000	\$0.15	July 17, 2011
<u>13,833,000</u>	\$0.15	July 27, 2011
<u>70,814,744</u>		

#### Stock Options

Options	Exercise Price	Expiry Date
21,000	\$0.27	November 25, 2009
25,000	0.17	December 1, 2009
600,000	0.17	March 18, 2010
50,000	0.20	May 10, 2010
100,000	0.18	June 14, 2010
84,000	0.339	June 15, 2010
125,000	0.17	September 21, 2010
100,000	0.25	October 14, 2010
25,000	0.25	December 14, 2010
100,000	0.25	February 10, 2011
772,800	0.476	April 21, 2011
175,000	0.18	August 13, 2011
126,000	0.268	January 24, 2012
1,325,000	0.40	March 26, 2012

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37,800	0.988	April 30, 2012
100,000	0.70	April 30, 2012
300,000	1.05	May 13, 2012
239,400	0.565	September 10, 2012
735,000	0.893	September 26, 2012
2,185,000	0.40	January 21, 2013
33,600	0.631	February 28, 2013
350,000	0.31	May 11, 2013
300,000	0.35	July 17, 2013
168,000	0.333	July 31, 2013
50,000	0.25	October 8, 2013
1,000,000	0.25	October 30, 2013
16,800	0.179	October 31, 2013
360,000	0.15	March 2, 2014
<u>1,218,000</u>	0.179	April 1, 2014
<u>10,722,400</u>		

Share capital and stock options have changed from the July 31, 2009 financial statements largely as a result of the Company's acquisition of Tenajon. Effective August 26, 2009, Creston acquired all the issued and outstanding shares of Tenajon for 53,241,129 shares. In addition, 4,078,200 options of Creston were exchanged for the options held by Tenajon option holders reflecting the proportionate terms and conditions of the share exchange ratio.

#### vi. Trends

The Company's area of business is the identification, acquisition, evaluation and exploration of mineral properties, especially those with the potential to host base metals. The Company has projects in Mexico and Canada. The price of those commodities sought by the Company has fluctuated in recent year and is affected by numerous factors beyond the Company's control including international economic and political trends, expectations of inflation, currency exchange fluctuations, interest rates, global or regional consumptive patterns, speculative activities and increased production due to new well developments and improved production methods. The effect of these factors on the price of base metals and therefore the economic viability of the Company's projects cannot accurately be predicted.

#### Risks and Uncertainties

##### Industry

An investment in natural resource companies involves a significant degree of risk. The degree of risk increases substantially where the Company's properties are in the exploration as opposed to the development stage. Investment in the securities of the Company should be considered as highly speculative due to the nature of the Company's business. The following risk factors should be given special consideration.

##### Exploration, Development and Mining Risks

Exploring and developing mineral resource projects bears a high potential for all manner of risks. Additionally, few exploration projects successfully achieve development due to factors that cannot be

## CRESTON MOLY CORP.

### **Management Discussion and Analysis for the twelve-month period ended July 31, 2009**

predicted or foreseen. Moreover, even one such factor may result in the economic viability of a project being detrimentally impacted such that it is neither feasible nor practical to proceed. Mineral exploration involves many risks, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. Operations in which the Company has a direct or indirect interest will be subject to all the hazards and risks normally incidental to exploration, development and production of base metals, any of which could result in work stoppages, damage to property, and possible environmental damage. If any of the Company's exploration programs are successful, there is a degree of uncertainty attributable to the calculation of ore resources and corresponding grades being mined or dedicated to future production. Until ore is actually mined and processed, quantity of reserves and grade must be considered as estimates only. In addition, the quantity of reserves may vary depending on metal prices. Any material change in quantity of reserves, grade or recovery ratio, may effect the economic viability of the Company's properties. In addition, there can be no assurance that metal recoveries in small-scale laboratory tests will be duplicated in larger scale tests under on-site conditions or during production. The Company closely monitors its activities and those factors, which could impact them, and employs experienced consulting, engineering, and legal advisors to assist in its risk management reviews.

None of the properties in which the Company has an interest have a known body of commercial ore. The Company's properties are currently being assessed for exploration and or development and as a result, the Company has no source of operating cash flow. Failure to obtain additional financing could result in a delay or indefinite postponement of further exploration. Development of the Company's mineral properties will only follow upon obtaining satisfactory exploration results. Mineral exploration and development involves a high degree of risk and few properties that are explored are ultimately developed into producing mines. There is no assurance that the Company's mineral exploration and development activities will result in any discoveries of bodies or ore. The long-term profitability of the Company's operations will be in part directly related to the cost and success of its exploration programs, which may be affected by a number of factors. Substantial expenditures are required to establish reserves through drilling, to develop metallurgical processes to extract the metal from the resources and, in the case of new properties, to develop the mining and processing facilities and infrastructure at any site chosen for mining. Although substantial benefits may be derived from the discovery of a major mineralized deposit, no assurance can be given that minerals will be discovered in sufficient quantities to justify commercial operations or that the funds required for development can be obtained on a timely basis.

#### Insurance

The Company's involvement in the exploration for mineral properties may result in the Company becoming subject to liability for pollution, property damage, personal injury or other hazards. Any insurance the Company may have has limitations on liability that may not be sufficient to cover the full extent of such liabilities. In addition, such risks may not, in all circumstances be insurable or, in certain circumstances, the Company may elect not to obtain insurance to deal with specific risks due to the high premiums associated with such insurance or other reasons. The payment of such uninsured liabilities would reduce the funds available to the Company. The occurrence of a significant event that the Company is not fully insured against, or the insolvency of the insurer of such event, could have a material adverse effect on the Company's financial position, results of operations or prospects.

#### Environmental Risks

All phases of the mineral exploration and mineral development business present environmental risks and hazards and are subject to environmental regulations. Environmental legislation provides for, among other things, restrictions and prohibitions on spills, releases or emissions of various substances used and or

## **CRESTON MOLY CORP.**

### **Management Discussion and Analysis for the twelve-month period ended July 31, 2009**

produced in association mining exploration and mining operations. The legislation also requires that facility sites be operated, maintained, abandoned and reclaimed to the satisfaction of applicable regulatory authorities. Compliance with such legislation can require significant expenditures and a breach may result in the imposition of fines and penalties, some of which may be material. Environmental legislation is evolving in a manner expected to result in stricter standards and enforcement, larger fines and liability and potentially increased capital expenditures and operating costs. The discharge of pollutants into the air, soil or water may give rise to liabilities to foreign governments and third parties and may require the Company to incur costs to remedy such discharge. No assurance can be given that the application of environmental laws to the business and operations of the Company will not result in a curtailment of production or a material increase in the costs of production, development or exploration activities or otherwise adversely affect the Company's financial condition, results of operations or prospects.

The current or future operations of the Company, including development activities and commencement of production on its properties require permits from the applicable governmental authorities and such operations are and will be governed by laws and regulations governing prospecting, development, mining, production, exports, taxes, labour standards, occupation health, waste disposal, toxic substances, land use, environmental protection, mine safety and other matters. Companies engaged in the development or operation of mines and related facilities generally experience increased costs, and delays in production and other schedules as a result of the need to comply with applicable laws, regulations and permits. There can be no assurance, however, that all permits which the Company may require for construction of mining facilities and conduct of mining operations will be obtainable on reasonable terms or that such laws and regulations would not have an adverse effect on any mining project which the Company might undertake. Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in mining operations may be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations. Amendments to current laws, regulations and permits governing operations and activities of mining companies, or more stringent implementation thereof, could have a material adverse impact on the Company and cause increases in capital expenditures or production costs or reduced levels of production at producing properties or require abandonment or delays in development of new mining properties.

#### **Prices, Markets and Marketing of Base Metals**

The Company's revenues, if any, are expected to be in large part derived from the mining and sale of base metals or interests related thereto. The price of those commodities has fluctuated widely, particularly in recent years, and is affected by numerous factors beyond the Company's control including international economic and political trends, expectations of inflation, currency exchange fluctuations, interest rates, global or regional consumptive patterns, speculative activities and increased production due to new mine developments and improved mining and production methods. The effect of these factors on the price of base metals, and therefore the economic viability of any of the Company's exploration projects, cannot accurately be predicted.

The marketability of any minerals acquired or discovered may be affected by numerous factors which are beyond the control of the Company and which cannot be accurately predicted, such as the proximity and capacity of milling facilities, mineral markets and processing equipment and governmental regulations including regulations relating to royalties, allowable production and importing and exporting of minerals.

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### Management Discussion and Analysis for the twelve-month period ended July 31, 2009

#### Substantial Capital Requirements; Liquidity

The Company anticipates that it will make substantial capital expenditures for the acquisition, exploration, development and production of its mineral properties in the future. The Company currently has no revenue and may have limited ability to expend the capital necessary to undertake or complete future drilling programs. There can be no assurance that debt or equity financing, or cash generated by operations will be available or sufficient to meet these requirements or for other corporate purposes or, if debt equity financing is available, that it will be on terms acceptable to the Company. Moreover, future activities may require the Company to alter its capitalization significantly. The inability of the Company to access sufficient capital for its operations could have a material adverse effect on the Company's financial condition, results of operations or prospects.

#### Exchange Rate Fluctuations

Fluctuations in currency exchange rates, principally the Canadian/U.S. dollar exchange rate, can significantly impact cash flows. The exchange rate has varied substantially over time. Most of the Company's exploration and development expenses are denominated in U.S. dollars. Fluctuations in exchange rates may give rise to foreign currency exposure, either favourable or unfavourable, which may impact financial results. The Company does not engage in currency hedging to offset any risk of exchange rate fluctuation.

#### Issuance of Debt

From time to time the Company may enter into transactions to acquire assets or the shares of other companies. These transactions may be financed partially or wholly with debt, which may increase the Company's debt levels above industry standards. Neither the Company's articles nor its by-laws limit the amount of indebtedness that the Company may incur. The level of the Company's indebtedness from time to time could impair the Company's ability to obtain additional financing in the future on a timely basis to take advantage of business opportunities that may arise. The Company's ability to service its debt obligations will depend on the Company's future operations, which are subject to prevailing industry conditions and other factors, many of which are beyond the control of the Company.

#### **viii. Related Party Transactions**

During the year ended July 31, 2009, the Company entered into the following transactions with related parties not disclosed elsewhere in this report:

- a. Paid or accrued fees of \$834,797 (2008 - \$567,411) of which the Company capitalized geological consulting and termination costs of \$456,797 (2008 - \$189,411) paid to a company controlled by the chief operating officer.
- b. Paid or accrued consulting fees of \$155,000 (2008 - \$30,000) to directors and officers or their companies.
- c. The Company shares office premises with a public company that has a director and officer in common and paid \$26,400 (2008 - \$98,131) as its share of the ongoing occupancy costs.
- d. Included in accounts payable is \$163,445(2008 - \$12,069) due to directors, previous directors and officers.

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### **Management Discussion and Analysis for the twelve-month period ended July 31, 2009**

These transactions were in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. Related parties included directors and officers and companies with common management and directorships.

The Company has previously entered into four management and consulting agreements, with directors, officers and their companies requiring minimum payments of \$468,000 per annum. The agreements contain termination clauses which provide for payments of up to 24 months of the monthly contractual amounts. Subsequent to July 31, 2009 the Company terminated three of these agreements for consideration of \$189,000 and 1,890,000 shares. The contracts contained bonus clauses entitling the parties to payments of between 12 and 24 months should a change of control occur. The three terminated contracts change of control clauses expire within 12 months of their termination.

The Company previously entered into a management consulting agreement with a director's company which provided for annual payments of \$120,000. The agreement provided an incentive clause providing for a cash bonus payment of up to 0.75% of the aggregate value of certain specified transactions and a termination payment from six months to 36 months of the monthly contract amounts. The Company also committed to issue stock options to acquire up to 1,250,000 common shares to be maintained on a non-dilutive basis. Options to acquire 250,000 shares at \$0.35 exercisable to July 17, 2013 and options to acquire 1,000,000 shares at \$0.245 exercisable to October 30, 2013 have been granted. Subsequently the terms of the agreement were amended to provide for a reduction in annual payments to \$55,000 and termination payments of up to 36 months. In addition, the agreement provides a revised incentive clause providing instead for a payment of up 36 months should certain specified transactions occur.

The Company previously entered into a management and consulting agreement with a company which employs an officer of the Company requiring minimum payments of US\$324,000 per annum. The agreement contains a termination clause which provide for a payment of 12 to 24 months of the monthly contractual amount. On May 1, 2009 the Company reached an agreement to terminate the contract by the payment of \$200,000 in four \$50,000 installments (paid).

The Company previously entered into three geological consulting and advisory agreements requiring minimum payments of \$300,000 per annum. The agreements have initial contract periods ranging from 24 to 48 months from May 1, 2007 and contain termination clauses which provide for payments from six to 24 months of the monthly contract amounts. On May 1, 2009 the Company entered into agreements to terminate the contracts by the issuance of 1,947,500 shares at a deemed price of \$0.10 per share (issued).

The Company previously entered into a consulting agreement with an engineer requiring minimum payments of US\$170,000 per annum for a period of two years commencing February 1, 2008. The agreement contains a termination clause which provides for a payment of 12 to 24 months of the monthly contractual amount. On May 1, 2009 the Company entered into an agreement to terminate the contract by the payment of \$50,000 (paid) and the issuance of 500,000 shares at a deemed price of \$0.10 per share (issued).

Minimum annual payments for the above contracts for the following fiscal years are; 2010 - \$229,285 and 2011 - \$145,000.

The Company shared office premises with a public company that has a director and officer in common and has agreed to pay a monthly charge of up to \$8,000 as its share of ongoing occupancy and office costs. Subsequent to July 31, 2009 the arrangement was cancelled.

## CRESTON MOLY CORP.

### Management Discussion and Analysis for the twelve-month period ended July 31, 2009

#### ix. Subsequent events

- i) In connection with the acquisition of Creston Mining Corporation in May 2007 the Company agreed to pay a Finders' Fee to an arm's length third party (the "Fee"). The TSX-V approved the payment of US\$1,500,000 as the Fee, which, at the option of the Finder, could be paid in any combination of cash or shares. The TSX-V determined that a price of \$0.70 per share was to be used in determining the number of shares to be issued as payment of the Fee or a portion of the Fee. The Finder claimed that \$0.15 per share should have been used as the basis for determining the fee... The Finder entered into arbitration proceedings seeking payment of the finder's fee in cash at an equivalent price of \$0.15 per share. The arbitrator found in favour of the Finder, awarded the finder CDN\$4.14 million and the Company has recorded the additional amount awarded in the arbitration as an expense of \$2,601,450 in the period. The Company has applied to the Courts for leave to appeal the award; however, the leave to appeal was denied and the Company is taking the necessary measure to appeal the award to a higher court. In conjunction with seeking an appeal of the arbitrator's award the Company has registered a General Security Agreement over the assets of the Company in favour of the Finder and entered into an Escrow Agreement which provides that the Escrow Agent shall hold US\$1,500,000 on deposit and the shares of the Company's subsidiaries, Creston Mining Corporation and Exploraciones Global S.A. de C.V., as additional security. Subsequent to July 31, 2009 the Company instructed the Escrow Agent to forward US\$1,500,000 to the finder and deposited the unpaid balance of the arbitration award (\$2,502,600) with the Escrow Agent.
- ii) Subsequent to July 31, 2009 the Company received conditional approval of an incentive program to encourage the early exercise of 31, 473,000 warrants. Under the terms of the program the original warrants will be amended to enable the holders to receive a unit for each original warrant exercised prior to the expiry date of the incentive program in lieu of one common share. Each unit will consist of one share and one-half of a warrant. Each whole warrant will allow the holder to acquire an additional common share of the Company at a price of \$0.24 per share for a period of two years.

#### x. Statement on Climate Change and Other Environmental Issues

At the current time, the impact of climate change on the Company's operations is unknown. Given that the Company's mineral exploration properties are at an early stage of development, climate change is not likely to have an immediate impact on the Company's operations. With regard to environmental issues, it is Company policy to meet or exceed environmental standards set by relevant legislation by the application of technically proven and economically feasible measures.

#### xi. Directors

##### Directors

D. Bruce McLeod  
Colin K. Benner  
John McCleery\*  
Richard Godfrey\*  
John Robins  
Mike Gunning\*

##### Officers

D. Bruce McLeod, President and CEO  
Brenda Nowak, Corporate Secretary  
Wayne Johnstone, CFO  
Colin K. Benner, Executive Chairman

\* Member of the audit committee

## **CRESTON MOLY CORP.**

### **Management Discussion and Analysis for the twelve-month period ended July 31, 2009**

#### **Additional Disclosure for Venture Issuers without Significant Revenue**

Additional disclosure concerning Creston's general and administrative expenses and resource property costs is provided in the Company's Consolidated Statement of Loss and Deficit and the Consolidated Schedule of Resource Property Costs contained in its Consolidated Financial Statements for July 31, 2009 and July 31, 2008 that is available on the Company's website at [www.crestonmoly.com](http://www.crestonmoly.com) or on its SEDAR Page Site accessed through [www.sedar.com](http://www.sedar.com)

#### **Approval**

The Board of Directors of the Company has approved the disclosure contained in this MD&A. A copy of this MD&A will be provided to anyone who requests it.

#### **FORWARD-LOOKING INFORMATION**

Forward-looking statements relate to future events or future performance and reflect management's expectations or beliefs regarding future events and include, but are not limited to, statements with respect to the estimation of mineral reserves and resources, the realization of mineral reserve estimates, the timing and amount of estimated future production, costs of production, capital expenditures, success of mining operations, environmental risks, permitting risks, unanticipated reclamation expenses, title disputes or claims and limitations on insurance coverage. In certain cases, forward-looking statements can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved" or the negative of these terms or comparable terminology. By their very nature forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such factors include, among others, risks related to actual results of current exploration activities; changes in project parameters as plans continue to be refined; future prices of resources; possible variations in ore reserves, grade or recovery rates; accidents, labour disputes and other risks of the mining industry; delays in obtaining governmental approvals or financing or in the completion of development or construction activities; as well as those factors detailed from time to time in the Company's annual financial statements which are filed and available for review on SEDAR at [www.sedar.com](http://www.sedar.com). Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.