

# **International Enexco Limited**

(An Exploration Stage Company)

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## **Management Discussion and Analysis**

For the period ended March 31, 2011

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The following discussion and analysis, prepared as of June 7, 2011, should be read together with the unaudited condensed consolidated financial statements for the period ended March 31, 2011, and related notes attached thereto, which are prepared in accordance with International Financial Reporting Standards (“IFRS”). All amounts are stated in Canadian dollars unless otherwise indicated.

The reader should also refer to the annual audited consolidated financial statements for the years ended December 31, 2010 and 2009, and the Management Discussion and Analysis for those years.

Statements in this report that are not historical facts are forward-looking statements involving known and unknown risks and uncertainties, which could cause actual results to vary considerably from these statements. Readers are cautioned not to put undue reliance on forward-looking statements.

Additional information related to the Company is available for view on SEDAR at [www.sedar.com](http://www.sedar.com), and the Company’s website at [www.enexco.ca](http://www.enexco.ca).

**Description of Business**

International Enexco Limited is a mineral resource exploration and development stage public company incorporated under the Business Corporations Act of British Columbia. Its shares are traded on the TSX Venture Exchange under the symbol “IEC”. The Company is engaged in the process of exploring prospective North American mineral properties to determine whether the properties contain reserves that are economically recoverable. The company also holds small royalty interests in several producing Canadian oil & gas properties. The underlying value of the resource properties and related exploration costs are entirely dependent on the existence of economically recoverable reserves, on the ability of the Company to obtain the necessary financing to complete development, and upon future profitable production.

**Selected Annual Information**

<b>Year Ended December 31</b>	<b>2010</b>	<b>2009*</b>	<b>2008*</b>
<b>Total Revenues (including interest)*</b>	\$65,939	\$180,446	\$558,801
<b>Income (Loss) before discontinued operations and extraordinary items</b>	(1,721,807)	(1,990,994)	(1,989,486)
<b>Earnings (Loss) per share before discontinued and extraordinary items</b>	(0.08)	(0.09)	(0.10)
<b>Net Income (Loss)</b>	(1,721,807)	(1,990,994)	(1,989,486)
<b>Earnings (Loss) per share</b>	(0.08)	(0.09)	(0.10)
<b>Total Assets</b>	16,937,618	19,980,566	22,260,346
<b>Cash dividends declared per share</b>	\$0.00	\$0.00	\$0.00

\*The years 2009 and 2008 are prepared in accordance with Canadian GAAP and have not been transitioned into IFRS.

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**Summary of Quarterly Results**

Quarter Ended	2011	2010				2009*		
	31-Mar	31-Dec	30-Sep	30-Jun	31-Mar	31-Dec	30-Sep	30-Jun
Total Revenues (1)	\$10,541	\$9,272	\$14,613	\$18,498	\$23,470	\$33,395	\$30,217	\$34,957
Net Income (Loss)	(219,582)	(266,302)	(394,853)	(747,810)	(312,842)	(459,517)	(1,111,250)	(315,196)
Earnings (Loss) per share	\$(0.01)	\$(0.01)	\$(0.02)	\$(0.03)	\$(0.02)	\$(0.02)	\$(0.05)	\$(0.01)

\*The year 2009 is presented in Canadian GAAP and has not been transitioned into IFRS.

(1) The interest income and royalty income presented on the financial statements are presented net of bank charges and interest and related royalty expenses.

**Performance Summary**

**Three months ended March 31, 2011:**

For the three months ended March 31, 2011, the Company experienced a net loss of \$(219,582) as compared to a net loss of \$(312,842) in 2010. The earnings (loss) per share were \$(0.01) as compared to \$(0.02) in 2010. The net loss experienced by the Company fluctuates each quarter due to the timing of certain expenditures such as stock-based compensation which is expensed upon grant of stock options or as they vest. The net loss can also fluctuate due to peripheral or incidental transactions or events such as a realized gain or a write-down or write-off of an asset.

The Company received \$5,184 in petroleum and natural gas royalties in the period as compared to \$7,943 in 2010. The petroleum and natural gas royalties received during the year fluctuates with changes in market prices for petroleum and natural gas and variances in production activity.

The Company earned \$5,357 in interest and other income in the period as compared to \$15,527 in 2010. The decrease is mainly due to the decrease in interest rates and the decrease in cash invested in interest bearing financial instruments.

Advertising and promotion expenses for the period were \$28,359 as compared to \$9,288 in 2010. The increase in advertising and promotion expenses during the period is due to the increase in expenditures on the development of the Company website, the printing of promotional material and the attendance at industry related conferences. The Company retained the services of Renmark Financial Communications Inc. expiring in December 2011, with a monthly fee of \$5,000 per month to conduct investor relations services for the company.

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Filing fees and shareholder services for the three month period were \$26,512 as compared to \$8,106 in 2010. The increase is due to the application made by the Company for listing on the OTCQX.

Consulting fees for the period were \$2,233 as compared to \$2,322 in 2010. Geological consultants and others are engaged from time to time to assist with property investigation and exploration. If the fees are related to exploration of a project owned by Enexco the amount may be capitalized to the project.

Insurance expense for the period was \$8,658 as compared to \$5,145 in 2010. The Company maintains directors and officer's liability insurance as well as an insurance policy which covers, with limits, certain project liability and equipment.

Management fees for the period were \$15,000 as compared to \$15,000 in 2010. The Company pays a monthly management fee to Armada Investments Ltd., a company controlled by G. Arnold Armstrong, CEO and Director.

Repairs and maintenance for the period were \$Nil as compared to \$18,454 in 2010. Repairs and maintenance expense on equipment is capitalized as an exploration expense during times when the equipment is being used for exploration on the Company's projects. When the equipment is not being used for exploration on projects, repairs and maintenance is expensed.

Vehicle expense for the period was \$333 as compared to \$4,917 in 2010. Vehicle expense on vehicles used for exploration is capitalized on the Company's projects. When the vehicles are not being used for exploration on projects, vehicle costs are expensed.

Professional fees for the period were \$18,581 as compared to \$9,099 in 2010. Professional fees include legal, accounting and auditing fees. Professional fees fluctuate each quarter depending on activity.

Salaries and benefits for the period were \$60,624 as compared to \$98,650 in 2010. The decrease in salaries and benefits during the period compared to the prior year is due to a increase in the amount capitalized to projects related to exploration activities and an decrease in the amount expensed as compared with the prior year.

Property investigation expenses are exploration expenditures on land which we do not have title or rights, but are being considered for staking or acquisition. Property investigation expenses for the period were \$15,993 as compared to \$31,473 in 2010.

Supplies and administration expenses for the period were \$23,513 as compared to \$31,198 in 2010. Office rental expenses for the period were \$21,024 as compared to \$22,114 in 2010. The warehouse and office location in Curry, Idaho, near the Contact project, continues to be leased.

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Travel expenses for the period were \$8,710 as compared to \$12,032 in 2010. The decrease is due to decreased travel by management during the period. Travel expense will fluctuate each quarter depending on the travel activity of management and staff.

Amortization expense for the period was \$2,640 as compared to \$68,006 in 2010. The amortization expense during the period will fluctuate depending on if equipment was used for exploration. If equipment was used for exploration the amortization amount is capitalized to the project, otherwise the amortization on equipment is expensed.

**Properties**

Mann Lake Project

The Company has a 30% participating interest in a joint venture with Cameco Corporation (“Cameco”) 52.5% and AREVA having 17.5%, interest in the joint venture, to explore the Mann Lake property for uranium. The exploration activities are being managed by Cameco Corporation. The Company has been involved with the project since 1977 which consists of two mineral dispositions totaling 3,407 hectares located within the southeast portion of the Athabasca Basin in Northern Saskatchewan.

The property is situated within the eastern portion of the Athabasca Basin, approximately 20km northeast of the Cameco Corp.’s Millennium Deposit and 25km southwest of Cameco Corp.’s McArthur River Mine. The project lands are located near the western boundary of the Wollaston Lithostructural Domain. Helikian-aged Athabasca Group sandstone overlies the basement rocks, with unconformity depths ranging from 473m to 632m as indicated by historical drill holes.

On June 20, 2006, the Company announced assay results from the two drill holes. This first phase drill program was designed to test targets selected from data obtained from the 2005/2006 geophysical program and a historic ground gravity survey conducted in the 1980’s.

The two holes totaling 1,259m were drilled from the same collar location and targeted the westernmost conductor within a resistivity low. Hole MN-013 intersected the unconformity at 517.8m and encountered four narrow intervals of basement-hosted uranium mineralization within 12m of the unconformity. The two highest grade intervals averaged 7.12% U308 over 0.25m and 5.53% U308 over 0.4m. Hole MN-014 was drilled to target the up-dip expression of the mineralization intersected in MN-013 at the unconformity. MN-014 intersected the unconformity at 544.5m but did not encounter uranium mineralization.

Since the 2006 drill program there have been three subsequent drill programs. An eight hole program in 2007, a six hole program in 2009 and a four hole program in 2010. In 2008 a TDEM geophysical survey was performed.

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The TDEM geophysical survey was carried out across a large uranium-in-sandstone anomaly in the northern part of the north-south striking C conductor trend, which extends the entire length of the Mann Lake property. A 3-hole fence drilled in 1989 on Line 50N intersected a uranium anomaly in the basal Athabasca sandstone, with 283m of 1.76 ppm partial uranium in hole MN-05, 130m of 1.48 ppm partial uranium in hole MN-07 and 134m of 3.08 ppm partial uranium in hole MN-08. This anomaly is open over a 100-meter width across the strike of the C conductor trend. A 2005 resistivity survey identified a resistivity low approximately 300m grid south of the anomaly.

Anomalous radioactivity was encountered in the sandstone and in sections of the basement in many of the eighteen holes drilled since 2006; however there have been no intersections that compare with the high grade intervals discovered in 2006. Most of the holes exhibit strong boron (B) enrichment of the sandstone section above the Athabasca unconformity surface. The nearest hole to the MN-013 discovery hole drilled was approximately 50m away. A possible dilation zone was interpreted to be present to the east of MN-013, where flat foliation in the footwall changes to almost vertical in the hanging wall. This potentially favourable zone, as well as the IP resistivity low anomaly located under the lake west of MN-013, has yet to be drill tested.

A large number of targets remain to be tested on the Mann Lake Property. Cameco has informed the JV partners that there will not be a work program in 2011 due to budgeting priorities. Cameco has stated that they hope to be back to work on Mann Lake in 2012. Enexo anticipates exploration and drilling programs will be continued at Mann Lake. Future updates will be issued by Enexo as they are received from Cameco.

The geological information presented herein regarding the Mann Lake Project was reviewed by the Company's Chief Operating Officer, and Director, Dr. William Willoughby, PE, who is a Qualified Person (QP) as defined by Canadian National Instrument 43-101.

Contact, Nevada USA Property

The Company controls a strategic position over the historical Contact mining district, covering mines and prospects which produced (unofficial estimate, 1970) 30 million pounds of copper, and 126,000 ounces of silver with minor amounts of gold, lead, zinc and tungsten. The mineral deposits of the district occur near the contact of a Jurassic-aged granodiorite stock. Copper mineralization extends from surface to depths greater than 3000 feet vertically.

In 2007, the Company began an aggressive exploration program to expand the resource base and advance the Project to the pre-feasibility stage. The Company designed three phases of diamond drilling. Phase One was an initial 20,000 foot diamond drill program

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that was undertaken with a drilling contractor on the eastern end of the property, Phase Two was initially planned to be of equal size on the western side of the property. Phase Three was planned to test deep mineralization around high grade intersections encountered by Phelps Dodge in drill hole PD-4 in the 1970's, which included 10 feet of 20.7% Cu followed by 46 feet of 9.17% Cu at a depth of 2,150 feet.

To expedite the Phase Two and Three programs and insure rig availability, the Company purchased two diamond drill core rigs. The first drill was purchased in July 2007, and became operational with the Company's own personnel the following month. The second drill was purchased in February 2008, and was similarly staffed with Company personnel and operated through 2008.

On May 22, 2007, the Company announced results of metallurgical tests conducted by Dawson Metallurgical Laboratories, Inc., of Salt Lake City, Utah. The tests supported previous metallurgical work that indicated high levels of copper extraction using a combination of flotation and sulphuric acid leaching.

On March 17, 2008, the Company announced results from the Phase One program that revealed broader zones of copper oxide mineralization than anticipated. The results suggested a net increase in pounds of copper could be achieved by focusing efforts on the lower grade copper oxide resource, which could be amenable to conventional open pit mining and heap leaching.

The Phase Two program was completed in September 2008 and totaled 65,656 feet in 82 drill holes, in the area west of the Phase One. The Company also completed 21,190 feet of drilling in the Phase One area to obtain material for metallurgical tests, and 14,452 feet of deep drilling in the Phase Three area to the south.

On August 21, 2008, the Company announced it had retained Gustavson Associates, LLC of Boulder, Colorado to prepare an updated mineral resource estimate incorporating the new drilling and a Pre-Feasibility Study for the project. Gustavson Associates undertook the study using the design basis of an open pit mine and heap leach operation and processing via solvent extraction-electrowinning (SX-EW) to produce cathode copper on-site. Gustavson subsequently subcontracted Resource Development, Inc. of Wheat Ridge, Colorado, to perform initial diagnostic leach tests, and McClelland Laboratories, Inc. of Sparks, Nevada to perform column leach tests. The metallurgical test work was completed in March, 2009, and final reports received on May 27, 2009.

On August 17, 2009, the Company announced it has received a positive Pre-Feasibility Study ("PFS") from Gustavson, in accordance with Canadian National Instrument 43-101, Standards of Disclosure for Minerals Projects ("NI 43-101"), for the Contact Copper Project. The NI 43-101 compliant study includes an update to the Independent Mineral Resource Estimate by Caracle Creek International Consulting, Inc. that was filed on Sedar on July 18, 2006.

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The 2009 PFS detailed the project producing 21.9 million pounds per year of high purity cathode copper from heap leaching and solvent extraction-electrowinning (SX/EW) over a 7 year period at a cash cost of US\$0.97/lb. The initial capital cost is estimated at US\$83 million, including a contingency of 20%. If developed, the project will have an after-tax net present value (NPV) at 10% discount rate of US\$9.7 million, an internal rate of return (IRR) of 13.2%, and a payback period of 4.6 years at a copper price of US\$2.25/lb.

During the first quarter of 2010, the 2009 PFS and three dimensional block model were re-examined to further enhance the mineral reserve estimate. Improvements to the model and mineral reserve estimate were determined and additional drill hole data was also included and Gustavson was engaged to provide an amended report. The amended report was announced on June 2, 2010.

The updated changes resulted in a 161% increase in mineable copper and improvements to the cash flow model of 20.2% IRR, up from 13.2% in the 2009 PFS, and a net present value (NPV) at 10% discount rate of \$44.5 million, up from \$9.7 million in the 2009 PFS.

The updated Mineral Resource was estimated using a three dimensional block model and ordinary kriging and contains 711.8 million pounds (298.3 million pounds Measured and 413.4 million pounds Indicated) of copper (135.2 million tons at 0.263% Cu) and 291 million pounds of copper in the Inferred category (53.4 million tons at 0.272% Cu), based on a 0.10% Cu cut-off grade. The update includes an additional 20,745 feet of core that was completed in 20 drill holes, along with the re-interpretation of geologic contacts, and revised criteria for grade interpolation using an ID-2 model and the classification of resources.

Mineral Resource Estimate reported at 0.10% Cu cut-off.

Category	Tons	Copper	
		Cu (%)	Pounds Cu
Measured	52,976,000	0.282	298,397,000
Indicated	82,233,000	0.251	413,413,000
Measured+Indicated	135,209,000	0.263	711,810,000
Inferred	53,490,000	0.272	291,368,000

The mineable portion of copper reserves is now designated at 27.0 million tons at 0.30% Cu Proven and 27.1 million tons at 0.28% Cu Probable, for a total of 54.1 million tons at 0.28% Cu or 317 million pounds of copper. No inferred resources were used in either the production schedule or economic analysis in the PFS. The updated reserves represent a 161% increase in copper reserves, up from 33.6 million tons of 0.29% Cu or 197 million pounds of Cu proven and probable reserves in the 2009 PFS.

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Mineral Reserve Estimate reported at 0.10% Cu cut-off.

Category	Tons	Copper	
		Cu (%)	Pounds Cu
Proven	27,011,000	0.305	164,701,000
Probable	27,138,000	0.28	152,199,000
Proven+Probable	54,149,000	0.293	316,900,000

For the updated PFS, Gustavson developed a 9 year mine plan (2009 PFS – 7 year mine plan) and production schedule based on an open pit mine producing 5.6 million tons of ore per year at an overall 2.9:1 stripping ratio. Column tests confirmed the copper, which is dominantly in oxide form, is amenable to leaching with sulfuric acid, with a net overall recovery of 76% at a minus-1” crush size. Gustavson examined alternatives for mining and crushing, and concluded in-pit crushing and conveying provided the best advantages in capital and operating costs in handling ore to the leach pad. The SX/EW plant is designed for a capacity of 35 tons per day of cathodes, which are expected to meet specifications for marketing as high purity copper. Net production from the operation is estimated at 241 million pounds of copper, supporting 25 million pounds per year of cathode copper from heap leaching and SX/EW, at an average cost projected at \$0.93/lb. The initial capital costs are now estimated at \$88 million, including a contingency of 20%. Based on the PFS copper price of \$2.25/lb, the project after-tax net present value (NPV) at 10% discount rate is forecast at \$44.5 million, and the internal rate of return (IRR) is 20.2%.

While the 2010 PFS concludes the project is economically feasible, the recommendations include additional drilling to improve the economics and advance the project to the feasibility level. Management believes there is still room for further improvements to the project in both terms of increasing the size of the resource and the economics of the mining model. The project is proceeding with engineering studies and pre-permitting steps that will lead us to production.

A copy of the full PFS Technical Report was filed on the SEDAR website on June 23, 2010. The Contact project is under the supervision of the Company’s Chief Operating Officer and Director, Dr. William Willoughby, PE, who is a Qualified Person as defined in Canadian National Instrument 43-101.

Hot Pot, Nevada USA Property

On June 3, 2009, the Company entered into an option agreement with Nevada Exploration Inc. to acquire a 51% interest in 6 claims and land under a mining lease agreement totaling 2,225 acres, named the Hot Pot Property in Humbolt County, Nevada. The option agreement is for a period of three years and requires the Company to make the following aggregate expenditures on the property:

- Drilling of 1,500 meters during each of the first two years of the option period,
- Drilling of 3,000 meters during the third year of the option period.

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At anytime within ninety days following the completion of its expenditures obligation, the Company has the option to elect to increase its participating interest in the property by an additional 19% to a total of 70% by agreeing to complete the additional aggregate expenditure on the property of 3,000 meters of drilling.

The property is subject to underlying Net Smelter Return royalties totaling 4.25%.

A phase one drill program commenced in June 2009. The property is located 6km east of Newmont's Lone Tree Mine (5 million ounces Gold) and 13km north of Goldcorp's Marigold Mine (4 million ounces Gold). The Company completed the phase one drill program in November totaling 11 holes and over 3,000 meters.

On January 25, 2010, the Company reported the results from its 2009 drilling program at Hot Pot. At Hot Pot, 3,462 meters of core drilling was completed in 11 drill holes, developing stratigraphic information and testing for mineralized structures beneath the alluvial cover. Doug McGibbon, an economic geologist with over 25 years of exploration experience in the Battle Mountain area, and responsible for major discoveries at the Marigold and Pinson mines, reviewed the drill core and exploration data to put the property into regional context.

Drilling encountered weak but widespread anomalous gold values within all 11 holes, spread across the 8.8 square kilometer property. Mr. McGibbon's study has confirmed that the hydrothermally altered and mineralized lithologies at Hot Pot are similar if not stratigraphically equivalent to those hosting orebodies at the Marigold mine. Although gold values only ranged up to 66 ppb, the mineralized zones encountered were up to 149 meters in length beneath overburden cover that was between 40 to 152 meters in all but two of the holes, with the spacing between holes still leaving sufficient room to host a significant gold deposit. Drilling also identified zones of oxidation to depths of 300 meters, significant intervals of brecciated material indicative of several major fault zones, and an apparent horst block with similarities to the geologic setting at the Lone Tree mine. Structural analysis is currently underway, and additional geochemical and geophysical work is being considered to focus further drilling.

Loomis, Nevada USA Property

On May 8, 2009, the Company entered into an option agreement with Fronteer Development Group Inc. to acquire a 51% interest in 92 claims named the Loomis Property in Elko County, Nevada. The option agreement is for a period of three years and requires the Company to make the following aggregate expenditures on the property:

Drilling of 2,000 meters during the first year of the option period and expenditures of US\$100,000,

Drilling of 4,000 meters during the second year of the option period and expenditures of US\$100,000,

Drilling of 5,000 meters during the third year of the option period and expenditures of US\$100,000.

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The Company conducted surface work programs during the summer to refine drill targets and geology field crews confirmed previous rock chip and soil geochemical anomalies, along with structural mapping of targets. Surface sampling conducted by Enexo has confirmed gold occurrences in rock-chip samples ranging from anomalous to 7.1 grams per tonne gold. The samples fall within a target area containing several silicified breccias, up to 2 meters in width, within an exposed area approximately 500 metres by 1,500 metres. A 2,000 metre RC drilling program consisting of 12 angled holes commenced in October. In addition to testing the gold potential of the structures within the upper plate rocks, the RC program was planned to provide direction for later core drilling to intersect the structures at depth within the more favourable lower-plate rocks, which are the host for high grade gold mineralization elsewhere in the Carlin Trend.

The Company completed the phase one drilling on the Loomis Mountain Gold property in November, 2010, completing 12 RC drill holes totaling 2,000 meters. Drilling confirmed a broad zone of anomalous gold mineralization believed related to a deeper high grade target within lower plate rocks of the Roberts Mountain allochthon.

Drill holes were located within a 500 by 1,500 meter area where previous surface sampling had identified several silicified structures containing up to 7 g/t gold. The drilling revealed a broad zone of anomalous gold and trace element mineralization surrounding structures in the upper plate rocks, confirming that the structures are near-vertical and persistent to depths of at least 240 meters. The best intercept, in ELM-1, showed an average of 46 ppb gold over 152 meters, with values ranging up to 990 ppb at a depth of 145 meters. Trace element values were anomalous throughout all holes, ranging up to maximum 1,660 ppm arsenic in ELM-4 and 73 ppm antimony in ELM-7.

During the year ended December 31, 2010, the Company decided not to continue with the option agreement. Acquisition and exploration costs were written off for the year ended December 31, 2010.

**For the Current Fiscal Year to Date**

(a) Schedule of increases in deferred costs:

Name	Opening Balance	Foreign exchange adjustment	Increase (Decrease)	Write-off	Ending Balance
Contact	\$9,210,658	(231,516)	\$218,006	0	\$9,197,148
Hot Pot	1,469,799	(36,944)	(1,678)	0	1,431,177
Mann Lake	1,608,106	0	0	0	1,608,106
Other projects	156,257	(3,928)	10,195	0	162,524
Total	\$12,444,820	(272,388)	\$226,523	0	\$12,398,955

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(b) Schedule of exploration and development expenses:

Acquisition costs:

	Acquisition costs, beginning	Foreign exchange adjustment	Incurred (recovered) during period	Properties written-off	Acquisition, end of period
Contact	\$156,051	(3,923)	\$0	\$0	\$152,128
Hot Pot	39,784	(1,000)	0	0	38,784
Other projects	0	0	4,848	0	4,848
<b>Total</b>	<b>\$195,835</b>	<b>(4,923)</b>	<b>\$4,848</b>	<b>\$0</b>	<b>\$195,760</b>

Exploration expenses:

	Contact	Mann Lake	Hot Pot	Other	Total
Exploration, Beginning of period	\$9,054,607	\$1,608,106	\$1,430,015	\$156,257	\$12,248,985
Foreign exchange adjustment	(227,594)		(35,944)	(3,927)	(267,465)
Amortization	43,190				43,190
Property maintenance fees	22			1,324	1,346
Drilling	74,129				74,129
Logging/Sample Prep	4,074				4,074
Supplies and equipment	72		(1,678)	137	(1,469)
Exploration and geology personal	19,964			3,035	22,999
Engineering and prefeasibility study	48,195				48,195
Permitting	22,359				22,359
Surveys and Staking	618			728	1,346
Assays	5,383			123	5,506
Communication and utilities					
Exploration expenses written-off					
Exploration, End of period	\$9,045,019	\$1,608,106	\$1,392,393	\$157,677	\$12,203,195

**Proposed Transactions**

In the normal course of business, as an ongoing part of the exploration process, the Company investigates mineral properties which are submitted to the Board of Directors for consideration. However, the Company continues to evaluate, review and negotiate a number of other prospective mineral projects in Canada and the USA.

For the period ended March 31, 2011, the Company had invested \$162,525 in exploration expenditures on grass roots projects.

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**Critical Accounting Estimates**

Critical accounting estimates used in the preparation of the financial statements include the Company's estimate of recoverable value on its mineral properties as well as the value of stock-based compensation. Both of these estimates involve considerable judgment and are, or could be, affected by significant factors that are beyond the Company's control.

*Mineral properties*

The Company's recorded value of its mineral properties is in all cases on historical costs that the Company expects to be recovered in the future. The Company's recoverability evaluation is based on market conditions for minerals, underlying mineral resources associated with the properties and future costs that may be required for ultimate realization through mining operations or by sale. The Company is in an industry that is exposed to a number of risks and uncertainties, including exploration risk, development risk, commodity price risk, operating risk, ownership risk, political risk, funding and currency risk, as well as environmental risk.

*Stock-based compensation*

The factors affecting stock-based compensation include estimates of when stock options might be exercised and the stock price volatility. The timing for exercise of options is out of the Company's control and will depend, among other things, upon a variety of factors including the market value of the Company's shares and financial objectives of the holders of the options. The Company has used historical data to determine volatility in accordance with Black-Scholes modeling, however, the future volatility is inherently uncertain and the model has its limitations. While these estimates can have a material impact on the stock-based compensation and hence results of operations, there is no impact on the Company's financial condition.

**IFRS Changeover**

As stated in Note 2 of the Company's financial statements, these are the Company's first condensed consolidated interim financial statements for the period covered by the first annual consolidated financial statements prepared in accordance with IFRS. An explanation of how the transition from previous GAAP to IFRS has affected the Company's financial position and comprehensive loss is set out in Note 9 in the financial statements.

The accounting policies set out in Note 2 have been applied in preparing the financial statements for the period ended March 31, 2011, the comparative information presented in these financial statements for the period ended March 31, 2010 and in the preparation of an opening IFRS Balance Sheet at January 1, 2010 (the Company's date of transition).

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IFRS 1 "First-time Adoption of International Financial Reporting Standards" (IFRS 1)

IFRS 1 generally requires that first-time adopters retrospectively apply all effective IFRS standards and interpretations in effect as at the reporting date. IFRS 1 also provides for certain optional exemptions and certain mandatory exceptions to this general principle. One optional exception relevant to Enexco is an exemption from applying IFRS 2 to 'old' share based payments. The exemption means that first-time adopters are not required to apply IFRS 2 to any equity instrument that vested before the transition date.

Adjustments on transition to IFRS

IFRS has many similarities with Canadian GAAP as it is based on a similar conceptual framework. However, there are important differences with regard to recognition, measurement and disclosure. While adoption of IFRS did not change Enexco's actual cash flows, it resulted in changes to Enexco's Balance Sheet, Statement of Comprehensive Loss and Statement of Changes in Equity as set out below:

(a) Share-based payments

On transition to IFRS the Company elected to change its accounting policy for the treatment of share-based payments whereby amounts recorded for expired unexercised stock options are transferred to deficit. Previously, the Company's Canadian GAAP policy was to leave such amounts in contributed surplus.

(b) IFRS requires that the functional currency of each entity in the consolidated group be determined separately in accordance with the indicators as per IAS 21 - Foreign exchange and should be measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The group's functional currency is the Canadian dollar, the US subsidiaries functional currency is the US dollar. The consolidated financial statements are presented in Canadian dollars which is the group's presentation currency.

Under IFRS, the results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

- all resulting exchange differences are recognized as a separate component of equity.

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**Liquidity and Capital Resources**

The Company ended the period with \$3,104,819 (2010 - \$5,077,976) cash and working capital of \$3,510,229 (2010 - \$4,963,399).

Net cash used in operating activities for the period ended was \$233,483 as compared to \$241,021 net cash from operating activities last year.

Net cash used in investing activities for the year ended was \$203,858 as compared to \$127,289 last year.

Net cash provided from financing activities for the year ended was \$Nil as compared to net cash provided of \$Nil last year.

**Off-Balance Sheet Arrangements**

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

**Financial Instruments**

The Company has not entered into any specialized financial agreements to minimize its investment risk, commodity risk and currency risk.

**Related party transactions**

The Company incurred costs of \$15,000 (2010 - \$15,000) for management fees and \$6,000 (2010 - \$6,000) for accounting fees, and \$9,165 (2010 - \$9,165) for office rent paid to a company controlled by G. Arnold Armstrong, a Director and CEO of the Company. The Company has a twelve month contract with the related Company expiring December 31.

The above 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.

**Commitments**

In January 2011, the Company entered into an investor relations services contract with Renmark Financial Communications Inc. expiring in December 2011, with a monthly fee of \$5,000 per month.

**Subsequent events**

On April 19, 2011 the Company granted 150,000 incentive stock options to a director entitling him to purchase up to 150,000 common shares of the capital stock in the Company at a price of \$0.34 per share until April 19, 2016.

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On May 5, 2011, the Company issued 125,000 shares on the exercise of 125,000 stock options at a price of \$0.25 per share.

**Other MD&A Requirements**

**For the Year Under Review**

(a) Summary of Securities Issued During the Period:

None

(b) Summary of Options Granted During the Period:

100,000 options at a price of \$0.25 were forfeited.

**As at the period ended March 31, 2011:**

(a) Share Capital:

Authorized: Unlimited common shares without par value

Issued: 22,563,077 common shares

(b) Summary of Options, Warrants and Convertible Securities:

Options:

1,335,000 at a price of \$0.25 per share expiring October 30, 2013.

75,000 at a price of \$0.32 per share expiring April 13, 2013.

595,000 at a price of \$0.25 per share expiring July 20, 2015

Warrants:

Nil

Shares in Escrow or Subject to Pooling Agreements: None.

(c) List of Directors and Officers:

G. Arnold Armstrong, Director and CEO, President, Vancouver, B.C.

Daniel Frederiksen, Director, and CFO, Vancouver, B.C.

S. Bradley Armstrong, Director, Vancouver, B.C.

Paul McKenzie, Director, Vancouver, B.C.

William Willoughby, Director, Buhl, Idaho, USA

Shauna Hartman Corporate Secretary, Surrey, B.C.

On February 25, 2011, the Company announced the resignation of Mel Klohn from the company's board of directors.

On April 19, 2011 the Company announced the appointment of Terry Hodson to the board of directors. Mr. Hodson graduated from the University of British Columbia with a Bachelors of Science (Honours) Geology (1980). He has worked continuously in the mining industry since graduation in the areas of exploration and resource evaluation, as

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well as 12 years in operations. Most recently, he was with Teck Cominco Ltd. as Assistant Manager, Advanced Projects. He has been a member of the Professional Engineers and Geoscientists of British Columbia (P.Geo) since 1992.

**Disclosure Controls and Procedures**

The CEO and CFO have evaluated the effectiveness of the company's disclosure controls and procedures and assessed the design of the company's internal control over financial reporting as of March 31, 2011.

Management has concluded that, as of March 31, 2011, weaknesses existed.

The internal controls and procedures of the Company have problems similar to many small venture companies. The size and location of the company's offices makes the maintenance of desirable internal controls difficult. Due to the limited number of staff, it is not possible to achieve complete segregation of duties. Similarly, the Company must engage accounting assistance with respect to complex, non-routine accounting issues, Canadian GAAP matters, tax compliance and reporting for its international operations.

Notwithstanding these weaknesses, the Company's internal controls over financial reporting are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements and that information is timely and accurately disclosed consistent with Canadian securities laws and regulations. Although the identified weaknesses may be considered to increase the risk that a material misstatement due to error or fraud in the Company's financial statements would not be prevented or detected, neither has resulted in a material misstatement in the financial statements.

Management has concluded and the board has agreed that, taking into account the present stage of the company's development and the best interests of its shareholders, the Company does not have sufficient size and scale to warrant the hiring of additional staff to correct the weaknesses at this time.

No material changes in the Company's internal control over financial reporting were identified by management during the most recent interim period.

While management and the board of directors of the Company work to mitigate the risk of a material misstatement in the Company's financial reporting, the Company's control system, no matter how well designed or implemented, can only provide reasonable, but not absolute, assurance of detecting, preventing and deterring errors and fraud.

**Risk factors**

The principal activity of the Company is mineral exploration which is inherently risky. There is intensive government legislation from state, provincial, federal, municipal and

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aboriginal governments, surrounding the exploration for and production of minerals from our and any mining operations. Exploration and development is also capital intensive and the Company currently has no source of income. Only the skills of its management and staff in mineral exploration and exploration financing serve to mitigate these risks, and therefore constitute one of the main assets of the Company.

The Corporation has its cash deposited with a large, federally insured, commercial bank which it believes to be creditworthy. Federal deposit insurance covers deposit balances up to \$100,000. Therefore, the majority of the Company's cash on deposit exceeds federal deposit insurance available.

*Title*

Title to mineral properties, as well as the location of boundaries on the grounds may be disputed. Moreover, additional amounts may be required to be paid to surface right owners in connection with any mining development. At all of such properties where there are current or planned exploration activities, the Company believes that it has either contractual, statutory, or common law rights to make such use of the surface as is reasonably necessary in connection with those activities. Although the Company believes it has taken reasonable measures to ensure proper title to its properties, there is no guarantee that title to its properties will not be challenged or impaired.

Successful challenges to the title of the Company's properties could impair the development of operations on those properties.

The Company's properties include unpatented mining claims, patented mining claims, and mineral rights on private lands. The Company's properties on unpatented mining claims, is land owned and administered by the U.S. government. A valid unpatented mining claim is an interest in real property that can be bought, sold, mortgaged, devised, leased and taxed, but it is always subject to the paramount title of the U.S. and the rights of third parties to use the surface of the claim in a manner that does not unreasonably interfere with the claimant's activities. Unpatented mining claims are mining claims located and staked on available federal public domain land in accordance with the U.S. General Mining Law of 1872, with dimensions not to exceed 600 feet by 1,500 feet for lode claims (which constitute the great majority of the Company's unpatented mining claims), or 20 acres for placer claims. The process of locating an unpatented mining claim is initiated by the locator. Unpatented mining claims can be staked without any invitation from or grant by the federal government or any state government. A valid unpatented mining claim must include a discovery of valuable minerals. Prior to discovery, however, a mining claimant has a possessory right to conduct mineral exploration and development activities on the claim. The locator of a valid unpatented mining claim has the right to explore for, develop and mine minerals discovered on the claim, subject to compliance with the annual maintenance requirements of the U.S. Federal Land Policy and Management Act of 1976 which currently requires timely payment of an annual maintenance fee in order to maintain an unpatented mining claim.

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Unpatented mining claims are unique property interests, and are generally considered to be subject to greater title risk than private real property interests because the validity of unpatented mining claims is often uncertain. This uncertainty arises, in part, out of the complex federal and state laws and regulations that supplement the U.S. General Mining Law of 1872. Also, unpatented mining claims and related rights, such as rights to use the surface, are always subject to possible challenges by third parties or contests by the federal government. The validity of an unpatented mining claim, in terms of both its location and its maintenance, is dependent on strict compliance with a complex body of federal and state statutory and decisional law. In addition, there are few public records that definitively control the issues of validity and ownership of unpatented mining claims.

In recent years, the U.S. Congress has considered a number of proposed amendments to the General Mining Law, as well as comprehensive reform legislation. Although no such legislation has been adopted to date, there can be no assurance that such legislation will not be adopted in the future. If ever adopted, such legislation could, among other things, impose royalties on production from currently unpatented mining claims located on federal lands. If such legislation is ever adopted, it could have an adverse impact on earnings from the Company's operations, and it could reduce estimates of the Company's present resources and the amount of the Company's future exploration and development activity on federal lands.

*Permits and Licenses*

Although the Company either currently holds or has applied for or is about to apply for all consents which it requires in order to carry out its current drilling programs, the Company cannot be certain that it will receive the necessary permits and licenses on acceptable terms or at all, in order to conduct further exploration and to develop its properties. The failure to obtain such permits, or delays in obtaining such permits could adversely affect the operations of the Company. Government approvals and permits are currently and may in the future be required in connection with the operations of the Company. To the extent such approvals are required and not obtained; the Company may be curtailed or prohibited from continuing its mining operations or from proceeding with planned exploration or development of mineral properties.

*Exploration and Development Efforts May Be Unsuccessful*

There is no certainty that the expenditures to be made by the Company in the exploration and development of its properties as described herein will result in discoveries of mineralized material in commercial quantities. Most exploration and development projects do not result in the discovery of commercially mineable ore deposits and no assurance can be given that any particular level of recovery of ore reserves will in fact be realized or that any identified mineral deposit will ever qualify as a commercially mineable (or viable) ore body which can be legally and economically exploited. Estimates of reserves, mineable deposits and production costs can also be affected by

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such factors as environmental permitting regulations and requirements, weather, environmental factors, unforeseen technical difficulties, unusual or unexpected geological formations and work interruptions. In addition, the grade of ore ultimately mined may differ from that indicated by drilling results. Short term factors relating to ore reserves, such as the need for orderly development of ore bodies or the processing of new or different grades, may also have an adverse effect on mining operations and on the results of operations. There can be no assurance that minerals recovered in small scale tests will be duplicated in large scale tests under on-site conditions or in production scale. Material changes in ore reserves, grades, stripping ratios or recovery rates may affect the economic viability of any project.

*Lack of Cash Flow*

None of the Company's properties have advanced to the commercial production stage and the Company has no history of earnings or cash flow from operations. The Company does not expect to generate material revenue from mining operations or to achieve self-sustaining commercial mining operations for several years.

The Company has paid no dividends on its shares since incorporation and does not anticipate doing so in the foreseeable future. Historically, the only source of funds available to the Company is through the sale of its securities. Future additional equity financing would cause dilution to current shareholders.

*No Mineral Resources or Reserves in Production*

The properties in which the Company has an interest or right to earn an interest are in the exploration or pre-development stages only and are without a known body of ore in commercial production.

*Uncertainty of Obtaining Additional Funding Requirements*

Programs planned by the Company may necessitate additional funding, which could cause a dilution of the value of the investment of the shareholders of the Company. The recuperation value of mining properties indicated in the balance sheet depends on the discovery of mineralization that can be profitably exploited and on the Company's capacity to obtain additional funds in order to realize these programs.

The Company's exploration activities can therefore be interrupted at any moment if the Company is incapable of obtaining the necessary funds in order to continue any additional activities that are necessary and that are not described in the exploration programs outlined in the Company's geological report for its properties.

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*Mineral Prices May Not Support Corporate Profit*

The mining industry in general is intensely competitive and there is no assurance that, even if commercial quantities of mineral resources are developed, a profitable market will exist for the sale of same. Factors beyond the control of the Company may affect the marketability of any substances discovered. The price of minerals is volatile over short periods of time, and is affected by numerous factors beyond the control of the Company, including international, economic and political trends, expectations of inflation, currency exchange fluctuations, interest rates and global or regional consumption patterns, speculative activities and increased production due to improved mining techniques.

*Competition*

The mining industry is intensively competitive in all its phases. The Company competes with companies possessing greater financial resources and technical facilities than itself for the acquisition of mineral interests as well as for the recruitment and retention of qualified employees.

*Environmental Regulations*

The current and future operations of the Company, including further exploration, development activities and commencement of production on its properties, requires permits from various Canadian and U.S. Federal, Provincial and State governmental authorities.

Such operations are subject to various laws governing land use, the protection of the environment, production, exports, taxes, labour standards, occupational health, waste disposal, toxic substances, mine safety and other matters. 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. 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, production costs, reduction in levels of production at producing properties, require abandonment or delays in development of new mining properties.

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 violation of applicable laws or regulations.

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*Uncertainty of Reserves and Mineralization Estimates*

There are numerous uncertainties inherent in estimating proven and probable reserves and mineralization, including many factors beyond the control of the Company. The estimation of reserves and mineralization is a subjective process and the accuracy of any such estimates is a function of the quality of available data and of engineering and geological interpretation and judgment. Results of drilling, metallurgical testing and production and the evaluation of mine plans subsequent to the date of any estimate may justify revision of such estimates. No assurance can be given that the volume and grade of reserves recovered and rates of production will not be less than anticipated. Assumptions about prices are subject to greater uncertainty and metals prices have fluctuated widely in the past. Declines in the market price of base or precious metals also may render reserves or mineralization containing relatively lower grades of ore uneconomic to exploit. Changes in operating and capital costs and other factors including, but not limited to, short-term operating factors such as the need for sequential development of ore bodies and the processing of new or different ore grades, may materially and adversely affect reserves.

*Foreign Operations*

The Company's foreign activities are subject to the risk normally associated with conducting business in foreign countries, including exchange controls and currency fluctuations, limitations on repatriation of earnings, foreign taxation, laws or policies of particular countries, labour practices and disputes, and uncertain political and economic environments, as well as risk of war and civil disturbances, or other risk that could cause exploration or development difficulties or stoppages, restrict the movement of funds or result in the deprivation or loss of contract rights or the taking of property by nationalization or expropriation without fair compensation. Foreign operations could also be adversely impacted by laws and policies affecting foreign trade, investment and taxation. The Company currently has exploration projects located in the U.S.

*Operating Hazards and Risks Associated with the Mining Industry*

Mining operations generally involve a high degree of risk, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. Hazards such as unusual or unexpected formations and other conditions are involved.

Operations in which the Company has direct or indirect interest will be subject to all the hazards and risks normally incidental to exploration, development and production of precious and base metals, any of which could result in work stoppages, damage to or destruction of mines and other producing facilities, damage to life and property, environmental damage and possible legal liability for any or all damage. The Company may become subject to liability for cave-ins and other hazards for which it cannot insure or against which it may elect not to insure where premium costs are disproportionate to

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the Company's perception of the relevant risks. The payment of such insurance premiums and of such liabilities would reduce the funds available for exploration activities.

*Ability to Manage Growth*

Should the Company be successful in its efforts to develop its mineral properties or to raise capital for other mining ventures it will experience significant growth in operations. If this occurs management anticipates that additional expansion will be required in order to continue development. Any expansion of the Company's business would place further demands on its management, operational capacity and financial resources. The failure to manage growth effectively could have a material adverse effect on the Company's business, financial condition and results of operations.

*Lack of a Dividend Policy*

The Company does not presently intend to pay cash dividends in the foreseeable future, as any earnings are expected to be retained for use in developing and expanding its business. However, the actual amount of dividends received from the Company will remain subject to the discretion of the Company's board of directors and will depend on results of operations, cash requirements and future prospects of the Company and other factors.

*Possible Dilution to Present and Prospective Shareholders*

The Company's plan of operation, in part, contemplates the accomplishment of business negotiations by the issuance of cash, securities of the Company, or a combination of the two, and possibly, incurring debt. Any transaction involving the issuance of previously authorized but unissued common shares, or securities convertible into common shares, would result in dilution, possibly substantial, to present and prospective holders of common shares.

*Dependence on Key Personnel*

The Company strongly depends on the business and technical expertise of its management and key personnel. There is little possibility that this dependence will decrease in the near term.

As the Company's operations expand, additional general management resources will be required, especially since the Company encounters risks that are inherent in doing business in several countries.

*Conflict of Interest*

Certain directors of the Company are also directors, officers or shareholders of other companies that are similarly engaged in the business of acquiring, developing and

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exploiting natural resource properties. Such associations may give rise to conflicts of interest from time to time. The directors of the Company are required by law to act honestly and in good faith with a view to the best interests of the Company and to disclose any interest which they may have in any project or opportunity of the Company. If a conflict arises at a meeting of the board of directors, any director in a conflict will disclose his interest and abstain from voting on such matter. In determining whether or not the Company will participate in any project or opportunity, the directors will primarily consider the degree of risk to which the Company may be exposed and its financial position at that time.

*Lack of Trading Volume*

The lack of trading volume of the Company's shares reduces the liquidity of an investment in the Company's shares.

*Volatility of Share Price*

Market prices for shares of early stage companies are often volatile. Factors such as announcements of mineral discoveries, financial results, and other factors could have a significant effect on the price of the Company's shares.

**Outlook and Investor Relations**

The Company continues to be logged into the SEDAR electronic filing system for the purpose of reporting on a timely basis. The Company will keep its shareholders advised as to the status of exploration and development on all its properties through the issuance of timely press releases via Vancouver Stockwatch and mail outs respecting same. Additional information related to the Company is available on the Company's website at [www.enesco.ca](http://www.enesco.ca).

**Forward Looking Statements**

Certain statements contained in this Management Discussion and Analysis constitute "forward-looking statements". These statements relate to future events or the Company's future performance, business prospects or opportunities. All statements other than statements of historical fact may be forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "plan", "continue", "estimate", "expect", "may", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar expressions. Information concerning the interpretation of drill results, mineral resource and reserve estimates and capital cost estimates may also be deemed as forward-looking statements as such information constitutes a prediction of what mineralization might be found to be present and how much capital will be required if and when a project is actually developed. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those

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anticipated in such forward-looking statements. The Company believes that the expectations reflected in those forward-looking statements are reasonable, but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this Management Discussion and Analysis should not be relied upon. These statements speak only as of the date of this Management Discussion and Analysis. Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by forward-looking statements contained in this Management Discussion and Analysis. Such statements are based on a number of assumptions which may prove to be incorrect, including, but not limited to, assumptions about:

- general business and economic conditions;
- the supply and demand for, deliveries of, and the level and volatility of prices of copper, uranium, or other mineral commodities under exploration;
- the availability of financing for the Company's exploration and development projects on reasonable terms;
- the ability to procure equipment and operating supplies in sufficient quantities and on a timely basis;
- the ability to attract and retain skilled staff;
- market competition;
- the accuracy of our resource estimate (including, with respect to size, grade and recoverability) and the geological, operational and price assumptions on which it is based; and
- tax benefits and tax rates.

These forward-looking statements involve risks and uncertainties relating to, among other things, risks related to international operations, actual results of current exploration activities, conclusions of economic evaluations, changes in project parameters as plans continue to be refined, as well as those factors discussed in the section "Risk Factors". Factors that could cause actual results to differ materially include, but are not limited to, the risk factors discussed in the section. The Company cautions that the foregoing list of important factors is not exhaustive. Although the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking statements, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such 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. The Company does not undertake to update any forward-looking statements that are incorporated by reference herein, except in accordance with applicable securities laws.