

TOTEM MINERALS INC.

MANAGEMENT'S DISCUSSION & ANALYSIS

For the year ended July 31, 2010

The following discussion and analysis of financial results, prepared as of November 9, 2010, should be read in conjunction with the audited financial statements of Totem Minerals Inc. ("Totem" or the "Company") for the year ended July 31, 2010, together with the related notes thereto. Those audited financial statements are prepared in accordance with Canadian generally accepted accounting principles. All amounts are expressed in Canadian dollars unless otherwise indicated.

The discussion contains forward-looking statements that involve risks and uncertainties. Such information, although considered reasonable by the Company's management at the time of preparation, may prove to be inaccurate and actual results may differ materially from those anticipated in the statements made.

Additional information on the Company is available for viewing on SEDAR at www.sedar.com.

Description of Business

The Company is a natural resource company engaged in the acquisition and exploration of mineral properties. It currently holds an option to earn 100% interest in the Caledonia Property in the Nanaimo Mining Division of British Columbia. The Company trades on the TSX Venture Exchange under the symbol "TTM".

Overall Performance

In June 2010, the Company announced that it has entered into a Letter of Intent ("LOI") with Abzu Resources Ltd. ("Abzu"), a British Columbia private company, to acquire Abzu's indirect 100% interest (the "Transaction") in seven gold exploration concessions covering over 3,000 square kilometers in West Africa in Ghana and La Cote d'Ivoire, Africa (the "Concessions"). Under the terms of the Letter of Intent, the Company has agreed to acquire Abzu's 100% indirect interest in the Concessions by acquiring all of the issued and outstanding shares of Abzu in exchange for the issuance of approximately 13,600,000 common shares of the Company. In addition, the Company will issue 200,000 share purchase warrants exercisable at \$0.60 per share until November 30, 2014 to replace certain outstanding share purchase warrants of Abzu. The Transaction will be completed by way of a take-over bid circular. The Transaction is arm's length and if completed, will constitute a "Fundamental Transaction" under the TSX Venture Exchange's (the "Exchange") policies and is subject to the satisfaction of certain conditions, including the receipt of Exchange acceptance. Concurrent with the completion of the Transaction, the Company intends to change its name to Abzu Resources Ltd.

Subsequent to June 30, 2010, the Company announced a private placement for gross proceeds of \$7,000,000. Of the subscriptions related to this private placement, \$861,000 was received as at July 31, 2010 and subsequent to year end, the remaining amount has been received or committed.

Each Subscription Receipt, issued for \$0.50 each, will be automatically convertible, for no additional consideration, into one unit (a "Unit") upon satisfaction of certain conditions relating to the Company's acquisition of Abzu. Each Unit will consist of one common share and one common share purchase warrant (a "Warrant"). Each Warrant will entitle the holder thereof to purchase one additional common share of the Company at a price of \$0.75 for a period of 12 months. In the event that the closing price of the Company's common shares on the Exchange exceeds \$1.00 for 20 consecutive trading days, the Company shall have rights to accelerate the exercise period of the Warrants to a date not less than 30 days from date notice is given to holders of the acceleration.

The Company has agreed, subject to Exchange acceptance, to the payment of a finder's fee in the form of shares of the Company, which will be paid in accordance with Exchange policies to an arm's length third party, for introducing the Company to Abzu upon the successful completion of the Transaction.

Also, pursuant to the terms of the Abzu LOI, the Company and Abzu have agreed, subject to Exchange acceptance, that conditional upon the closing of the Transaction, the Company will grant to new directors,

consultants and officers an aggregate of 2,000,000 stock options to purchase up to 2,000,000 common shares of the Company at the private placement price of \$0.50 in accordance with the Company's Stock Option Plan.

Private Placement

On April 20, 2010, the Company completed a private placement and issued 10,000,000 units for gross proceeds of \$650,000. Each unit consisted of one common share and one share purchase warrant. Each warrant entitled the holder to purchase a further common share at \$0.40 for a period of two years. The Company also issued 1,000,000 units as a finder fee in connection with this placement. The units of the finder fee were valued at \$65,000 and a further \$51,800 was allocated to the value of the finder fee warrants.

Caledonia Property

On December 17, 2009, the Company acquired an option to earn 100% interest in 26 mineral claims in Caledonia Property situated in the Nanaimo Mining Division of British Columbia. Terms of the option call for cash payments of \$150,000 and exploration expenditures of \$300,000 to earn the 100% interest. Timing of the cash payments and work commitments are as follows:

Date	Cash Payments	Work Commitment	
June 15, 2010	\$ 50,000	\$ 100,000	(incurred)
January 1, 2011	50,000	100,000	
January 1, 2012	50,000	100,000	
Total	<u>\$150,000</u>	<u>\$ 300,000</u>	

During the year ended July 31, 2010, the Company expended \$127,554 on an initial drill program and the results are pending. During the year ended, the Company entered into discussions with the optionor to extend the initial payment of \$50,000 to a future date, which is still being negotiated.

Results of Operations

During the year ended July 31, 2010, the Company incurred a loss of \$253,087 compared to a loss of \$673,261 for the year ended July 31, 2009. The significant changes during fiscal 2010 compared to fiscal 2009 are as follows:

- Consulting fees increased to \$19,000 during the year ended July 31, 2010 from \$Nil for the year ended July 31, 2009. This increase was a result of the Company pursuing new business opportunities.
- Management and administration fees increased to \$130,216 during the year ended July 31, 2010 compared to \$113,500 for the year ended July 31, 2009. This increase was a result of increased fees paid to an officer and former director of the Company.
- Professional fees increased to \$80,366 during the year ended July 31, 2010 from \$59,470 incurred during the year ended July 31, 2009, as a result of an increase in accounting fees paid to a director.
- Rent decreased to \$8,000 during the year ended July 31, 2010 compared to \$26,262 during the year ended July 31, 2009. The decrease was a result of the Company moving to a new head office during the first quarter of the current fiscal year.
- Stock-based compensation expense of \$Nil was recorded during the year ended July 31, 2010 a decrease from \$207,286 recorded during the year ended July 31, 2009. This expense relates to the granting of 930,000 incentive stock options during fiscal 2009. There were no options granted by the Company during the year ended July 31, 2010.

- Future income tax recovery of \$Nil was received during the year ended July 31, 2010. This compares to a future income tax recovery of \$77,500 received during the year ended July 31, 2009. This was in connection with renunciation of flow through shares during fiscal 2009

Fourth Quarter Results

The Company recorded a loss for the three months ended July 31, 2010 of \$84,116 compared to a loss of \$321,090 for the comparative period ended July 31, 2009. The loss was primarily lower in the quarter ended July 31, 2010, than in the comparative quarter, due to the \$327,566 write-off of mineral property costs in the comparative period. This was partially offset by future income tax recovery of \$77,500.

Also, during the fourth quarter of fiscal 2010, the Company incurred 127,554 (2009-\$Nil) in property acquisition costs.

Liquidity and Capital Resources

The Company's working capital position at July 31, 2010 was \$702,314 as compared to a working capital position of \$532,835 at July 31, 2009. The increase in working capital is a result of the company receiving net proceeds of \$660,888 on the completion of a private placement. This increase was offset by the \$238,321 used for mineral property and deferred acquisition costs. It was additionally offset by the \$286,773 used in operating activities. As at July 31, 2010, the Company received \$861,000 in connection with the purposed financing on the Abzu transaction. These funds have not been included in the working capital amount or cash on hand, as the funds are refundable if the transaction does not close on or before December 31, 2010. At July 31, 2010, the Company held cash of \$711,163 (2009-\$492,823).

As at July 31, 2010, the Company had current assets of \$1,582,216 (2009-\$551,260), total assets of \$1,820,537 (2009-\$551,260) and total liabilities of \$18,902 (2009-\$18,425). There is no long-term debt.

The principal assets of the Company are cash and mineral properties. The Company is currently in the process of completing the Abzu transaction.

The Company has sufficient funds on hand to meet its operating expenses for fiscal 2011.

The Company has financed its operations to date primarily through the issuance of common shares and exercise of stock options. The Company continues to seek capital through various means including the issuance of equity and/or debt.

The Company has not paid any dividends on its common shares. The Company has no present intention of paying dividends on its common shares, as it anticipates that all available funds will be invested to finance the growth of its business.

The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future.

Annual Financial Information

Year Ended	July 31, 2010	July 31, 2009	July 31, 2008
Financial Results			
Mineral property expenditures	\$ 127,554	\$ 182,267	\$ 7,400
Loss for the year	253,087	673,261	57,691
Loss per share – basic and diluted	(0.02)	(0.06)	(0.01)
Financial Position			
Working capital position	\$ 702,314	\$ 532,835	\$ 21,868
Total assets	1,820,537	551,260	206,781
Share capital	1,547,364	1,159,141	321,025
Deficit	(1,142,343)	(889,256)	(215,995)

Quarterly Financial Information

	July 31 2010	Apr. 30 2010	Jan. 31 2010	Oct. 31, 2009	July 31, 2009	Apr. 30 2009	Jan. 31, 2009	Oct. 31, 2008
Revenue	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Operating loss	67,450	84,116	55,011	46,510	321,090	56,913	57,490	237,768
Basic and fully diluted loss per share	(0.01)	(0.01)	(0.00)	(0.00)	(0.03)	(0.005)	(0.005)	(0.02)

From the date of incorporation on October 5, 2005, the Company has been consistently incurring losses from operations as the Company is in the exploration stage of development. This trend is likely to continue.

The lower level of loss for the quarters ended October 31, 2008 and July 31, 2008 were from periods prior to becoming publicly listed. After listing administration costs increased.

The increase in the loss in the October 31, 2008 quarter is largely due to the non-cash expensing of 930,000 stock options to directors and officers. This expense totaled \$207,286 versus nil in the other quarters reported.

The increase in the loss in the July 31, 2009 quarter reflect deferred mineral property acquisition and exploration costs written off of \$327,566, and a future income tax recovery item of \$77,500.

Overall operating losses for the quarters ended October 31, 2009, January 31, 2010, April 30, 2010 and July 31, 2010 remained consistent while the Company searched for new business opportunities.

Related Party Transactions

During the year ended July 31, 2010, the Company entered into the following transactions with related parties:

- (a) Paid or accrued consulting fees of \$16,000 to Lakithra Management Corp., a company controlled by Harry Katevitis, a former director of the Company and \$3,000 was paid to Lion Management Corp. (“Lion Management”), a company controlled by Balbir Johal, a director of the Company. There were no consulting fees paid during the year ended July 31, 2009.
- (b) Paid or accrued management and administrative fees of \$66,000 to Lion Management and \$31,000 was paid to Anthony Claydon, a director of the Company. During the year ended July 31, 2009, management and administrative fees of \$58,500 was paid to Mr. Claydon.

- (c) Paid or accrued rent of \$8,000 to Lion Management. During the year ended July 31, 2009, rent of \$4,272 was paid to Urastar Energy Inc., a company with common directors.
- (d) Paid or accrued professional fees of \$25,563 to Greg Amor, a director and a former officer of the Company. During the year ended July 31, 2009, \$17,500 was paid to Mr. Amor and \$8,600 was paid to Albert Wu, a former officer of the Company.

At July 31, 2010, the Company is owed \$Nil (2009 - \$3,500) by a director.

At July 31, 2010, there is \$100 in due to related parties (2009 - \$100).

These transactions are in the normal course of operations and measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Financial Instruments

Fair Values

The fair value of cash is measured based on level 1 of the fair value hierarchy.

The fair values of receivables and accounts payable and accrued liabilities approximate their book values because of the short-term nature of these instruments.

(a) Credit Risk

The Company's cash is mainly held at large Canadian financial institutions and as at July 31, 2010 is mainly held in interest bearing accounts. The Company's receivables are mainly HST recoverable from the Canadian government. The maximum exposure to credit risk is the equivalent of the cash and receivables on the balance sheet of the Company.

(b) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital resources as outlined in Note 8 of the July 31, 2010 financial statements.

(c) Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

(i) Interest rate risk

The Company has cash balances, which are deposited at Canadian financial institutions. As of July 31, 2010, the Company did not have any investments in short-term deposits.

(ii) Foreign currency risk

The Company is exposed to foreign currency risk on fluctuations related to cash, receivables and accounts payable and accrued liabilities that are denominated in a foreign currency. As at July 31, 2010, the Company did not have any accounts in foreign currencies.

(iii) Price risk

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and

volatilities. The Company closely monitors commodity prices, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

Adoption of new accounting standards

CICA Handbook Section 3064 – “Goodwill and other intangibles assets”

This new section replaced Section 3062, “Goodwill and Other Intangible Assets” and Section 3450, “Research and Development Costs”. It establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062.

The Company adopted this standard effective August 1, 2009, on a prospective basis with no restatement of prior period financial statements. Management adopted this new standard with no material impact on the financial statements of the Company or its business.

Financial instruments – disclosures

CICA Handbook Section 3862, “Financial instruments – disclosures” was amended to require disclosure about the inputs used in making fair value measurements, including their classification within a hierarchy that prioritizes their significance. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

Outlined in Note 8 of the July 31, 2010 financial statements.

Recent accounting pronouncements

International Financial Reporting Standards (“IFRS”)

In February 2008, the Canadian Accounting Standards Board announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada’s own generally accepted accounting principles. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of the Company will be August 1, 2011 and will require the restatement for comparative purposes of amounts reported by the Company for the year ended July 31, 2011. The Company continues to monitor and assess the impact of Canadian GAAP and IFRS.

Business Combinations

In January 2009, the CICA issued Handbook Sections 1582 “Business Combinations”, 1601 “Consolidated Financial Statements” and 1602 “Non-controlling Interests” which replace CICA Handbook Sections 1581 “Business Combinations” and 1600 “Consolidated Financial Statements”. Section 1582 establishes standards for the accounting for business combinations that is equivalent to the business combination accounting standard under IFRS. Section 1601 together with Section 1602 establishes standards for the preparation of consolidated financial statements. These Sections are applicable for interim and annual financial statements for fiscal years beginning January 1, 2011. Early adoption of these Sections is permitted and all these Sections must be adopted concurrently.

IFRS Changeover Plan Disclosure

The Canadian Accounting Standards Board (AcSB) has announced its decision to replace Canadian generally accepted accounting principles (“GAAP”) with International Financial Reporting Standards (IFRS) for all Canadian Publicly Accountable Enterprises (“PAEs”). The effective changeover date is August 1, 2011, at which time Canadian GAAP will cease to apply and will be replaced by IFRS. Following this timeline, the Company will issue its first set of interim financial statements prepared under IFRS in the first quarter of 2011 including comparative IFRS financial results and an opening balance sheet

as at August 1, 2010. The first annual IFRS consolidated financial statements will be prepared for the year ended July 31, 2011 with restated comparatives for the year ended July 31, 2010.

Management has developed a project plan for the conversion to IFRS based on the current nature of operations. The conversion plan is comprised of three phases: 1) Scoping phase which will assess the overall impact and effort required by the Company in order to transition to IFRS; 2) Planning phase which will include a detailed analysis of the conversion process and implementation plan required for disclosure for the Company's first quarter; and, 3) Transition phase which will include the preparation of an IFRS compliant opening balance sheet as at August 1, 2010, any necessary conversion adjustments and reconciliations, preparation of a fully compliant pro forma financial statements including all note disclosures and disclosures required for the MD&A.

Management has completed phase one, IFRS Scoping phase, and is now advancing through phase two, the Planning stage. Management prepared a component evaluation of its existing financial statement line items, comparing Canadian GAAP to the corresponding IFRS guidelines, and has identified a number of differences. Many of the differences identified are not expected to have a material impact on the reported results and financial position.

Most adjustments required on transition to IFRS will be made, retrospectively, against opening retained earnings as of the date of the first comparative balance sheet presented based on standards applicable at that time.

IFRS 1, "First-Time Adoption of International Financial Reporting Standards", provides entities adopting IFRS for the first time with a number of optional exemptions and mandatory exceptions, in certain areas, to the general requirement for full retrospective application of IFRS. The Company is still evaluating which option exemptions it should elect under IFRS 1.

Set out below are the most significant areas, management has identified to date, where changes in accounting policies may have the highest potential impact on the Company's consolidated financial statements based on the accounting policy choices approved by the Audit Committee and Board of Directors.

In the period leading up to the changeover in 2011, the AcSB has ongoing projects and intends to issue new accounting standards during the conversion period. As a result, the final impact of IFRS on the Company's consolidated financial statements can only be measured once all the IFRS accounting standards at the conversion date are known. Management will continue to review new standards, as well as the impact of the new accounting standards, between now and the conversion date to ensure all relevant changes are addressed.

IFRS 2 – Share Based Payments;

IFRS and Canadian GAAP largely converge on the accounting treatment for share based transaction with only a few differences. Starting Q1 2010, the Company is moving from 'straight line' to 'graded' vesting for the recognition of stock-based compensation expense. A greater portion of expense is recorded in the initial vesting periods compared to distributing the expense equally over all vesting period.

IAS 36 – Impairment of Assets;

Canadian GAAP generally uses a two-step approach to impairment testing: first comparing asset carrying values with undiscounted future cash flows to determine whether impairment exists; and then measuring any impairment by comparing asset carrying values with discounted cash flows. International Accounting Standard (IAS) 36, "Impairment of Assets" uses a one-step approach for both testing and measurement of impairment, with asset carrying values compared directly with the higher of fair value less costs to sell and value in use (which uses discounted future cash flows). This may potentially result in write downs where the carrying value of assets were previously supported under Canadian GAAP on an undiscounted cash flow basis, but could not be supported on a discounted cash flow basis.

Risk, Uncertainties and Outlook

As a company active in the mineral resource acquisition and exploration industry, the Company is exposed to a number of risks, including the financial risks associated with the fact that it has no operating cash flow and must access the capital markets to finance its activities.

There can be no assurances the Company will continue to be able to access the capital markets for the funding necessary to acquire and maintain exploration properties and to carry out its desired exploration programs. In addition to this having an impact on any future wholly owned projects, the Company could find itself in a position at a future time where it is unable to fund its share of costs incurred under joint venture agreements to which it is a party, and its interest in such joint ventures could be reduced or eliminated as a result.

The Company is very reliant upon its existing management, and if the services of such personnel were withdrawn for any reason, this could have a material adverse impact on the Company's operating activities.

There is intense competition within the minerals industry to acquire properties of merit, and the Company competes with other companies possessing greater technical and financial resources than itself. Even if desirable properties are secured, there can be no assurances that the company will be able to execute its exploration programs on its proposed schedules and within its cost estimates, whether due to weather conditions in the areas where it operates, increasingly stringent environmental regulations and other permitting restrictions, or other factors related to exploring in areas that lack infrastructure, such as the availability of essential supplies and services.

Over the past several years, the prices of commodities have increased substantially, stimulating a rapid growth in exploration expenditures and intensifying the competition for talent and services. These conditions have lead to increased costs and difficulties in scheduling contractors at times that are optimal from the Company's perspective.

The Company's future exploration activities may require permits from various governmental agencies charged with administrating laws and regulations governing exploration, labor standards, occupational health and safety, control of toxic substances, waste disposal, land use, environmental protection and other matters. Failure to comply with laws, regulations and permit conditions could result in fines and/or stop work orders, costs for conducting remedial actions and other expenses. In addition, legislation changes to existing laws and regulations could result in significant additional costs to comply with the revised terms and could also result in delays in executing planned programs pending compliance with those terms.

Off Balance Sheet Arrangements

The Company is not aware of any off balance sheet arrangements as of November 9, 2010.

Contingencies

The Company is not aware of any contingencies or pending legal proceedings as of November 9, 2010.

Subsequent Event

Subsequent to July 31, 2010, 30,000 share purchase warrants were exercised at an exercise price of \$0.40 per share.

Share Capital

As at November 9, 2010, the Company had 23,054,001 common shares outstanding and the following outstanding warrants:

Outstanding Warrants:

<u>Number of Warrants</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
10,970,000	\$0.40	April 16, 2012

There are no outstanding stock options.

Disclaimer

The information provided in this document is not intended to be a comprehensive review of all matters concerning the Company. It should be read in conjunction with all other disclosure document provided by the Company, which can be accessed www.sedar.com. No securities commission or regulatory authority has reviewed the accuracy or adequacy of the information presented herein.

Cautionary Statement on Forward-Looking Information

Certain statements contained in this document constitute "forward-looking statements". Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual, performance, or achievements of the Company to be materially different from any future results, performance, or achievements expressly stated or implied by such forward-looking statements. Such factors include, among others, the following: mineral exploration and development costs and results, fluctuation in the prices of commodities for which the Company is exploring, foreign operations and foreign government regulations, competition, uninsured risks, recoverability of resources discovered, capitalization requirements, commercial viability, environmental risks and obligations, and the requirements for obtaining permits and licenses for the Company's operations in the jurisdictions in which it operates.