

# RED MILE CAPITAL CORP.

**Quarterly Report to Shareholders  
March 31, 2009**

**RED MILE CAPITAL CORP.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2009**

## **Background**

This discussion and analysis of financial position and results of operation is prepared as at May 29, 2009 and should be read in conjunction with the unaudited interim financial statements and corresponding notes for the periods ended March 31, 2009 and 2008, as well as the audited financial statements and corresponding notes for the fiscal year ended December 31, 2008 of Red Mile Capital Corp. ("Red Mile" or the "Company"). Those financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). Except as otherwise disclosed, all dollar figures included therein and in the following management discussion and analysis ("MD&A") are quoted in Canadian dollars. The following discussion and analysis provides information that management believes is relevant to the assessment and understanding of the Company's results of operations and financial condition. Additional information relevant to the Company's activities can be found on SEDAR at [www.sedar.com](http://www.sedar.com).

## **Company Overview**

The Company was incorporated under the laws of the Province of Alberta on May 31, 2007. The Company's head and registered office is located at 1000, 250 2<sup>nd</sup> Street S.W., Calgary, AB, Canada, T2P 0C1.

The Company issued 2,200,000 common shares, at a price of \$0.10 per share, to the directors, officers and seed shareholders on June 6, 2007 for aggregate gross proceeds of \$220,000.

On August 24, 2007, the Company received final receipts for a prospectus dated August 23, 2007 and became a reporting issuer in the Provinces of Alberta and British Columbia. On November 6, 2007, the Company completed its initial public offering to raise \$800,000. Subsequently, on November 12, 2007, the Company's common shares were listed on the TSX Venture Exchange ("TSXV"), as a capital pool company, under the trading symbol "RDM.P".

## **Qualifying Transaction Summary**

The principal business of the Company consists of identification and evaluation of potential acquisitions or businesses, and once identified and evaluated, to negotiate an acquisition or participation subject to receipt of regulatory and, if required, shareholder approval.

Where an acquisition or participation is warranted (the "Qualifying Transaction"), additional funding may be required. The ability of the Company to fund its potential future operations and commitments is dependent upon the ability of the Company to obtain additional financing.

There is no assurance that the Company will identify a business or asset that warrants acquisition or participation within the time limitations permissible under the policies of the TSXV, at which time the TSXV may suspend or de-list the Company's shares from trading. Under these policies, a qualifying transaction must be entered into within 24 months of listing from November 12, 2007; under certain circumstances, it may be possible to extend the completion date by an additional six months.

On April 8, 2008 Red Mile Capital Corp. announced that the Company had entered into an option agreement dated March 28, 2008 with South Coast Ventures Inc., a private arm's length company, to earn a 100% interest in the York Harbour copper-gold property located in western Newfoundland, Canada. On September 10, 2008 the Company announced the termination of the option agreement.

Subsequently, on November 21, 2008 the Company announced that it had entered into a letter of intent (the "LOI") with Black Sea Oil & Gas Ltd. ("Black Sea"), a private Alberta Corporation to negotiate a definitive agreement related to a proposed acquisition pursuant to which Red Mile would acquire all the issued and outstanding securities of Black Sea. On February 12, 2009 the Company announced the termination of the letter of intent.

Red Mile is of the opinion that it has adequate funds to pursue other Qualifying Transaction opportunities. As a result, Red Mile has resumed its process of identifying and evaluating businesses and assets with a view to completing a potential Qualifying Transaction.

### Forward Looking Statements

Certain information included in this discussion may constitute forward-looking statements. Forward-looking statements are based on current expectations and entail various risks and uncertainties. These risks and uncertainties could cause or contribute to actual results that are materially different than those expressed or implied. The Company disclaims any obligation or intention to update or revise any forward-looking statement, whether as a result of new information, future events, or otherwise.

### Selected Interim Financial Information

A summary of selected interim financial information is as follows:

	For the three month period ended							
	June 30, 2007	Sept. 30, 2007	Dec. 31, 2007	Mar. 31, 2008	June 30, 2008	Sept. 30, 2008	Dec. 31, 2008	Mar.31,2009
Cash	\$204,400	\$191,577	\$867,274	\$852,666	\$821,182	\$790,887	\$796,628	\$770,279
Net income (loss)	(\$8,197)	(\$1,978)	(\$96,188)	(\$16,657)	(\$30,049)	(\$31,209)	(\$15,947)	(\$4,343)
Net loss per share (basic and diluted)	\$0.01	\$0.01	\$0.03	\$0.01	\$0.01	\$0.01	\$0.01	\$0.01
Total Assets	\$220,000	\$213,523	\$870,268	\$853,610	\$823,561	\$792,353	\$799,447	\$773,470

### Results of Operations

During the period ended March 31, 2009 the Company recorded a net loss of \$4,343 and \$9,922 for general and administrative expenses compared to a net loss of \$16,647 and \$18,586 for general and administrative expenses for the same period in 2008. Administrative expenses were lower during the current quarter due to reduced accounting and travel expenses.

During the period ended March 31, 2008, the Company reported no revenues other than \$5,579 in interest earned. Due to the fact that the Company has not commenced principal operations, historical revenue and expenditure trends are not indicative of future activity. In the future, the Company will continue to incur significant expenses relating to due diligence, negotiations of the terms of the transaction and preparation of legal agreements, required to document and complete a Qualifying Transaction.

### Financial Condition / Capital Resources

Since inception, the Company's capital resources have been limited to amounts raised from the sale of common shares in the Company. From inception to March 31, 2008, the Company has raised \$1,020,000 gross proceeds from the sale of its common shares. As at March 31, 2008, the Company had working capital of \$770,349. At the current rate of expenditure, the Company has sufficient working capital to meet its ongoing administrative costs.

The Company does not have any operations. Working capital will be utilized to enable the Company to identify and evaluate businesses or assets with a view to complete a Qualifying Transaction.

However, if the Company identifies a target business, asset or property as its Qualifying Transaction, it is probable that the Company will have to seek additional financing. To date the Company has relied entirely upon the sale of common shares to provide working capital to fund the administration of the Company.

There can be no assurance that the Company will be able to identify a suitable Qualifying Transaction.

## **Income Taxes**

The Company currently has no active business and therefore any tax liability is limited to taxes on income received from cash on deposit. In the future, upon completion of a Qualifying Transaction, the Company anticipates that this tax position will change. For the period ended March 31, 2008 expenses exceeded interest income, resulting in a loss for tax purposes.

## **Risks and Uncertainties**

The Company is a Capital Pool Company under the policies of the TSXV. If the Company fails to complete a Qualifying Transaction within twenty four (24) months of listing, the TSXV could suspend or delist the common shares of the Company. The Alberta Securities Commission or the British Columbia Securities Commission may issue an interim cease trade order against the Company's securities if the common shares of the Company are suspended from trading on the TSXV, and will issue such an interim cease trade order if the Company is delisted from the TSXV. In addition, delisting from the TSXV may result in the cancellation of all of the currently issued and outstanding securities of the Company held by insiders. As the Company has not commenced principal operations, historical revenue and expenditure trends are not indicative of future activity. In the future, the Company will continue to incur expenses relating to due diligence, negotiations of the terms of a Qualifying Transaction and preparation of legal agreements required to document and complete the transaction.

## **Transactions with Related Parties**

During the period ended March 31, 2008 the Company paid or accrued accounting fees of \$2,000 to a partnership of which Robert Matheson, CFO and Director of the Company, is a minority partner.

## **Escrowed Shares**

The initial 2,200,000 common shares issued on incorporation and all common shares that may be acquired from treasury of the Company by non arm's length parties of the Company prior to completion of a Qualifying Transaction have been deposited with Computershare Investor Services Inc. under the Escrow Agreement dated June 30, 2007.

## **Recent Accounting Pronouncements**

In 2008, the CICA issued Handbook Section 3064, "Goodwill and Intangible Assets", which replaces Section 3062, "Goodwill and Intangible Assets", and Section 3450, "Research and Development Costs". Section 3064 establishes standards for the recognition, measurement and disclosure of goodwill and intangible assets. This new standard is effective for the Company's interim and annual consolidated financial statements commencing January 1, 2009. The Company does not expect that the adoption of this standard will have a material impact on its financial statements.

In January 2006, the CICA Accounting Standards Board ("AcSB") adopted a strategic plan for the direction of accounting standards in Canada. As part of that plan, accounting standards in Canada for public companies will converge with International Financial Reporting Standards ("IFRS"). On February 13, 2008 the AcSB confirmed that the standards will become effective for all publicly accountable enterprises in interim and financial statements for fiscal years beginning on or after January 1, 2011. The Company continues to monitor and assess the impact of convergence of Canadian generally accepted accounting principles and IFRS.

In January 2009, the CICA issued Section 1582, Business Combinations, which replaces former guidance on business combinations. Section 1582 establishes principles and requirements of the acquisition method for business combination and related disclosures. The Section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 2011 with early adoption permitted. The Corporation is currently evaluating the impact of this standard on the financial statements.

In January 2009, the CICA issued Section 1601, Consolidated Financial Statements, and 1602, Non-controlling interests, which replaces existing guidance. Section 1602 provides guidance on accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. These standards are effective on or after the beginning of the first annual reporting period on

or after January 2011 with earlier adoption permitted. The Corporation is currently evaluating the impact of this standard on the financial statements.

In June 2007, the Accounting Standards Board issued CICA Handbook Section 1400, "General Standards of Financial Statement Presentation", which provides revised guidance on management's responsibility to assess and disclose the Company's ability to continue as a going concern. This standard is effective for the Company's interim and annual financial statements for fiscal years beginning on or after November 1, 2008. The Company does not expect that the adoption of this standard will have a material impact on its financial statements.

## Additional Disclosure for Venture Issuers Without Significant Revenue

Expenses	For the period ended	
	March 31, 2008	March 31, 2007
Accounting fees	\$ 2,135	\$ 9,828
Interest and bank charges	88	79
Filing fees	6,055	4,343
Meals and entertainment	352	-
Office	158	-
Telephone	834	764
Travel	300	3,572
	<u>9,922</u>	<u>18,586</u>
Loss From Operations	(9,922)	(18,586)
Interest income	<u>5,579</u>	<u>1,929</u>
Net Loss & Comprehensive Loss	(4,343)	(16,657)

## Disclosure of Outstanding Share Data (as at May 29, 2009)

### Authorized and Issued Share Capital

Class	Par Value	Authorized	Issued
Common	Nil	Unlimited	6,200,000
Preferred	Nil	Unlimited	Nil

## Description of Options, Warrants and Convertible Securities Outstanding

<b>Security Type</b>	<b>Number</b>	<b>Exercise Price</b>	<b>Expiry Date</b>
Options	620,000	\$0.20	November 6, 2012
Warrants	400,000	\$0.20	November 12, 2009

### Additional Information

Additional information relating to the Company can also be found on SEDAR at [www.sedar.com](http://www.sedar.com)