

Form 51-102F1

ANNUAL MANAGEMENT DISCUSSION AND ANALYSIS

FOR

NEXT GEN METALS INC. (Formerly CB Resources Ltd.)

NEXT GEN METALS INC. (Formerly CB Resources Ltd.)
Management's Discussion and Analysis of Financial Results
For the year ended March 31, 2010
Containing information up to and including July 21, 2010

This management discussion and analysis ("MD&A") includes a review of activities, results of operations, financial condition and outlook for Next Gen Metals Inc. and its subsidiary (the "Company" or "Next Gen") for the year ended March 31, 2010, with comparisons to the year ended March 31, 2009. This MD&A is presented as of July 21, 2010 and should be read in conjunction with the Company's audited annual consolidated financial statements for the years ended March 31, 2010 and 2009 and the related notes thereto. Next Gen's audited consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). All monetary amounts are in Canadian dollars unless otherwise stated. Additional information on the Company is available on SEDAR at www.sedar.com and on the Company's website at www.nextgenmetalsinc.com.

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.

CURRENT MARKET CONDITIONS

As a result of the global economic crisis, there was a serious shortage of available capital and significant exploration risk to the resource industry, but this market situation has improved greatly.

DESCRIPTION OF BUSINESS

The Company, a British Columbia company, is a reporting issuer in British Columbia and Ontario and is listed on the Canadian National Stock Exchange ("CNSX") under the trading symbol "N".

Next Gen operates in one business segment consisting of the acquisition, exploration for and development of mineral resource properties in North America. The Company holds the Fate Claims in Québec, Canada and, through its wholly-owned Nevada subsidiary, Next Gen USA, Inc., has acquired the right to earn a 100% interest in the Silver Chalice Property in Alaska, USA.

OVERVIEW, SIGNIFICANT EVENTS, TRANSACTION AND ACTIVITIES

During the year ended March 31, 2010, the Company consolidated its capital effective August 20, 2009 on the basis of 7.5 old shares to one new share. In conjunction with the consolidation, the Company changed its name from CB Resources Ltd. to Next Gen Metals Inc. on August 14, 2009. Effective August 18, 2009 the Company's common shares commenced trading under its new name and new symbol "N" on the CNSX.

Effective August 19, 2009 Spiros Cacos and Linda Holmes joined the Board of Directors of the Company. Directors Dieter Peter, Andrew Von Kursnell and Rafael Pinedo did not stand for re-election at the annual meeting ("AGM") held September 23, 2009. The shareholders elected incumbents Paul Reinhart, Spiros Cacos and Linda Holmes and new directors, Harry Barr and Kevin Lawrence and ratified the Company's Stock Option Plan dated April 28, 2005.

Subsequent to the AGM, director Mr. Barr was appointed Chairman, President & Chief Executive Officer, director Linda Holmes was appointed Corporate Secretary and Gordon Steblin was appointed Chief Financial Officer.

This new management team set about a revitalization of the Company by seeking out a property of merit and raising funds for its acquisition and for general administrative purposes. In November, Next Gen

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completed a non-brokered private placement for gross proceeds of \$304,900, which funds enabled the Company to acquire the Silver Chalice Property effective December 8, 2009.

On December 15, 2009, the Next Gen announced that it had acquired from Pacific North West Capital Corp. ("PFN"), (a company with two directors in common with the Company), 83 staked claims (the "Fate Claims") on strike with the Alto Ventures/PFN *Destiny Gold Joint Venture* approximately 75 kilometres north of the Val d'Or Malartic gold camp in Québec.

On December 30, 2009, the Company completed a second private placement of flow-through units for gross cash proceeds of \$105,000 and \$36,000 from non-flow-through units.

In January 2010, AGORACOM Investor Relations Corp. was retained to provide online investor relations services, which provides management with the ability to communicate with all investors simultaneously in real-time.

Subsequent to the year ended March 31, 2010, the Company consolidated its capital effective June 30, 2010 on the basis of 2 old shares to 1 new share.

On July 19, 2010, the Company announced a non-brokered private placement of up to 3,333,334 units at a purchase price of \$0.15 per unit for gross proceed of up to \$500,000. Each unit will consist of one common share in the capital of the Company and one-half of one non-transferable share purchase warrant. Each whole share purchase warrant entitles the holder to purchase one common share of the Company for a period of eighteen months from the date of closing at a per share price of \$0.25.

PROPERTIES

Silver Chalice Property

On December 7, 2009, the Company announced that it had entered into an agreement (the "Acquisition Agreement") with Anglo Alaska Gold Corp. ("AAG"), a privately owned Alaska corporation, to acquire a 100% interest in the Silver Chalice epithermal gold/silver project ("Silver Chalice Property"), consisting of 31 State of Alaska mining claims for 4,960 acres. The Silver Chalice Property is located in west-central Alaska approximately 345 miles northwest of Anchorage and 330 miles west southwest of Fairbanks.

Under the terms of the Acquisition Agreement:

- The Company paid US\$5,000 to AAG.
- The Company issued 500,000 of its common shares to AAG.
- The Company issued warrants to purchase up to 150,000 of its common shares to AAG, exercisable at Cdn\$0.64 until December 9, 2011.
- The Company will pay US\$20,000 to AAG on the first anniversary of the Acquisition Agreement.
- The Company will pay US\$25,000 on the second anniversary of the Acquisition Agreement.
- The Company must expend \$24,800 by December 31st, 2009 (spent) and \$12,400 in exploration and development on the Silver Chalice Property on December 31, 2010 and each succeeding year the Agreement is in effect.
- 100,000 of its common shares are to be issued to AAG if the Company transfers the Silver Chalice Property to a third party.
- The Company may re-purchase 1% of a 1.5% net smelter return royalty from AAG for a cash payment of US\$1.0 million.

The Tertiary volcanic caldera which hosts the Silver Chalice Property represents an excellent exploration target with potential to host significant epithermal gold and silver mineralization. Stream sediment samples anomalous in gold and indicator minerals and pan concentrate samples with anomalous gold

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and mercury strongly support the gold and silver potential of the caldera and adjacent areas. There has been no past lode mining on the project and there are no other active mining claims in the project area.

Geology

The Silver Chalice Property occurs immediately east of the eastern margin of the Poison Creek Caldera in west-central Alaska. Gold-silver bearing polyphase quartz veins are associated with northeast structures that radiate from the caldera margin. The epithermal gold-silver veins are hosted within a zone of outer propylitic alteration and an inner zone of weak to moderate argillic alteration. Weak silicification is also noted in the country rocks adjacent to the veins. Country rocks consist of Cretaceous flysch units including lithic sandstone, siltstone and shale.

The Poison Creek caldera consists of bimodal Eocene to Paleocene volcanic units that range from andesite to rhyolite in composition. The epithermal veins at the project appear to be intimately associated with this volcanic activity. Rock chip samples from surface rubble-crops and boulder trains return values up to 10 grams of gold per tonne and 462 grams of silver per tonne. Average silver:gold ratio is approximately 40:1. The main Silver Chalice vein is up to 25 feet (7.6 metres) in true width in two historic drill holes and the south vein is 27 feet (8.2 metres) true width in one historic drill-hole. Fluid inclusion analysis suggest that if the hydrothermal fluids contained significant amounts of gold and silver, it is likely that gold-silver mineralization precipitated at boiling levels somewhere in the epithermal system. There remains potential for ore-grade gold and silver mineralization at depth below the two veins drilled, in the broader altered areas, and in the covered areas along strike of the veins.

2010 Exploration Program

Exploration expenditures of \$135,491 have been incurred on the Silver Chalice property during the year ended March 31, 2010. They consist of assaying of \$3,523, geological and field expenses of \$12,293, engineering and consulting of \$8,362, wages of \$88,268 and transportation of \$23,045.

Based on preliminary field, laboratory and literature studies completed to date, the Company is planning an extensive 2010 exploration program consisting of follow-up mapping, trenching, rock/soil sampling and geochemical work to identify targets for a proposed 2,000 metre diamond drill program.

Fate Claims

On December 15, 2009, the Company announced that it had acquired from Pacific North West Capital Corp. ("PFN"), (a company with two directors in common with the Company), 83 staked claims (the "Fate Claims") on strike with Alto Ventures/PFN's Destiny Gold Joint Venture approximately 75 kilometres (km) north of the Val d'Or Malartic gold camp in Québec.

Due to the knowledge PFN and its management had gained in this area of Québec and the fact that PFN had acquired additional claims that met and exceeded its original objectives and budgets for this region, Management of PFN and the Company completed a Finder's Fee agreement over the Fate Claims whereby the Company issued to PFN 100,000 common shares and granted PFN a 1.5% Net Smelter Royalty on the Fate Project. The Company has the right to purchase 0.5% of the royalty for \$500,000 leaving PFN with 1%.

Geology

The Fate Claims are located in the Abitibi Greenstone Belt of Northwest Québec, one of the most famous gold and base metals regions in the world.

The Fate Claims cover approximately 8 km of the western extension of this stratigraphy, which is host to the Destiny Gold Project where Alto Ventures/PFN conducted an aggressive winter drill program. This stratigraphy and potential mineralization extends approximately 20 km along the major Chicobi

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Deformation Fault Zone. The Chicobi Deformation Fault Zone parallels the prolific Cadillac Larder (Val d'Or Malartic, Bousquet, Kirkland Lake gold camps) and DestorPorcupine (Timmins, Holloway, Duparquet gold camps) Deformation Zones to the south as well as the Casa Berardi (Aurizon, Joutel gold areas) Deformation Zone to the North. Approximately 30 km northeast of the Destiny project, Maudore Minerals is working on expanding their Comtois gold resource (On November 23, 2009, Maudore Minerals Limited announced a 70,000 metre ("m") drill program to expand the current inferred mineral resource on its 100% owned Comtois high-grade gold project. The current Inferred Mineral Resource (RPA, 2002) at Comtois stands at 524,000 ounces of gold [808,000 tonnes at 20.2 grams per tonne gold (uncut)] or at 249,400 ounces of gold [808,000 tonnes at 9.6 grams per tonne gold (cut at 30 grams per tonne gold)].

The Company is planning an extensive 2010 exploration program consisting of follow-up mapping, trenching, rock/soil sampling and geochemical work to identify targets for a proposed 2,000 metre diamond drill program on the Fate Claims.

SELECTED ANNUAL INFORMATION

	For the year ended March 31,		
	2010	2009	2008
	\$	\$	\$
Total revenues	-	-	-
General and administrative	173,582	122,761	161,607
Income (loss) for the year	(123,971)	(31,377)	(161,194)
Income (loss) per share – basic	(0.03)	(0.02)	(0.09)
Total assets	720,772	77,999	36,529
Total long –term liabilities	89,385	114,800	30,000
Shareholder's equity	460,885	(85,444)	(3,312)
Cash dividends declared - per share	-	-	-

SELECTED QUARTERLY INFORMATION (UNAUDITED)

Summary of quarterly results	Mar 31, 2010	Dec 31, 2009	Sep 30, 2009	Jun 30, 2009	Mar 31, 2009	Dec 31, 2008	Sep 30, 2008	Jun 30, 2008
	\$	\$	\$	\$	\$	\$	\$	\$
Total assets	720,772	768,808	37,342	62,160	77,999	80,699	39,529	36,820
Resource property and deferred costs	392,608	328,913	Nil	Nil	Nil	Nil	Nil	Nil
Working capital (deficiency)	191,276	225,148	(54,060)	8,305	17,192	65,988	5,947	(22,874)
Shareholders' equity (deficiency)	460,885	439,216	(161,502)	(113,344)	(85,444)	(80,707)	(73,226)	(44,830)
Revenues	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Net profit (loss)	(41,962)	(8,841)	(45,674)	(27,494)	82,134	(13,122)	(52,826)	(47,563)
Net profit (loss) and comprehensive income (loss)	(39,962)	(2,841)	(49,674)	(29,417)	1,911	(13,122)	(52,826)	(47,563)
Profit (loss) per share	(0.00)	(0.00)	(0.02)	(0.01)	(0.00)	(0.01)	(0.03)	(0.02)

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RESULTS OF OPERATIONS

Comprehensive loss for the year ended March 31, 2010 was \$121,894 as compared to \$111,600 for the same period in 2009. Being at the exploration stage, the Company did not generate any revenue from operations. The increase in loss of \$10,294 was mainly attributable to:

1. an increase of \$12,860 in accounting and audit fees, from \$14,540 in 2009 to \$27,400 in 2010 due to increased activity in the Company;
2. an increase of \$27,777 in consulting fees from \$17,500 in 2009 to \$45,277 in 2010 due to increased activity associated with the financing in the third quarter ;
3. a decrease of \$5,063 in administration and management fees due to the new management invoicing under consulting fees instead of administration;
4. an increase of \$7,916 in transfer agent and filing fees, from \$10,723 in 2009 to \$18,639 in 2010. This was mainly due to increased usage of services required to effect the increased share issuances from the consolidation of share capital and the private placement during the period;
5. a decrease of \$11,276, from \$14,468 in 2009 to \$3,192 in 2010 in the total non-cash fair value of stock based compensation resulting from prior stock options that vested using the Black-Scholes Option Pricing Model;
6. the loss for 2010 has been reduced by \$31,500 which is the tax benefit associated with the renunciation of \$105,000 in flow-through shares. Even though the full amount of \$31,500 has been recorded as a future income tax recovery, the Company will probably never realize this benefit;
7. an unrealized gain of \$2,077 in the value of 1M shares of Chancery Resources Inc. as the market value increased from \$9,923 to \$12,000;
8. during the prior year, there was a \$90,146 gain on settlement of mineral property and a \$80,223 loss on the value of investments.

FOURTH QUARTER RESULTS

The fourth quarter ended March 31, 2010 resulted in a comprehensive loss of \$39,962 which was greater than the gain of \$1,911 incurred in the comparative quarter ended March 31, 2009. Most of the increase can be attributed to an overall increase in costs as the Company became more active.

LIQUIDITY

At March 31, 2010 the Company had working capital amounting to \$191,276 and available cash of \$297,118. Included in the cash are flow-through funds of \$105,000 that must be spent before December 31, 2010 on qualified Canadian mineral exploration. During the year ended March 31, 2010, operating activities have been principally funded through the issuance of 12,666,000 shares for gross proceeds of \$444,900.

On November 9, 2009, the Company completed a non-brokered private placement of 12,196,000 common shares at a purchase price of \$0.025 per common share for gross proceeds of \$304,900.

On December 30, 2009, the Company issued 350,000 flow-through units of the Company at \$0.30 per common share for gross cash proceeds of \$105,000. Each unit consists of one flow-through common share of the Company and one-half of one share purchase warrant to purchase one additional non-flow-through share of the Company at \$0.90 until December 31, 2010.

On December 30, 2009, the Company issued 120,000 non-flow-through units of the Company at \$0.30 per common share for gross cash proceeds of \$36,000. Each unit consists of one common share of the Company and one-half of one share purchase warrant to purchase one additional share of the Company at \$0.90 until December 31, 2010.

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The proceeds from these private placements were used for the acquisition of a mineral project of merit in North America (Silver Chalice Property), exploration expenditures in Canada, payment of debt and general working capital.

Net increase in cash received during the year ended March 31, 2010 amounted to \$241,286 (2009 - \$38,287).

The Company has historically relied upon equity financings and loans from directors to satisfy its capital requirements and will continue to depend heavily upon equity capital to finance its activities. There can be no assurance the Company will be able to obtain the required financing in the future on acceptable terms.

The Company has limited financial resources, no source of operating income and no assurance that additional funding will be available to it for future projects, although the Company has been successful in the past in financing its activities through the sale of equity securities. The ability of the Company to arrange additional financing in the future will depend, in part, on the prevailing capital market conditions and its exploration success. Any quoted market for the common shares may be subject to market trends generally, notwithstanding any potential success of the Company in creating revenue, cash flows or earnings.

CAPITAL RESOURCES

At March 31, 2010, the Shareholders' equity of \$460,885 (March 31, 2009: deficit \$85,444) consisted of share capital of \$2,298,891 (March 31, 2009: \$1,700,491), contributed surplus of \$313,043 (March 31, 2009: \$243,220), deficit of \$2,072,903 (March 31, 2009: \$1,948,932) and accumulated other comprehensive loss of \$78,146 (March 31, 2009: \$ 80,223).

RELATED PARTY TRANSACTIONS

- a) During the year ended March 31, 2010, the Company paid or accrued to Merfin Management Ltd. ("Merfin"), a company with former common directors, interest of \$8,200 (2009: \$4,800 on the loans. The total loans and accumulated interest outstanding at March 31, 2010 amounted to \$123,000 (March 31, 2009: \$114,800).
- b) As at March 31, 2010, the Company owed \$45,545 (March 31, 2009 - \$47,603) to Merfin, Krypt-LogX Network Corp., Nass Valley Gateway Ltd., and Mineral Hill Industries Ltd. ("Mineral Hill"), companies with former common management and directors. Subsequent to year end, \$30,559 of this amount was paid. The amounts owing are unsecured, non-interest bearing, and due on demand.
- c) For the year ended March 31, 2010, the Company incurred \$17,886 (2009 - \$20,728) in administrative fees to Mineral Hill, a company with former common directors.
- d) For the year ended March 31, 2010, the Company incurred \$12,500 (2009 - \$17,500) in management fees payable to Merfin, a company with former common directors.
- e) For the year ended March 31, 2010, the Company incurred \$Nil (2009 - \$5,040) in IT-related charges to Krypt-LogX Network Corp., a company with former common directors.
- f) For the year ended March 31, 2010, the Company incurred \$19,422 (2009 - \$Nil) in consulting fees to the corporate secretary and director.
- g) For the year ended March 31, 2010, the Company incurred \$15,000 (2009 - \$Nil) in accounting fees payable to a company controlled by the chief financial officer.
- h) For the year ended March 31, 2010, the Company incurred \$7,500 (2009 - \$Nil) in management fees payable to a company controlled by the chief executive officer and director.
- i) For the year ended March 31, 2010, the Company incurred \$3,000 (2009 - \$Nil) in rent payable to a company with common directors.

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- j) For the year ended March 31, 2010, the Company incurred \$30,000 (2009 - \$Nil) in finders fees to a company with common directors

The above transactions were recorded at exchange amounts agreed between the parties, which management asserts approximate fair values.

Apart from the loans contracted from Merfin, all other amounts outstanding do not carry any interest and do not have specified due dates.

Directors and officers

Harry Barr	Director, Chairman, President and CEO
Linda Holmes	Director and Corporate Secretary
Spiros Cacos	Director
Kevin Lawrence	Director
Paul Reinhart	Director
Gordon Steblin	Chief Financial Officer

ADDITIONAL DISCLOSURE FOR VENTURE ISSUERS WITHOUT SIGNIFICANT REVENUE

Additional disclosure concerning the Company's general and administrative expenses and resource property costs is provided in the Company's Statement of Operations and Deficit included in its Financial Statements for the years ended March 31, 2010 and 2009, and which are available on SEDAR at www.sedar.com.

OUTSTANDING SHARE DATA AS AT JULY 21, 2010

	Number issued and outstanding	Exercise Price	Expiry Date
Common shares	8,818,585		
Common shares issuable on exercise:			
Stock Options	3,600	\$0.75	December 17, 2010
Stock options	934	\$0.97	July 30, 2011
Warrants	117,500	\$0.90	December 30, 2010
Warrants	150,000	\$0.64	December 9, 2011

Private Placements

On November 9, 2009, a non-brokered private placement of 12,196,000 common shares at a purchase price of \$0.025 per common share closed for gross proceeds of \$304,900. Harry Barr, President, CEO and a director of the Company took down, directly and beneficially, 5,280,000 common shares in the private placement, representing 32.6% of the Company's then-issued and outstanding shares.

On December 30, 2009, the first tranche of a non-brokered private placement of up to 470,000 flow-through and non-flow-through units at \$0.30 per unit closed for gross proceeds of \$141,000. The first tranche consisted of 350,000 flow-through units and 120,000 non-flow-through units. Each unit consists of one flow-through or non-flow-through common share and one-half of one non-flow-through share purchase warrant. Each whole warrant entitles the holder thereof to purchase one additional non-flow-through common share for \$0.90 per share until December 30, 2011. All common shares are subject to a hold period ending May 1, 2010.

No further Units were sold and on February 19, 2010, the Company announced the private placement closed.

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On May 19, 2010, the Company entered into an agreement with Merfin Management Ltd. to settle the \$50,000 loan plus accrued interest of \$5,907 by issuing 372,713 common shares.

On June 30, 2010, the Company consolidated its capital on the basis of 2 old common shares for 1 new common share.

On July 19, 2010, the Company announced a non-brokered private placement of up to 3,333,334 units at a purchase price of \$0.15 per unit for gross proceed of up to \$500,000. Each unit will consist of one common share in the capital of the Company and one-half of one non-transferable share purchase warrant. Each whole share purchase warrant entitles the holder to purchase one common share of the Company for a period of eighteen months from the date of closing at a per share price of \$0.25.

INVESTOR RELATIONS

On January 11, 2010, Next Gen retained the services of AGORACOM Investor Relations to provide online investor relations services, a Web 2.0 social network for current shareholders and Tier-1 awareness through the world's biggest websites for the purpose of attracting new shareholders.

A customized and monitored 'IR HUB' for the Company is available on AGORACOM at <http://agoracom.com/ir/nextgenmetals>. The IR HUB allows Next Gen to communicate with all investors simultaneously, anytime and in near real-time. This HUB provides management with the ability to extend communications beyond text via audio messages, video presentations, webcasts and podcasts. In addition to traditional e-mail, investors will also have the ability to receive all communications via RSS feed.

Total investor relations cost \$23,584 for the year ended March 31, 2010, an increase of \$17,814 from \$5,770 in 2009. Most of this cost pertained to AGORACOM.

RISKS AND UNCERTAINTIES

The Company's principal activity is mineral exploration, with the intent to further develop projects with sufficient financing. Companies in this industry are subject to many and varied kinds of risks, including but not limited to, environmental, fluctuating metal prices, politics and economics. Additionally, few exploration projects successfully achieve development due to factors that cannot be predicted or foreseen. While risk management cannot eliminate the impact of all potential risks, the Company strives to manage such risks to the extent possible and practicable.

The following are some of the key risks and uncertainties identified; however, there may be other risks and uncertainties that have not been listed:

- The high degree of volatility in the prices of metal and other resource commodities;
- The demand of commodities can be dependent on global consumption;
- An increasing competition to acquire resource properties throughout the world;
- No assurance about the economic viability, it is speculative;
- Geology is a field subject to different interpretations that could affect the success of any exploration and development program;
- Exploration and access to the property can be restricted by unexpected and unusual weather conditions such as floods, forest fires, blockades or other natural and environmental occurrences, which are beyond the Company's control;
- Additional costs can be incurred such as availability of experts, work force and equipments;
- Additional expenditures will be required to establish resources or reserves on mineral properties, if any resources or reserves exist on the properties;

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- The rights to the resource properties must be maintained in accordance with various regulations and agreements;
- There are various government and environmental regulations that must be followed by the Company, which are changing constantly.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the Financial Statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates used in the preparation of these consolidated financial statements include, amongst other things, depreciation, determination of net recoverable value of assets, determination of fair value on taxes, and share compensation. These estimates are reviewed periodically (at least annually), and, as adjustments become necessary, they are reported in earnings in the period in which they become known.

A detailed summary of all of the Company's significant accounting policies is included in note 2 to the consolidated financial statements for the year ended March 31, 2010.

CHANGES IN ACCOUNTING POLICIES

Financial Instruments

In 2009, the Company adopted the amendments made by the CICA to Handbook Section 3862 – Financial Instruments – Disclosures to include additional disclosure requirements about fair value measurements of financial instruments and to enhance liquidity risk disclosure requirements for publicly accountable enterprises.

RECENT ACCOUNTING PRONOUNCEMENTS NOT YET ADOPTED

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 earlier adoption permitted. It is unlikely that this Standard will have any impact on the Company's consolidated 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. It is unlikely that this Standard will have any impact on the Company's financial statements.

The Canadian Institute of Chartered Accountants ("CICA") issued accounting standard Section 3064 – "Goodwill and Intangible Assets" which replaces Section 3062 – "Goodwill and Other Intangible Assets", Section 3450 – "Research and Development" and EIC27 – "Revenues and Expenditures During the Pre-operating Period". The new standard provides guidance on the recognition, measurement, presentation and disclosure of goodwill and intangible assets. This standard is effective for interim and annual financial

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statements for fiscal years beginning on or after October 1, 2008 and is not expected to have any impact on the Company's financial statements.

INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS")

In January 2006, the Canadian Accounting Standards Board adopted a strategic plan, which includes the decision to move financial reporting for Canadian publicly accountable enterprises to a single set of globally accepted standards, IFRS, as issued by the International Accounting Standards Board. The effective implementation date of the conversion from Canadian generally accepted accounting principles ("Canadian GAAP") to IFRS is 1 January 2011, with an effective transition date of 1 January 2010 for financial statements prepared on a comparative basis. The Company is engaged in an assessment and conversion process and expects to be ready for the conversion to IFRS in advance of 1 January 2011.

The Company's approach to the conversion to IFRS includes three phases.

Phase one, an initial general diagnostic of its accounting policies and Canadian GAAP relevant to its financial reporting requirements to determine the key differences and options with respect to acceptable accounting standards under IFRS. This phase was completed in late 2009.

Phase two, an in-depth analysis of the IFRS impact in those areas identified under phase one. This phase commenced in 2010. A summary of this analysis is provided in Table 1 below.

Phase three, the implementation of the conversion process, including the completion of the opening balance sheet as at 1 January 2010 together with related discussion and notes, will be carried out in the second half of 2010.

At this point, the Company's IT accounting and financial reporting systems are not expected to be significantly impacted. Further, the Company has in place internal and disclosure control procedures to ensure continued effectiveness during this transition period.

The above comments, including the summary in Table 1, should not be considered as a complete and final list of the changes that will result from the transition to IFRS as the Company intends to maintain a current and proactive approach based on changes in circumstances and no final determinations have been made. In addition, the accounting bodies responsible for issuing Canadian and IFRS accounting standards have significant ongoing projects that could impact the Company's financial statements as at 1 January 2011 and in subsequent years, including projects regarding financial instruments and joint venture accounting. In addition, there is an extractive industries project currently underway that will lead to more definitive guidance on the accounting for exploration and evaluation expenditures, although this is still in the discussion paper stage and may not be completed for some time. The Company is continuing to monitor the development of these projects and will assess their impact in the course of its transition process to IFRS.

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Table 1. Summary of financial statements impact on transition from Canadian GAAP to IFRS.

Key Area	Canadian GAAP (as currently applied)	IFRS	Analysis and preliminary conclusions
Property, plant and equipment ("PP&E")	<p>PP&E is recorded at historical cost.</p> <p>Depreciation is based on their useful lives after due estimation of their residual values.</p>	<p>PP&E can be recorded using the cost (on transition to IFRS, the then fair value can be deemed to be the cost) or revaluation models.</p> <p>Depreciation must be based on the useful lives of each significant component within PP&E.</p>	<p>PP&E will likely continue to be recorded at their historical costs due to the complexity and resources required to determine fair values on an annual basis.</p> <p>Based on an analysis of PP&E and its significant components, the Company has determined that no change to their useful lives is warranted and, therefore, depreciation expense will continue to be calculated using the same rates under IFRS.</p>
Asset retirement obligations ("ARO")	<p>Canadian GAAP limits the definition of ARO to legal obligations.</p> <p>ARO is calculated using a current credit-adjusted, risk-free rate for upward adjustments, and the original credit-adjusted, risk-free rate for downward revisions. The original liability is not adjusted for changes in current discount rates.</p>	<p>IFRS defines ARO as legal or constructive obligations.</p> <p>ARO is calculated using a current pre-tax discount rate (which reflects current market assessment of the time value of money and the risk specific to the liability) and is revised every reporting period to reflect changes in assumptions or discount rates.</p> <p>IFRS requires that, on transition, the net book value of the asset related to ARO be adjusted on the basis of the ARO balance existing at inception.</p>	<p>The broadening of this definition is unlikely to cause a significant change in the Company's current estimates.</p> <p>The Company is in the final stages of quantifying the impact of this change on the ARO provision.</p> <p>The Company expects to rely on the IFRS 1 exemption which allows a company to use current estimates of future reclamation costs and current amortization rates to determine the net book value on transition to IFRS.</p>

NEXT GEN METALS INC. (Formerly CB Resources Ltd.)
Management's Discussion and Analysis of Financial Results
For the year ended March 31, 2010
Containing information up to and including July 21, 2010

Key Area	Canadian GAAP (as currently applied)	IFRS	Analysis and preliminary conclusions
Impairment of long lived assets	<p>Impairment tests of its long-term assets are considered annually based on indications of impairment.</p> <p>Impairment tests are generally done on the basis of undiscounted future cash flows.</p> <p>Write-downs to net realizable values under an impairment test are permanent changes in the carrying value of assets.</p>	<p>Impairment tests of "cash generating units" are considered annually in the presence of indications of impairment.</p> <p>Impairment tests are generally carried out using the discounted future cash flows.</p> <p>Write downs to net realizable values under an impairment test can be reversed if the conditions of impairment cease to exist.</p>	<p>Assets will continue to be grouped under the Company's various mining operations.</p> <p>Impairment tests using discounted values could generate a greater likelihood of write downs in the future.</p> <p>Potential significant volatility in earnings could arise as a result of the difference in the treatment of write-downs.</p>
Stock-based compensation	<p>Stock-based compensation is determined using fair value models (e.g. Black-Scholes) for equity-settled awards and the intrinsic model for cash-settled awards.</p> <p>The Company recognizes stock-based compensation on straight line method and updates the value of the options for forfeitures as they occur.</p>	<p>Stock-based compensation is determined using fair value models for all awards. However, upon settlement, cash-settled awards are adjusted to the value actually realized (intrinsic model).</p> <p>Under IFRS, stock-based compensation is amortized under the graded method only. In addition, the Company is required to update its value of options for each reporting period for expected forfeitures.</p>	<p>The utilization of fair value models for cash-settled awards will change the estimate of the related liability while the awards remain outstanding and create greater volatility in earnings until the awards are settled.</p> <p>The Company expects to record an IFRS income statement and balance sheet adjustment at 1 April 2010.</p>

NEXT GEN METALS INC. (Formerly CB Resources Ltd.)
Management's Discussion and Analysis of Financial Results
For the year ended March 31, 2010
Containing information up to and including July 21, 2010

Key Area	Canadian GAAP (as currently applied)	IFRS	Analysis and preliminary conclusions
Income taxes	<p>There is no exemption from recognizing a deferred income tax for the initial recognition of an asset or liability in a transaction that is not a business combination. The carrying amount of the asset or liability acquired is adjusted for the amount of the deferred income tax recognized.</p> <p>All deferred income tax assets are recognized to the extent that it is "more likely than not" that the deferred income tax assets will be realized.</p>	<p>A deferred income tax is not recognized if it arises from the initial recognition of an asset or liability in a transaction that is not a business combination, and at the time of the transaction affects neither accounting profit nor taxable profit.</p> <p>A deferred tax asset is recognized if it is "probable" that it will be realized.</p>	<p>The Company does not expect the difference in recognition of deferred income tax to have any significant change in the future.</p> <p>"Probable" in this context is not defined and does not necessarily mean "more likely than not". The Company is in the final stages of quantifying the impact of this difference.</p>

The above assessment and conclusions are based on the analysis completed by the Company as of the date of this report and may be subject to change between now and 1 January 2011.

OUTLOOK

The Company is planning an extensive 2010 exploration program consisting of follow-up mapping, trenching, rock/soil sampling and geochemical work to identify targets for a proposed 2,000 metre diamond drill program on the Fate Claims located in Quebec.

Based on preliminary field, laboratory and literature studies completed to date, the Company is planning an extensive 2010 exploration program consisting of follow-up mapping, trenching, rock/soil sampling and geochemical work to identify targets for a proposed 2,000 metre diamond drill program on the Silver Chalice Alaskan property.

On July 19, 2010, the Company announced a non-brokered private placement of up to 3,333,334 units at a purchase price of \$0.15 per unit for gross proceed of up to \$500,000. Each unit will consist of one common share in the capital of the Company and one-half of one non-transferable share purchase warrant. Each whole share purchase warrant entitles the holder to purchase one common share of the Company for a period of eighteen months from the date of closing at a per share price of \$0.25.

The proceeds from the private placement received from the sale of the units will be used for the exploration of the Company's projects and for general working capital.

APPROVAL

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

The accompanying consolidated financial statements of the Company have been prepared by management in accordance with Canadian GAAP, and contain estimates based on management's judgment. Management maintains an appropriate system of internal control to provide reasonable assurance that transactions are authorized, assets safeguarded, and proper records maintained.

NEXT GEN METALS INC. (Formerly CB Resources Ltd.)
Management's Discussion and Analysis of Financial Results
For the year ended March 31, 2010
Containing information up to and including July 21, 2010

The Audit Committee of the Board of Directors has met with the Company's auditors to review the scope and results of the annual audit and to review the consolidated financial statements and related financial reporting matters prior to submitting the consolidated financial statements to the Board for approval.

The Company's auditors, Manning Elliott LLP, Chartered Accountants, are appointed by the shareholders to conduct an audit in accordance with Canadian generally accepted auditing standards, and their report follows.

"Harry Barr"

Harry Barr
Chief Executive Officer and Director

"Gordon Steblin"

Gordon Steblin
Chief Financial Officer

NEXT GEN METALS INC.

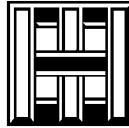
NEXT GEN METALS INC.

(formerly CB Resources Ltd.)

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED

MARCH 31, 2010 AND 2009



MANNING ELLIOTT
CHARTERED ACCOUNTANTS

11th floor, 1050 West Pender Street, Vancouver, BC, Canada V6E 3S7

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AUDITORS' REPORT

To the Shareholders of
Next Gen Metals Inc. (formerly CB Resources Ltd.)

We have audited the consolidated balance sheets of Next Gen Metals Inc. (formerly CB Resources Ltd.) as at March 31, 2010 and 2009, and the consolidated statements of operations and deficit, comprehensive loss and accumulated other comprehensive loss, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2010 and 2009, and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Manning Elliott LLP

Chartered Accountants

Vancouver, British Columbia

July 21, 2010

NEXT GEN METALS INC. (formerly CB Resources Ltd.)

(An exploration stage company)

CONSOLIDATED BALANCE SHEETS**FOR THE YEARS ENDED MARCH 31, 2010 AND 2009**

	2010 \$	2009 \$
ASSETS		
Current assets		
Cash	297,118	55,832
Short-term investment (Note 3(b))	12,000	9,923
Amounts receivable	1,045	80
Prepaid expenses	18,000	-
	328,163	65,835
Term deposit	-	5,000
Investment (Note 3(a))	1	1
Property and equipment (Note 4)	-	7,163
Mineral property costs (Note 5)	392,608	-
	720,772	77,999
<hr/>		
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT)		
Current liabilities		
Accounts payable and accrued liabilities	83,553	1,040
Due to related parties (Notes 7(a) and (b))	53,334	47,603
Loan payable to related party (Note 6(a))	33,615	-
	170,502	48,643
Loans payable to related party (Note 6(b)(c))	89,385	114,800
	259,887	163,443
<hr/>		
SHAREHOLDERS' EQUITY (DEFICIT)		
Share capital (Note 9)	2,298,891	1,700,491
Contributed surplus (Note 10)	313,043	243,220
Accumulated other comprehensive loss	(78,146)	(80,223)
Deficit	(2,072,903)	(1,948,932)
	(2,151,049)	(2,029,155)
	460,885	(85,444)
	720,772	77,999

Nature of operations and continuance of business (Note 1)
Contingencies (Note 1)
Commitment (Note 9)

Approved on behalf of the board:

/s/ "Harry Barr"

Harry Barr, CEO, Director

/s/ "Kevin Lawrence"

Kevin Lawrence, Director

The accompanying notes are an integral part of these financial statements

NEXT GEN METALS INC. (formerly CB Resources Ltd.)*(An exploration stage company)***CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT**
FOR THE YEARS ENDED MARCH 31, 2010 AND 2009

	2010	2009
	\$	\$
Revenue	-	-
Expenses		
Accounting and audit fees (Note 7(g))	27,400	14,540
Administration and management fees (Notes 7(b)(c)(d))	24,935	29,998
Amortization	1,433	1,791
Bank charges and interest (Note 6(d))	8,832	5,176
Consulting (Note 7(f))	45,277	17,500
Insurance	10,076	15,130
Investor relations	23,584	5,770
Legal and professional fees	8,653	6,959
Stock based compensation (Note 12)	3,192	14,468
Transfer agent and filing fees	18,639	10,723
Travel and promotion	1,561	706
	(173,582)	(122,761)
Other income (expense)		
Interest	-	238
Gain on settlement of interest in mineral property (Note 3(b))	-	90,146
Gain on recovery of accounts payable	18,928	-
Capital loss on disposal of assets	(5,729)	-
Foreign exchange gain	4,912	-
Other income	-	1,000
Loss before income taxes	(155,471)	(31,377)
Future income tax recovery (Note 8)	31,500	-
Net loss for the year	(123,971)	(31,377)
Deficit, beginning of the year	(1,948,932)	(1,917,555)
Deficit, end of the year	(2,072,903)	(1,948,932)
Loss per share, basic and diluted	(0.03)	(0.02)
Weighted average number of shares outstanding, basic and diluted (Note 15 (e))	4,522,036	1,994,710

The accompanying notes are an integral part of these financial statements

NEXT GEN METALS INC. *(formerly CB Resources Ltd.)*

(An exploration stage company)

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS AND ACCUMULATED OTHER
COMPREHENSIVE LOSS****FOR THE YEARS ENDED MARCH 31, 2010 AND 2009**

	2010	2009
	\$	\$
Net loss for the year	(123,971)	(31,377)
Unrealized gain (loss) on available for sale investments	2,077	(80,223)
Comprehensive loss for the year	(121,894)	(111,600)
Accumulated other comprehensive loss, beginning of year	(80,223)	-
Recognition of unrealized investment gain (loss)	2,077	(80,223)
Accumulated other comprehensive loss, end of year	(78,146)	(80,223)

NEXT GEN METALS INC. (formerly CB Resources Ltd.)*(An exploration stage company)***CONSOLIDATED STATEMENTS OF CASH FLOWS**
FOR THE YEARS ENDED MARCH 31, 2010 AND 2009

	2010	2009
	\$	\$
Cash flows from operating activities		
Net loss for the year	(123,971)	(31,377)
Items not affecting cash:		
Amortization	1,433	1,791
Gain on settlement of interest in mineral property	-	(90,146)
Gain on recovery of accounts payable	(18,928)	-
Loss on disposal of assets	5,729	-
Stock based compensation expense	3,192	14,468
Future income tax recovery	(31,500)	-
Changes in non-cash working capital items:		
Decrease (increase) in amounts receivable	(965)	2,949
(Increase) in prepaid expenses	(18,000)	-
Decrease in term deposit	5,000	-
Decrease in security deposit	-	2,000
Increase in accounts payable and accrued liabilities	26,386	43,602
Increase in amounts payable to related parties	5,731	-
Cash used in operating activities	(145,893)	(56,713)
Cash flows from financing activities		
Proceeds from issuance of shares	444,900	15,000
Proceeds from loans advanced by related parties	-	80,000
Cash generated from financing activities	444,900	95,000
Cash flows from investing activities		
Mineral property acquisition costs	(5,486)	-
Mineral property deferred exploration costs	(52,235)	-
Cash used in investing activities	(57,721)	-
Increase in cash and cash equivalents	241,286	38,287
Cash, beginning of the year	55,832	17,545
Cash, end of the year	297,118	55,832
Supplemental disclosure of non-cash investing and financing activities		
Exploration expenditures included in accounts payable	(83,256)	-
Shares & warrants issued for mineral properties	(251,631)	-

During the year ended March 31, 2009, the Company acquired and disposed of investments not involving cash as described in Note 3(b).

NEXT GEN METALS INC. (formerly *CB Resources Ltd.*)

(An exploration stage company)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2010 AND 2009**

1. Nature of operations and continuance of business

Next Gen Metals Inc. ("the Company") was incorporated on March 3, 2005 under the British Columbia *Business Corporations Act* under the name "Copper Belt Resources Ltd.". The Company changed its name to CB Resources Ltd. effective August 8, 2008 and changed its name to Next Gen Metals Inc. effective August 14, 2009. The Company is a reporting issuer in British Columbia and Ontario and is listed on the CNSX under the symbol "N" and co-listed on the "open market" of the Frankfurt (Germany) Stock Exchange and trading under the Symbol "M5B".

The Company is an exploration stage company engaged in the acquisition, exploration and development of mineral resource properties in North America.

In September 2009, a new slate of directors was elected and, effective November 2009, the Company entered into an option agreement to acquire the right to a 100% interest in the Silver Chalice property in Alaska and in December 2009 the Company acquired, by staking, the Fate property in Quebec (Note 5). The Company wrote off all costs related to the mineral properties it held prior to September 2009.

The Company's ability to continue operations is dependent upon successfully raising the necessary financing to complete future exploration and development, and achieving future profitable production or selling its mineral properties for proceeds in excess of carrying amounts. These pursuits may be delayed given the current challenges faced by exploration stage companies seeking to raise exploration funds through the issuance of shares.

Based on the above factors, there is substantial doubt about the Company's ability to continue as a going concern. These consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, and accordingly, do not purport to give effect to adjustments which may be required should the Company be unable to achieve its objectives above as a going concern. The net realizable value of the Company's assets may be materially less than the amounts recorded in these consolidated financial statements should the Company be unable to realize its assets and discharge its liabilities in the normal course of business. The Company had the following working capital and deficit positions at year end:

	2010	2009
Working Capital	\$ 157,661	\$ 17,192
Deficit	\$ (2,072,903)	\$ (1,948,932)

2. Significant accounting policies*(a) Basis of presentation*

The consolidated financial statements of the Company are prepared in accordance with Canadian generally accepted accounting principles and are presented in Canadian dollars. These consolidated financial statements include the accounts of the Company's wholly owned subsidiary, Next Gen USA Inc. The subsidiary is a US corporation which is involved in mineral property exploration. Inter-company balances are eliminated upon consolidation. The Company's fiscal year end is March 31. Except as specifically indicated, these financial statements are presented in Canadian dollars.

(b) Use of estimates

The preparation of the consolidated financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2010 AND 2009**

2. Significant accounting policies (continued)

(b) *Use of estimates* (continued)

Significant items subject to estimates include valuation of stock-based compensation, amortization of property and equipment, impairment of investments, and valuation allowances for future income tax assets.

(c) *Financial instruments*

Under Section 3855, financial instruments must be classified into one of these five categories: held-for-trading, held-to-maturity investments, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments, including derivatives, are measured in the balance sheet at fair value except for loans and receivables, held-to maturity investments and other financial liabilities, which are measured at amortized cost. Subsequent measurement and changes in fair value will depend on their initial classification, as follows: held-for-trading financial assets are measured at fair value and changes in fair value are recognized in net income; available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income until the instrument is derecognized or impaired, at which time the amounts would be recorded in net income.

The Company designates its cash as held-for-trading and short-term investments and investments as available-for-sale, which are measured at fair value. Amounts receivable are classified as loans and receivables, which are measured at amortized cost. Accounts payable, amounts due to related parties and loans from related parties are classified as other financial liabilities. Loans payable are classified as held to maturity. During the year, the Company recorded an unrealized investment gain of \$2,077 (2009: Unrealized loss of \$80,223) bringing its closing balance for accumulated other comprehensive loss as at March 31, 2010 to \$78,146 (2009:\$80,223).

(d) *Cash and cash equivalents*

The Company considers all highly liquid investments with a maturity of three months or less at the time of issuance to be cash equivalents. The Company places its cash and cash equivalent investments with institutions of high credit worthiness.

(e) *Long-lived assets*

The recoverability of long-lived assets, which includes the mineral properties and deferred exploration costs, is assessed when an event occurs, indicating an impairment. Recoverability is based on factors such as future asset utilization and the future undiscounted cash flows expected to result from the use or sale of the related assets. An impairment loss is recognized in the period when it is determined that the carrying amount of the asset will not be recoverable. At that time the carrying amount is written down to fair value.

(f) *Exploration and development costs*

All costs related to the acquisition, exploration and development of mineral properties are capitalized. Upon commencement of commercial production, the related accumulated costs are amortized against projected income using the units of production method over estimated recoverable ore reserves. Management periodically assesses carrying values of non-producing properties and if management determines that the carrying values cannot be recovered or the carrying values are related to properties that are allowed to lapse, the unrecoverable amounts are expensed in the period that this determination is made.

The recoverability of exploration and development costs is dependent on the existence of economically recoverable ore reserves and the ability to obtain the necessary financing to complete the development of such ore reserves and the success of future operations. The Company has not yet determined whether or not any of its future mineral properties contain

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2010 AND 2009**

2. Significant accounting policies (continued)

(f) *Exploration and development costs (continued)*

economically recoverable reserves. Amounts capitalized as exploration and development costs do not necessarily reflect present or future values.

(g) *Property and equipment*

Property and equipment is carried at cost less amortization. Amortization is calculated using the declining balance method at an annual rate of 20%. One-half year amortization is provided in the year of acquisition.

(h) *Earnings or loss per share*

Basic earnings or loss per share is computed using the weighted average number of common shares outstanding during the period. The treasury stock method is used for the calculation of diluted loss per share. Stock options and warrants are potentially dilutive when the average market price of the common shares during the period exceeds the exercise price of the options and warrants.

On August 20, 2009, the Company consolidated its share capital on a one new share for every 7.5 old shares. On June 30, 2010, the Company consolidated its share capital on a one new share for every two old shares. All common shares, per share amounts, options and warrants have been restated to give retroactive effect to this share consolidation.

(i) *Foreign currency translation*

The reporting and functional currency of the Corporation and its subsidiary is the Canadian Dollar. Foreign currency translations entered into directly by the Corporation or its integrated subsidiary is translated using the temporal method. Under this method, monetary assets and liabilities are translated at year-end exchange rates and other balance sheet items are translated at historical exchange rates. Income statement items are translated at the rate in effect at the time of the translation. Translation gains and losses are included in income.

(j) *Asset retirement obligations*

The Company recognizes asset retirement obligations for all legal liabilities for obligations relating to retirement of property, plant and equipment, arising from the acquisition, construction, development, or the normal course of operations of those assets. Asset retirement costs are recognized at fair value in the period in which they are incurred, when a reasonable estimate of fair value can be made. Asset retirement obligations are accreted to the carrying value of the related asset, and amortized together with the asset. Asset retirement obligations are reduced as the restoration work is performed. As at March 31, 2010, the Company did not incur any asset retirement obligation costs.

(k) *Commitments and contingencies*

Liabilities for loss contingencies are recorded when it is probable that a liability has been incurred and the amount of the assessment or remediation can be reasonably estimated. When a reasonable estimation cannot be made, qualitative disclosure is provided in the notes to the consolidated financial statements. Contingent revenues, earnings or assets are not recognized until their realization is virtually assured.

(l) *Short-term investments*

Short-term investments consist of highly liquid short-term interest bearing securities with a term to maturity of greater than three months on the date of purchase. Short-term investments are classified as available for sale and are recorded at their fair values with changes in fair value recorded in other comprehensive income until the instrument is derecognized or impaired, at which time the amounts would be recorded in net income.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2010 AND 2009**

2. Significant accounting policies (continued)

(m) Flow-through shares

The Company has adopted EIC-146, which is effective for all flow-through share transactions initiated after March 19, 2004. Canadian tax legislation permits a company to issue securities referred to as flow-through shares whereby the Company assigns the tax deductions arising from the related resource expenditures to the shareholders. When resource expenditures are renounced to the investors and the Company has reasonable assurance that the expenditures will be completed, a future income tax liability is recognized and the share capital is reduced. If the Company has sufficient unused tax losses carried forward or other unrecognized future income tax assets to offset all or part of current year's future income tax liability, and no future income tax assets have been previously recognized for these items, a portion of such unrecognized future income tax assets is recorded as income up to the amount of the future income tax liability that would otherwise be recognized.

(n) Stock-based compensation

The Company follows the recommendation of CICA Handbook Section 3870, "Stock-based Compensation and Other Stock-based Payments". Under this method, compensation expense for stock option grants to employees and non-employees is based on the fair value of the stock options issued which is determined using the Black-Scholes Option-Pricing Model. Compensation expense for stock options granted to non-employees is recognized as the options are earned and the services are provided. Compensation expense for stock options granted to employees is amortized over the vesting period. Consideration paid by employees and non-employees on the exercise of stock options is recorded as share capital.

(o) Income taxes

The Company follows the asset and liability method of accounting for income taxes. Future income tax assets and liabilities are determined based on temporary differences between the accounting and tax basis of existing assets and liabilities, and are measured using the tax rates expected to apply when these differences reverse. A valuation allowance is recorded against any future income tax asset if it is more likely than not that the asset will not be realized.

(p) Property investigation and administrative expenses

Property investigation expenses are the costs of investigating prospective property acquisitions; administrative expenses are the costs required to maintain the Company and allow it to carry on its activities. Both of these expenses include salary and wages, travel, consulting, accounting and legal fees, office rent and utilities, among others, and are included in the statement of loss and deficit.

(q) Changes in accounting policies

In 2009, the Company adopted the amendments made by the CICA to Handbook Section 3862 – *Financial Instruments – Disclosures* to include additional disclosure requirements about fair value measurements of financial instruments and to enhance liquidity risk disclosure requirements for publicly accountable enterprises. The disclosure required by the new standard is included in Note 13.

(r) Recent accounting pronouncements not yet adopted

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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2010 AND 2009**

2. Significant accounting policies (continued)

(r) Recent accounting pronouncements not yet adopted (continued)

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 earlier adoption permitted. It is unlikely that this Standard will have any impact on the Company's consolidated 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. It is unlikely that this Standard will have any impact on the Company's financial statements.

The Canadian Institute of Chartered Accountants ("CICA") issued accounting standard Section 3064 – "Goodwill and Intangible Assets" which replaces Section 3062 – "Goodwill and Other Intangible Assets", Section 3450 – "Research and Development" and EIC27 – "Revenues and Expenditures During the Pre-operating Period". The new standard provides guidance on the recognition, measurement, presentation and disclosure of goodwill and intangible assets. This standard is effective for interim and annual financial statements for fiscal years beginning on or after October 1, 2008 and is not expected to have any impact on the Company's financial statements.

In February 2008, the Canadian Accounting Standards Board confirmed that International Financial Reporting Standards ("IFRS") will replace Canadian GAAP for all public companies for interim and annual financial statements for fiscal years beginning on or after January 1, 2011. The standard also requires that comparative figures for 2010 be based on IFRS. As at March 31, 2010, the Company is in the process of completing "Phase 1 – Preliminary study" which is to analyze the existing financial reporting and identify the key impact areas of IFRS.

In August 2009, Section 3251 Equity was issued in response to issuing Section 1602 Non-controlling Interests. The amendments require non-controlling interests to be recognized as a separate component of equity. The amendments apply only to entities that have adopted Section 1602. The adoption of this section is not expected to have a material impact on the financial statements.

In August 2009, Section 1625 Comprehensive Revaluation of Assets and Liabilities was issued for consistency with new Section 1582 Business Combinations. The amendments apply prospectively to comprehensive revaluations of assets and liabilities occurring in fiscal years beginning on or after January 1, 2011. The adoption of this section is not expected to have a material impact on the financial statements

(s) Comparative figures

Comparative figures have been reclassified, where applicable, to conform to the current year's presentation.

3. Investments

- (a) During the year ended March 31, 2008, the Company received 3,000,000 common shares of Midland Exploration Corporation ("Midland"), a private company, as settlement for the Company's 30% interest in the Ketchan Property on August 14, 2007. At March 31, 2010, the investment was recorded at \$1 (2009: \$1) to reflect the fair value of the mineral property consideration relinquished by the Company in exchange for the investment in Midland at the time of the transaction.

NEXT GEN METALS INC. (formerly CB Resources Ltd.)

(An exploration stage company)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2010 AND 2009**

3. Investments (continued)

(b) On November 6, 2008, the Company received 1,000,000 Common shares in Chancery Resources Inc, an OTCBB listed company, in consideration for the disposal of a 100% interest in several claims within the Nicola Volcanic Belt, around the Douglas Lake region of British

Columbia, which the Company had staked in October 2008. The Common Shares are restricted and have a hold period of six months from the date of issue. The Company estimated the fair value of the consideration received to be \$90,146 at the time of the transaction, based on a discount to the trading price of the shares pursuant to the terms of the agreement. The trading price of the shares was US\$0.24 and the discount related to the six month hold period was estimated by equating it to the cost to the Company to acquire a six month put option for the Chancery shares. The cost of the put option was calculated using the Black-Scholes put option pricing model with the following assumptions: risk-free interest of 2.0%; expected dividend yield of \$Nil; expected stock price volatility of 287%; expected option life of 0.5 years and an exercise price of \$0.24, yielding a put option value of US\$0.16.

At March 31, 2010, the trading price of the shares closed at US\$0.012 (2009: US\$0.01) per share and an unrealized gain of \$2,077 (2009: unrealized loss \$80,223) was incurred on the investment. The fair value of the investment is summarized as:

		March 31 2010	March 31 2009
Fair value at beginning of year	\$	9,923	-
Fair value of investment at issuance		-	90,146
Unrealized (loss) gain		2,077	(80,223)
Fair value of investment at end of year	\$	12,000	9,923

4. Property and equipment

	March 31, 2010				March 31, 2009		
	Cost	Accumulated Amortization	Disposals	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Furniture and equipment	\$ 1,722	\$ 1,088	\$ 634	\$ -	\$ 1,722	\$ 929	\$ 793
Leasehold improvements	13,095	8,000	5,095	-	13,095	6,725	6,370
	\$ 14,817	\$ 9,088	\$ 5,729	\$ -	\$ 14,817	\$ 7,654	\$ 7,163

NEXT GEN METALS INC. (formerly CB Resources Ltd.)*(An exploration stage company)***NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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5. Mineral property costs

	2010	2009
Silver Chalice property, Alaska, USA		
Acquisition costs		
Cash – option payments	\$ 5,486	\$ -
Shares/warrants – option payments	221,631	-
	227,117	
Deferred exploration expenditures		
Assaying	3,523	-
Geological and field expenses	12,293	-
Engineering and consulting	8,362	-
Wages	88,268	-
Transportation	23,045	-
	135,491	-
Total	362,608	-
Fate property, Quebec, Canada		
Acquisition costs		
Shares – finders fee	30,000	-
Total	30,000	-
Balance – end of the Year	\$ 392,608	\$ -

(a) Silver Chalice property, Alaska, USA

By agreement dated November 5, 2009, the Company acquired an option to earn a 100% interest in certain mineral claims located in west-central Alaska, known as the Silver Chalice Property.

In order to earn a 100% interest in the property, the Company, at its option, must issue shares and warrants, make payments and incur exploration expenditures as follows:

		Payments	Shares	Warrants	Exploration Expenditures
On regulatory approval	(paid/issued)	US\$5,000	500,000	300,000	-
On or before December 31, 2009	(completed)	-	-	-	US\$24,800
On or before December 31, 2010*	(completed)	-	-	-	US\$12,400
On or before November 5, 2010*		US\$20,000	-	-	US\$12,400
On or before November 5, 2011*		US\$25,000	-	-	US\$12,400
		US\$50,000	500,000	300,000	

The property is subject to a 1.5% NSR and the Company has the right to purchase 1.0% of the NSR for US\$1,000,000.

* Exploration expenditures of US\$12,400 are required on or before December 31 of each succeeding year the agreement is in effect. Excess work completed during the current calendar year shall be applicable to work commitments in any subsequent calendar year.

The Company has the right to option all or part of the Property to a third party, subject to the issuance of 100,000 shares of the Company.

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5. Mineral property costs (continued)**(b) Fate property, Quebec, Canada**

On December 15, 2009, the Company acquired certain mineral claims known as the Fate Gold/Base Metals Project, in Québec, Canada. The Company issued Pacific North West Capital Corporation, a Company with common directors, 100,000 shares as a finder's fee and a 1.5% net smelter return royalty ("NSR"). The Company has the right to purchase 0.5% of the NSR for \$500,000.

6. Loans payable to related parties

- (a) On March 20, 2008, the Company entered into a loan agreement with Merfin Management Ltd, a company with common directors at the time of the transaction, for proceeds of \$30,000. Under the terms of the agreement, the amount is unsecured, bears interest at 6% per annum commencing on the first day of the month subsequent to the month of the advance and is due on March 20, 2011. Subsequent to year end, this loan and its related accrued interest was paid in full (Note 15(a)).
- (b) On August 30, 2008, the Company entered into a loan agreement with Merfin Management Ltd. at the time of the transaction, for proceeds of \$30,000. Under the terms of agreement, the amount is unsecured, bears interest at 8% per annum commencing on the first day of the month subsequent to the month of the advance, and is due on August 30, 2011. Subsequent to year end, this loan and its related accrued interest was paid in full (Note 15(b)).
- (c) On September 25, 2008, the Company entered into a loan agreement with Merfin Management Ltd. at the time of the transaction, for proceeds of \$50,000. Under the terms of the agreement, the amount is unsecured, bears interest at 8% per annum commencing on the first day of the month subsequent to the month of the advance and is due on September 25, 2011. Subsequent to year end, this loan and its related accrued interest was settled in full (Note 15(c)).

During the year ended March 31, 2010, the Company paid or accrued to Merfin Management Ltd. interest of \$8,200 (2009: \$4,800) on the loans. The total loans and accumulated interest outstanding at March 31, 2010 amounted to \$123,000 (2009: \$114,800).

7. Related party transactions

- (a) As at March 31, 2010, the Company owed \$45,545 (2009 - \$47,603) to Merfin Management Ltd., Krypt-LogX Network Corp., Nass Valley Gateway Ltd., and Mineral Hill Industries Ltd., companies with former common management and directors. Subsequent to year end, \$30,559 of this amount was paid. The amounts owing are unsecured, non-interest bearing, and are due on demand.
- (b) For the year ended March 31, 2010, the Company incurred \$7,500 (2009 - \$Nil) in management fees payable to Canadian Gravity Recovery Inc. a company controlled by the chief executive officer who is also a director. As at March 31, 2010, \$7,500 is included in due to related parties. This amount owing is unsecured, non-interest bearing, and is due on demand.
- (c) For the year ended March 31, 2010, the Company incurred \$17,886 (2009 - \$20,728) in administrative fees to Mineral Hill Industries Ltd., a company with former common directors.
- (d) For the year ended March 31, 2010, the Company incurred \$12,500 (2009 - \$17,500) in management fees payable to Merfin Management Ltd., a company with former common directors.
- (e) For the year ended March 31, 2010, the Company incurred \$Nil (2009 - \$5,040) in IT related charges to Krypt-LogX Corp., a company with former common directors.
- (f) For the year ended March 31, 2010, the Company incurred \$19,422 (2009 - \$Nil) in consulting fees to the corporate secretary and director.
- (g) For the year ended March 31, 2010, the Company incurred \$15,000 (2009 - \$Nil) in accounting fees payable to a company controlled by the chief financial officer.

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7. Related party transactions (continued)

- (h) For the year ended March 31, 2010, the Company incurred \$3,000 (2009 - \$Nil) in rent payable to a company with common directors.
- (i) For the year ended March 31, 2010, the Company incurred \$30,000 (2009- \$Nil) in finders fees to a company with common directors.

The above transactions were recorded at exchange amounts, which are the amounts agreed upon between the parties.

8. Future income taxes

In assessing future income tax assets, management considers whether it is more likely than not that some portion or all of the future income tax assets will be realized. The ultimate realization of future tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of future income tax liabilities, projected future taxable income, and tax planning strategies in making this assessment and providing a valuation allowance.

	2010	2009
Canadian statutory income tax rate	29.6%	31.5%
	\$	\$
Income tax recovery at statutory rate	46,066	9,876
Effect of income taxes of:		
Permanent differences	(946)	23,818
Renunciation of flow through shares	31,500	-
Change in tax rates	(13,456)	(21,576)
Valuation allowance	(31,664)	(12,118)
Income taxes recoverable	31,500	-

The nature and effect of the Company's future income tax assets is as follows:

	2010	2009
	\$	\$
Income tax rate	25%	25%
Non-capital losses carried forward	209,420	182,637
Mineral cost pools in excess of capitalized costs	180,320	206,570
Equipment and leasehold improvements	3,704	1,173
Deferred financing costs	-	2,512
	393,444	392,892
Less: Valuation allowance	(393,444)	(392,892)
Net future tax asset	-	-

As at March 31, 2010, the Company had non-capital losses of approximately \$837,000 to carry forward to reduce future years' taxable income, expiring as follows:

2026	184,000
2027	244,000
2028	165,000
2029	70,000
2030	174,000
	\$ 837,000

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9. Share capital**(a) Common shares**

The Company is authorized to issue an unlimited number of common shares without par value. Transactions since March 31, 2008 were as follows:

	Number of shares	\$
Balance March 31, 2008	3,971,646	1,685,291
Exercise of warrants	26,667	15,200
Balance March 31, 2009	3,998,313	1,700,491
Private placement	12,666,000	444,900
Share issued for mineral properties	600,000	185,000
Flow through share renunciation	-	(31,500)
	17,264,313	2,298,891
Retroactive adjustment for share consolidation on June 21, 2010 (Note 15(e))	(8,632,157)	-
Balance March 31, 2010	8,632,156	2,298,891

On August 20, 2009 the Company consolidated its capital on the basis of 7.5 common shares to 1 common share. All common shares and per share amounts have been restated to give retroactive effect to the share consolidation.

On November 9, 2009, the Company issued 12,196,000 common shares of the Company at \$0.025 per common share for gross proceeds of \$304,900.

On December 8, 2009, the Company issued 500,000 common shares of the Company, valued at \$155,000, as acquisition costs for the Silver Chalice property. (Note 5 (a))

On December 31, 2009, the Company issued 100,000 common shares of the Company valued at \$30,000 as acquisition costs for the Fate property (Note 5 (b)).

On December 30, 2009, the Company issued 350,000 flow-through units of the Company at \$0.30 per unit for gross cash proceeds of \$105,000. Each unit consists of one flow-through common share of the Company and one-half of one share purchase warrant to purchase one additional non-flow-through share of the Company at \$0.90 until December 30, 2010. No value was assigned to the warrants on the basis that it has no intrinsic value. Under the flow-through commitment, the Company is required to spend \$105,000 on eligible Canadian exploration expenses by December 31, 2010.

On December 30, 2009, the Company issued 120,000 non-flow-through units of the Company at \$0.30 per unit for gross cash proceeds of \$36,000. Each unit consists of one common share of the Company and one-half of one share purchase warrant to purchase one additional share of the Company at \$0.90 until December 30, 2010. No value was assigned to the warrants on the basis that it has no intrinsic value.

Subsequent to year end, the Company consolidated its capital on the basis of 2 old common shares for 1 new common share. As the consolidation took place prior to the audit report date the per share amounts have been restated to give retroactive effect to the share consolidation (Note 15(e)).

(b) Stock options

The Company has established a stock option plan for directors, employees, and consultants. Under the Company's stock option plan, the exercise price of each option is determined by the Board, subject to the Discounted Market Price policies of the TSX Venture Exchange.

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9. Share capital (continued)**(b) Stock options (continued)**

The aggregate number of shares issuable pursuant to options granted under the plan is limited to 10% of the Company's issued shares at the time the options are granted. The aggregate number of options granted to any one optionee in a 12 month period is limited to 5% of the issued shares of the Company.

On July 30, 2008, the Company granted 29,173 incentive stock options to employees and directors at an exercise price of \$0.49 per share, expiring on July 30, 2011. In the prior year, 2,653 options were forfeited. Of the remaining 26,520 options, 11,200 options vested on the grant date, 13,260 options vested on the first anniversary of the grant date and 2,060 options were to vest on the second anniversary of the grant date. On August 20, 2009 the Company consolidated its options on the basis of 7.5 to one. All options have been restated to give retroactive effect to the share consolidation. Effective September 23, 2009, all outstanding options were cancelled except for the 9,067 options set forth in the table below.

A summary of the changes in the Company's common share purchase options as at March 31, 2010 is presented below:

	2010		2009	
	Number	Weighted Average Exercise Price	Number	Weighted Average Exercise Price
Outstanding, beginning of year	137,920	\$ 0.38	134,053	\$ 0.38
Issued	-	-	29,173	0.49
Forfeited	(128,853)	0.38	-	-
Expired/cancelled	-	-	(25,306)	0.38
	9,067	0.38	137,920	0.38
Retroactive adjustment for share consolidation on June 21, 2010 (Note 15(e))	(4,533)	-	(68,960)	-
Outstanding, end of year	4,534	\$ 0.76	68,960	\$ 0.76

As at March 31, 2010, there are options outstanding and exercisable to issue 4,534 shares of the Company. Stock options outstanding at March 31, 2010 expire between December 17, 2010 and July 30, 2011 and have a weighted average contractual life remaining of 0.84 years.

The outstanding options expire as follows:

Number of options	Expiry Date
3,600	December 17, 2010
934	July 30, 2011
4,534	

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9. Share capital (continued)**(c) Share purchase warrants**

The continuity of share purchase warrants is as follows:

Expiry Date	Exercise Price \$	March 31, 2009	Issued	Exercised	Cancelled *	March 31, 2010	Retroactive adjustment for share consolidation (Note 15(e))	Post Retroactive adjustment for share consolidation (Note 15(e))
December 10, 2012	0.37	560,000	-	-	(560,000)	-	-	-
December 30, 2010	0.90	-	235,000	-	-	235,000	(117,500)	117,500
December 9, 2011	0.64	-	300,000	-	-	300,000	(150,000)	150,000
		<u>560,000</u>	<u>535,000</u>	<u>-</u>	<u>(560,000)</u>	<u>535,000</u>	<u>(267,500)</u>	<u>267,500</u>

*On August 20, 2009, the outstanding 560,000 warrants were cancelled by agreement with the warrant holders.

On December 9, 2009, 300,000 warrants having a fair value of \$66,631 were issued pursuant to the Silver Chalice property agreement (Note 5(a)).

On December 30, 2009, 235,000 warrants were issued relating to private placements (Note 8(a)).

As of March 31, 2010, 535,000 warrants were exercisable with a weighted average exercise price of \$0.38 and a weighted average remaining life of 1.28 years.

The weighted average fair value of the 300,000 warrants granted on December 9, 2009 was \$0.22 per warrant. The fair value of the warrants granted was estimated on the date of grant using the Black-Scholes option pricing model using a risk free interest rate of 1.23%, a dividend yield of 0%, expected life of 2 years, and volatility of 160%.

10. Contributed surplus

The following table summarizes the continuity of the Company's contributed surplus:

	2010		2009	
Balance, beginning of year	\$	243,220	\$	228,952
Incentive stock options granted		3,192		14,468
Issuance of warrants		66,631		(200)
Balance, end of the year	\$	<u>313,043</u>	\$	<u>243,220</u>

11. Segmented information

Details on a geographic basis of the Company's long-lived assets as at March 31, 2010 are as follows:

	USA		Canada		Total	
Property and equipment	\$	362,608	\$	358,164	\$	720,772
Mineral property costs	\$	362,608	\$	30,000	\$	392,608
Comprehensive loss for the year	\$	-	\$	(121,894)	\$	(121,894)

12. Stock-based compensation

During the year ended March 31, 2010, the Company granted nil (2009 – 29,173) stock options to directors, officers and consultants of the Company. The weighted average fair value of each option

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12. Stock-based compensation (continued)

granted was \$nil (2009 – \$0.02) calculated using the Black-Scholes option-pricing model at the date of each grant using the following weighted average assumptions:

	2010	2009
Expected option lives	–	3 years
Risk-free interest rate	–	2.8%
Expected dividend yield	–	0%
Expected stock price volatility	–	100%

For the year ended March 31, 2010, stock-based compensation of \$3,192 (2009 - \$14,468) was charged to operations.

13. Financial instruments

The Company's financial instruments consist of cash, short-term investments, amounts receivable, investment, accounts payable, due to related parties and loan payable to related parties. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments.

Fair Value

The Company classifies its fair value measurements in accordance with an established hierarchy that prioritizes the inputs in valuation techniques used to measure fair value as follows:

- 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

The following table sets forth the Company's financial assets measured at fair value on a recurring basis by level within the fair value hierarchy:

	Level 1	Level 2	Level 3	Total 2010
Cash	\$ 297,118	\$ –	\$ –	\$ 297,118
Short-term investment	12,000	–	–	12,000
Investment	–	–	1	1
	\$ 309,118	\$ –	\$ 1	\$ 309,119

Credit risk

The Company does not believe it is subject to any significant credit risk although cash is held in excess of federally insured limits, with major financial institutions.

Currency risk

The Company is exposed to currency risk by incurring certain expenditures in currencies other than the Canadian dollar. The Company does not use derivative instruments to reduce its currency risk. Assuming all other variables remain constant, a 1% change in the Canadian dollar against the US dollar would not result in a significant change to the Company's operations.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The risk that the Company will realize a loss as a result of a decline in the fair value of the short-term investments is limited.

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13. Financial instruments (continued)

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations associated with its financial liabilities. The Company has historically relied upon equity financings to satisfy its capital requirements and will continue to depend heavily upon equity capital to finance its activities. There can be no assurance the Company will be able to obtain required financing in the future on acceptable terms. The Company anticipated it will need additional capital in the future to finance ongoing exploration of its properties, such capital to be derived from the exercise of outstanding stock options, warrants and/or the completion of other equity financings. The Company has limited financial resources, has no source of operating income and has no assurance that additional funding will be available to it for future exploration and development of its projects, although the Company has been successful in the past in financing its activities through the sale of equity securities. The ability of the Company to arrange additional financing in the future will depend, in part, on the prevailing capital market conditions and exploration success. In recent years, the securities markets in Canada have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that continual fluctuations in price will not occur. Any quoted market for the common shares may be subject to market trends generally, notwithstanding any potential success of the Company in creating revenue, cash flows or earnings.

14. Management of capital risk

The Company's capital structure consists of all components of shareholders' equity. The Company's objective when managing capital is to maintain adequate levels of funding to support the development of its businesses and maintain the necessary corporate and administrative functions to facilitate these activities. This is done primarily through equity financing. Future financings are dependent on market conditions and there can be no assurance the Company will be able to raise funds in the future. The Company invests all capital that is surplus to its immediate operational needs in short-term, highly-liquid, high-grade financial instruments. There were no changes to the Company's approach to capital management during the year. The Company is not subject to externally imposed capital requirements. The Company does not currently have adequate sources of capital to complete its exploration plan and ultimately the development of its business, and will need to raise adequate capital by obtaining equity financing through private placement or debt financing. The Company may raise additional debt or equity financing in the near future to meet its current obligations.

15. Subsequent events

- (a) On April 27, 2010, the \$30,000 loan from Merfin Management Ltd. was paid in full (see Note 6(a)).
- (b) On April 27, 2010, the second \$30,000 loan from Merfin Management Ltd. was paid in full (see Note 6(b)).
- (c) On May 19, 2010, the Company entered into an agreement with Merfin Management Ltd. to settle the \$50,000 loan plus accrued interest of \$5,907 by issuing 372,713 common shares (see Note 6(c)).
- (d) Subsequent to year end, the Company is indebted to Merfin Management Ltd. in the amount of \$28,785 for management fees. Of this balance, \$13,125 was included in accounts payable as at March 31, 2010. On May 19, 2010, the Company and Merfin Management Ltd. have mutually agreed to write off \$15,750 of the balance. The remaining \$13,125 balance was paid.
- (e) On June 30, 2010, the Company consolidated its capital on the basis of 2 old common shares to 1 new common share. As the consolidation took place prior to the completion of these financial statements all common shares and per share amounts have been restated to give retroactive effect to the share consolidation.

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15. Subsequent events (continued)

- (f) On July 19, 2010, the Company announced a non-brokered private placement of up to 3,333,334 units at a purchase price of \$0.15 per unit for gross proceed of up to \$500,000. Each unit will consist of one common share in the capital of the Company and one-half of one non-transferable share purchase warrant. Each whole share purchase warrant entitles the holder to purchase one common share of the Company for a period of eighteen months from the date of closing at a per share price of \$0.25.