

FRANCONIA MINERALS CORPORATION
Management Discussion and Analysis
for the three months ended December 31, 2009

This management discussion and analysis (MD&A) of results of operations and financial condition of Franconia Minerals Corporation (an exploration stage company) (“Franconia” or “the Company”) describes the operating and financial results of the Company for the three months ended December 31, 2009 (compared with results for the three months ended December 31, 2008). The MD&A supplements, but does not form part of the financial statements of the Company and should be read in conjunction with Franconia’s unaudited consolidated financial statements and related notes for the three month period ended December 31, 2009 as well as with Franconia’s audited consolidated financial statements and related notes for the fiscal year ended September 30, 2009. The Company prepares and files its financial statements in accordance with Canadian generally accepted accounting principles.

All amounts herein are in U.S. dollars unless otherwise indicated.

Forward-looking Statements

Certain statements and information in this MD&A, including all statements that are not historical facts, contain forward-looking statements and forward-looking information within the meaning of applicable Canadian securities laws. Such forward-looking statements or information include, but are not limited to, statements or information with respect to the Company’s plans for the Birch Lake Project located in Minnesota, the future price of platinum group metals, copper, and nickel, estimation of mineral resources, exploration and development capital requirements, and our goals and strategies. Often, these statements include words such as “plans”, “expects” or “does not expect”, “is expected”, “budget”, “scheduled”, “estimates”, “forecasts”, “intends”, “anticipates” or “does not anticipate” or “believes” or variations of such words and phrases or statements that certain actions, events or results “may”, “could”, “would”, “might” or “will” be taken, occur or be achieved.

In making the forward-looking statements and providing the forward-looking information included in this MD&A, we have made numerous assumptions. These assumptions include among other things, assumptions about the price of platinum group metals, copper, and nickel, anticipated costs and expenditures, that the supply and demand for platinum group metals, copper, and nickel develop as expected, that there is no unanticipated fluctuation in interest rates and foreign exchange rates, that there is no further material deterioration in general economic conditions and that we are able to obtain the financing, as and when, required to, among other things, to increase our interest in the Birch Lake Project. Although our management believes that the assumptions made and the expectations represented by such statements or information are reasonable, there can be no assurance that the forward-looking statements will prove to be accurate. By their nature, forward-looking statements and information are based on assumptions and involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements, or industry results, to be materially different from future results, performance or achievements expressed or implied by such forward-looking information. Such risks, uncertainties and other factors include among other things the following: our lack of operating cash flow and dependence on external financing; availability of financing, as and when required to increase our interest in the Birch Lake Project and to finance our day-to-day operations and planned growth and development; any decline in the prices of platinum group metals, copper, and nickel; discrepancies between actual and estimated mineral resources; operational and development risk; the speculative nature of mineral exploration; and regulatory risks.

Date of MD&A

This MD&A was prepared as of February 12, 2010.

Overview

Franconia was incorporated on August 7, 1998 pursuant to the *Business Corporations Act* (Alberta). Commencing on November 19, 2007 the Company was listed on the Toronto Stock Exchange (“TSX”). Prior to November 19, 2007 Franconia was listed on the TSX Venture Exchange having initially been listed thereon on January 12, 2005.

The Company’s head office is 12720 East Nora Avenue; Suite I, Spokane Valley, Washington, 99216 and our principal business address is 71 South Drive, Babbitt, Minnesota, 55706. The registered and records office and address for service is 7415B 35th Ave. N.W., Calgary, Alberta, T3B 1T4 Canada.

The Company is an exploration stage company, which devotes substantially all of its efforts to exploring mineral properties. Commercial operations have not commenced. Most of the Company's efforts are related to activities such as raising capital for the purpose of acquiring and exploring mineral properties.

Birch Lake Project - Minnesota

The Company's principal project is the Birch Lake Project in Minnesota, which is an advanced-stage exploration project with indicated and inferred mineral resources. The Birch Lake Project is currently comprised of interests in approximately 6,340 hectares ("ha") (15,667 acres) of surface and mineral rights and an additional 785 ha (1,940 acres) of surface-only rights in Minnesota. The land interests comprise lands owned by the Corporation and various options and leases from private owners, the State of Minnesota and the federal government.

On June 18, 2008, the Company's earned its undivided 60% participating interest in the Birch Lake Project. The Corporation's interest in and the affairs of the Birch Lake Project joint venture are governed by the Birch Lake joint venture agreement dated June 18, 2008 among the Beaver Bay Joint Venture (a joint venture comprised of North Central Mineral Ventures, Inc., Powell Canyon Production Company and Connor Management Corporation) ("BBJV"), Lehmann Exploration Management, Inc. ("LEM") and Franconia Minerals Corporation (US) Inc., the Company's wholly owned subsidiary ("FMCUS") (the "Birch Lake JV Agreement"). The BBJV holds a 40% participating interest (consisting of a 20% carried interest and a 20% funded interest) in the joint venture. FMCUS is the operator of the Birch Lake Project.

In accordance with the terms of the Birch Lake Option Agreement dated November 12, 2002, and subsequently amended, (Birch Lake Option) the Company reached this milestone by spending \$10 million in exploration on the property, and by paying \$4 million in cash to BBJV (\$3.25 million of which was paid on June 18, 2008) and \$2.0 million in the Company's common shares to BBJV (of which 731,006 common shares were issued to BBJV on June 18, 2008 based on the previous month's average closing share price of Cdn\$1.71).

The Birch Lake JV Agreement replaces the amended Birch Lake Option.

Pursuant to the Birch Lake JV Agreement, FMCUS has an option to acquire an additional 10% participating interest in the Birch Lake Joint Venture, thereby increasing its participating interest in the joint venture to 70% by (i) incurring an additional \$10 million of expenditures at the Birch Lake Project on or before June 18, 2013; and (ii) making a cash payment of \$1 million to BBJV within 90 days after making or incurring such expenditures (the "First Option"). As at December 31, 2009, FMCUS had incurred approximately \$9.9 million in expenditures towards the exercise of the First Option. The First Option is exercisable by delivery of written notice to BBJV on or before September 30, 2013.

If FMCUS exercises the First Option, FMCUS and BBJV will hold a 70% participating interest and a 30% participating interest (consisting of a 15% carried interest and a 15% a funded interest) in the joint venture, respectively. If however, FMCUS also notifies BBJV of its intention to exercise the Second Option (as defined below), BBJV's 30% participating interest shall be a carried interest from the time of such notice until the Second Option lapses, terminates or is exercised

While FMCUS is earning the First Option, BBJV is not required to contribute to the funding of allowable expenditures under any work plan.

If FMCUS allows the First Option to lapse or terminates the First Option, FMCUS will thereafter be responsible for funding its 60% participating interest in the joint venture and in addition, those amounts required to maintain BBJV's 20% carried interest to the date of commencement of commercial production. BBJV will be responsible for paying those amounts required to maintain its 20% funded interest to the date of commencement of commercial production. FMCUS will recover amounts paid (plus interest) in respect of BBJV's 20% carried interest, from 70% of the cash flow from commercial production attributable to BBJV's 20% carried interest.

Pursuant to the Birch Lake JV Agreement, subject to exercise of the First Option, FMCUS has a further option to acquire an additional 12% participating interest in the joint venture, thereby increasing its participating interest in the joint venture to 82% by, within 180 days of exercising the First Option, notifying BBJV of its intention to fund (and thereafter actually funding), in addition to its own funding obligations, all of BBJV's funding obligations in respect of its 30% carried interest to the commencement of commercial production (the "Second Option"). FMCUS will recover amounts paid (plus interest) in respect of BBJV's 30% carried interest, from 60% of the cash flow from

commercial production attributable to BBJV's 30% carried interest. The Second Option is exercisable by delivery of written notice to BBJV within 90 days after commencement of commercial production.

Upon the exercise of the Second Option, the participating interest of FMCUS and BBJV in the joint venture would be 82% and 18%, respectively.

In the event that FMCUS notifies BBJV of its intention to exercise the Second Option, it may seek and obtain (on its own behalf and on behalf of BBJV) project financing on commercially reasonable terms acceptable to FMCUS.

If FMCUS exercises the First Option but does not notify BBJV of its intention to exercise the Second Option or if FMCUS terminates or allows the Second Option to lapse, then FMCUS will thereafter be responsible for funding its 70% participating interest in the joint venture and in addition, those amounts required to maintain BBJV's 15% carried interest to the date of commencement of commercial production. BBJV will be responsible for funding its 15% funded interest to the date of commencement of commercial production. FMCUS will recover amounts paid in respect of BBJV's 15% carried interest from 70% of the cash flow from commercial production attributable to BBJV's 15% carried interest.

After commencement of commercial production, BBJV's carried interest will cease to be funded by FMCUS and BBJV will be required to contribute its share of the costs of the joint venture in proportion to its participating interest.

The properties and property interests constituting the Birch Lake Project are held by FMCUS, and in some cases by LEM (a wholly owned subsidiary of Ernest K. Lehmann & Associates Inc. which in turn is wholly owned by Mr. Ernest K. Lehmann) and by BBJV. In the case of LEM and BBJV, the lands are held in trust for and on behalf of FMCUS as operator, pursuant to a separate trust agreement (the "Trust Agreements") and are to be transferred to FMCUS, as operator of the Birch Lake Project, upon demand and thereafter held by the FMCUS in trust for FMCUS and BBJV in proportion to their participating interests.

Ernest K. Lehmann is a director, and founding shareholder of the Company and a controlling shareholder of North Central Mineral Ventures Inc., which holds a 70% interest in the BBJV. The other participants in BBJV are Powell Canyon Production Company, as to 25%, and Connor Management Corporation, as to 5%.

During the three month period ended December 31, 2009, no further drilling was conducted by the Company. During and subsequent to the period, the Corporation has continued to maintain and consolidate its land position; advanced its environmental baseline and monitoring studies; conducted preparations for further drilling aimed at converting the currently identified resources from the inferred category to the indicated category at the Birch Lake Deposit, as well as for possible exploration drilling to extend the inferred resource; and, prepared to initiate waste characterization studies.

In November, 2009, the Corporation initiated a waste characterization study program on the Birch Lake Deposit. Waste characterization is a scientific process used to predict how natural waste materials – primarily rock – will weather when they are exposed or stockpiled during the mining process. The long term results of these studies will be used in the design and development of any future mine plan in order to minimize or eliminate potential environmental impacts created by such weathering.

Project Performance

In response to the value erosion that impacted global financial markets throughout most of 2009, the Company has exercised significant financial prudence in its decisions. In particular, steps were taken throughout the past year to conserve working capital.

During the three month period ended December 31, 2009, the Company conducted no significant exploration work around Birch Lake. However, plans were advanced in preparation for improved market conditions that would enable the Company to increase its staged development activities and the continued evaluation of data gathered through the Birch Lake drilling.

Despite negative short term market trends, the Company believes in the long term potential opportunity inherent in the base metal and platinum group metals sector. Driven by continued economic development and increased environmental awareness, demand for these metals should continue to increase, particularly in India, China and Eastern Europe over the medium to long term. Consequently, the Company expects to see a firming trend in the

prices of these metals as demand continues to outstrip supply. The Company should benefit also from the low political risk associated with the location of its Birch Lake project in Minnesota, a state with a long history of mining and a well developed mining infrastructure.

Results of Operations

Three Months ended December 31, 2009 compared to December 31, 2008

Franconia's operations in the three months to December 31, 2009 were focused on the future development on the Birch Lake Project and on its financing activities. The Company did not generate any operating revenue. The Company's net loss decreased to \$287,818 for the quarter ended December 31, 2009 from a net loss of \$311,179 for the quarter ended December 31, 2008. Acquisition and exploration costs for the quarter ended December 31, 2009 were \$721,385 compared with costs for the quarter ended December 31, 2008 of \$584,543. General administrative expenses for the quarter were \$285,195 compared with \$315,707 for the quarter ended December 31, 2008.

Contractual costs associated with the drilling at the Birch Lake Project for the latest three month period were nil, compared with costs of \$252,321 for the quarter ended December 31, 2008. Further, other income decreased to \$1,378 for the quarter ended December 31, 2009 from \$4,528 for the quarter ended December 31, 2008. Other income is made up primarily of interest income on investments held by the Company.

The Birch Lake Project is the company's only active project at December 31, 2009. No drilling was conducted during the latest quarter at Birch Lake as a large enough sample for bulk testing has already been collected. Now that sufficient metallurgical sample is in hand, it is likely that any future drilling at Birch Lake will utilize smaller diameter, more economical core drilling.

Summary of Quarterly Results

The following tables, prepared in accordance with Canadian GAAP, set out financial performance highlights for the last eight quarters: Note that I think we should put a loss of \$0.01 in the current quarter

	December 31, 2009	September 30, 2009	June 30, 2009	March 31, 2009
Operating loss for Period	\$ 289,195	\$ 240,530	227,306	\$320,790
Total loss for for Period	\$ 287,818	\$ 216,342	238,793	\$329,339
Loss per share	\$ 0.01	\$ -	\$ -	\$ 0.01
	December 31, 2008	September 30, 2008	June 30, 2008	March 31, 2008
Operating loss for Period	\$ 315,707	\$ 3,543,894	\$ 341,408	\$ 428,053
Total loss for for Period	\$ 311,179	\$ 3,527,842	\$ 254,778	\$ 277,242
Loss per share	\$ 0.01	\$ 0.06	\$ -	\$ -

Liquidity and Capital Resources

The Company has no operations that generate cash flow and its long-term financial success is dependent on management's ability to discover commercially viable quantities of ore. The exploration process can take many years and are subject to factors that are beyond the Company's control. Many factors influence the Company's ability to raise funds, including but not limited to, the strength of the mineral resource market, the exploration investment climate, and the experience and calibre of the Company's management.

The Company's capital management objective are to maximise potential investment returns to its equity stakeholders within the context of the relevant opportunities and risks associated with the Company's operating segment. The inherent nature of mineral exploration involves a high degree of "discovery" risk. Consequently there is substantial uncertainty as to whether any particular project will generate positive cash flows in the future. Therefore, management funds its exploration activity primarily by issuing share capital, rather than using other

capital sources that require fixed repayments of principal and interest. It considers both share capital and working capital as components of its capital base. The Company is not subject to any externally imposed capital requirements. The timing and extent of both program implementation and financing are determined by management's evaluation of economic factors at the time, such as commodity prices, interest rates and foreign exchange, and non-economic factors such as expected impact that completion of a given program may have on the cost of capital.

At December 31, 2009, the Company had working capital of \$445,370 (\$1,407,919 at September 30, 2009 and \$980,855 at December 31, 2008). Cash and equivalents were \$636,871 compared with \$1,586,973 at September 30, 2009 and \$1,454,328 at December 31, 2008. The Company places its cash and cash equivalents with major financial institutions. See also the Subsequent Event detailed below.

The following table represents contractual obligations for the Company at December 31, 2009:

Contractual Obligations	Total	Less than 1 year	1 – 3 years	4 – 5 years	After 5 years
Operating Leases	\$ 55,688	\$ 20,250	\$ 35,438	\$ -	\$ -

Financing Activities

On January 13, 2009, the Company received \$2,000,000 in the form of a loan and \$500,000 in the form of a non-refundable grant from the State of Minnesota, through its economic development entity, the Office of the Commissioner of Iron Range Resources and Rehabilitation (IRR). The Loan and Grant Agreement, as amended, provides for the issuance of 1 warrant for each dollar advanced through the loan and grant. Accordingly, during the period, the Company issued 2,500,000 common share purchase warrants. Each warrant entitles the State of Minnesota to acquire one common share of the Company at an exercise price of Cdn \$0.75 until January 13, 2012.

Under the terms of the Loan Agreement, as amended, interest on the \$2,000,000 loan shall accrue from the Disbursement Date (January 13, 2009) at the Prime Rate, as published in the Wall Street Journal. The Prime Rate at January 13, 2009 as published was 3.25%, and this rate was used to calculate interest accrued of \$46,301 through September 30, 2009. Interest will continue to accrue at the Prime Rate until the Amortization Date, defined by the Loan Agreement as the date of the Close of financing for commercial mining operation at the Birch Lake site, or December 31, 2011, whichever comes first. Monthly payments of interest only, at Prime plus 3%, will be required for a two-year period commencing on the Amortization Date. Regular monthly payments of principal and interest will commence after the two-year period of interest payments and will be in an amount to fully amortize the outstanding balance of the loan by December 31, 2016 (the Due Date). Monthly payments will be adjusted semi-annually to reflect any change in the effective interest rate.

The borrowings have been secured by one mineral lease held, and a promissory note given, by the Company; a security agreement on intellectual property and data associated with the Birch Lake Project, and guarantees by Franconia Minerals Corporation (US) Inc., Lehmann Exploration Management, Inc. and North Central Mineral Ventures Corp.

The 2,500,000 warrants issued to the State of Minnesota were valued at \$75,000 for financial statement purposes using an estimate provided by the Black-Scholes Model. The input variables used in the model were as follows:

Warrants #	2,500,000
Issue Date:	January 13, 2009
Expiry Date:	January 13, 2012
Stock Price:	Cdn \$0.16
Exercise Price:	Cdn \$0.75
Term:	3.00 years
Volatility (3 yrs)	87.15%
Discount Rate – Bond Equivalent Yield:	1.28%
Exchange Rate Cdn \$ to US \$	1:0.84

The loan principal has been recognized at its discounted value of \$1,587,915, which was computed at a discount rate of 10%, plus accrued interest of \$62,685 (Note 12).

The difference between the discount value and the principal amount of the loan of \$412,085 was recorded against mineral property interests since it was considered as an additional form of government assistance. The discounted loan amount is being accreted to the principal amount through monthly accretions until December 31, 2011 with an offsetting charge to mineral property interests of \$164,408 as at December 31, 2009.

Loan interest accrued to December 31, 2009 of \$62,685 and the \$75,000 fair value of the warrants have been capitalized to mineral property interests. The non-refundable grant of \$500,000 has also been recorded against mineral property interests.

See also the Subsequent Event detailed below.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Transactions with Related Parties

Consulting contracts

The Company has entered into one-year consulting contracts, automatically renewable annually, with four (2008 - four) consultants who are also shareholders or directors of the Company. Each of these agreements provide for a consulting fee of \$450 per day and reimbursement of expenses. If these agreements are terminated by the Company without cause the consultants will receive severance pay from the Company in amounts ranging from \$50,000 to \$100,000 to a maximum of \$350,000 (2008 - \$350,000) in total. In addition, the Company will cancel any previously issued share options held by the consultants that are not exercised within 30 days of termination by payment to the consultants of the amount equal to the difference between the exercise price of the options and the average closing price of the common shares on the relevant stock exchange or trading platform during the previous 30 days.

The Company had the following related party transactions:

(a) Transactions with a director and companies controlled by that director

The Company has entered into various agreements with a director and companies controlled by that director, regarding the Birch Lake properties, and consulting and administration services. This director holds certain mineral interests and leases in respect of the Birch Lake properties in trust for the Company.

Transactions between the Company and the director and companies controlled by that director were as follows:

- (i) Consulting fees charged during the quarter totaled \$33,500 (\$Nil during the quarter ended December 31, 2008). These fees have been included in deferred acquisition and exploration costs.
- (ii) Land costs reimbursed in respect of Birch Lake totaled \$15,390 (\$15,549 during the quarter ended December 31, 2008).
- (iii) Administrative costs reimbursed totaled \$31,175 (\$Nil during the quarter ended December 31, 2008).

Of the above amounts, a total of \$43,468 (\$15,549 during the quarter ended December 31, 2008).is included in accounts payable at December 31, 2009.

(b) Other transactions

- (i) Legal fees paid to a director's law firm totaled \$10,822 during the quarter (\$17,575 during the quarter ended December 31, 2009). Of these fees, \$10,822 (\$17,575 during the quarter ended September 30, 2009) are included in general administration.
- (ii) Consulting fees paid to an officer totaled \$16,950 during the quarter (\$16,950 during the quarter ended December 31, 2009).

- (iii) Monetary contribution of \$15,000 to a non-profit mining industry association, which shares a common director (\$15,000 during the quarter ended December 31, 2008).
- (iv) Consulting fees paid to the Company's president totaled \$37,500 during the quarter (\$37,500 during the quarter ended December 30, 2009). These costs have been included in general administration

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

Subsequent Event

Subsequent to the latest three month period, on January 28, 2010, the Company completed a private placement of 9,400,000 special warrants (the "Special Warrants") at a price of Cdn\$0.45 per Special Warrant for gross proceeds of Cdn\$4.23 million (the "Offering"), including the exercise of the underwriter's option. The Offering was underwritten by Wellington West Capital Markets Inc.

Each Special Warrant will be automatically exercised for one Unit (the "Units") of Franconia for no additional consideration following the receipt of a final prospectus qualifying for sale the units underlying the Special Warrants. Each Unit consists of one Common Share and one half of one Common Share purchase warrant. Each full warrant is exercisable into one common share at a price of Cdn\$0.70 for a period of 12 months from the closing date. The Company will use its best efforts to obtain a receipt for a final prospectus within 45 days of closing of the Offering. All Special Warrants not previously exercised will be automatically exercised for Units four months and one day following the closing date.

Net proceeds from the Offering will be used to advance the Birch Lake project and for general corporate purposes.

Proposed Transactions

There were no proposed transactions at December 31, 2009.

Risks and Uncertainties

The Company's operations and results are subject to a number of different risks. The Company's risk factors are discussed in detail in the Company's annual information form dated December 21, 2009 which is available on SEDAR (www.sedar.com) and should be reviewed in conjunction with this document

Critical Accounting Estimates

Franconia's business of exploring for mineral resources involves a variety of operational, financial and regulatory risks that are typical in the natural resource industry. The Company continues to develop and explore its mineral properties and has not yet determined whether these properties contain mineral resources that are economically recoverable. The recoverability of amounts shown for mineral properties is dependent upon the existence of economically recoverable reserves, securing and maintaining title and beneficial interest in the properties, the ability of the Company to obtain necessary financing to complete the development, and upon future profitable production of proceeds from disposition of the mineral properties. There are no guarantees that such conditions will be met. The amounts shown as mineral properties represent net costs to date, less amounts written off and do not necessarily represent present or future values.

Financial and Other Instruments

The Company's financial instruments consist of and have been classified as follows:

Cash and cash equivalents	Held-for-trading
Auction Rate Securities settlement	Loans and receivables
Accounts payable and accrued liabilities	Other financial liabilities
State of Minnesota loan	Other financial liabilities

The carrying value of financial assets by category at December 31, 2009 and 2008 are as follows:

Financial Assets	2009	
	Held-for-trading	Loans and receivables
Cash and cash equivalents	\$ 636,871	\$ -
	\$ 636,871	\$ -
Financial Assets	2008	
	Held-for-trading	Loans and receivables
Cash and cash equivalents	\$ 1,454,328	\$ -
	\$ 1,454,328	\$ -

Going-Concern Assumption

The Company's ability to continue as a going-concern is dependent on the Company being able to satisfy its liabilities as they become due and to obtain the necessary financing to complete the exploration and development of its mineral interests, the attainment of profitable mining operations, and, or the receipt of proceeds from the disposition of its mineral property interests. These consolidated financial statements have been prepared on a going-concern basis, which assumes the realization of assets and liquidation of liabilities in the normal course of business. These consolidated financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary, should the Company be unable to continue as a going-concern.

Disclosure Controls and Procedures

The Company's Chief Executive Officer (CEO) and Chief Financial Officer (CFO), are responsible for establishing and maintaining disclosure controls and procedures and internal control over financial reporting.

The Company's management, together with the CEO and CFO, has evaluated the effectiveness of the Company's disclosure controls and procedures. Based upon the results of that evaluation, the Company's CEO and CFO have concluded that, as of the end of the period covered by this report, the Company's disclosure controls and procedures were effective to provide reasonable assurance that (i) material information relating to the Company is made known to them by others particularly during the period covered by this MD&A; and (ii) the information required to be disclosed by the Company its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported, within the time periods specified in securities legislation

Internal Controls Over Financial Reporting

The Company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance GAAP. The Company's controls and procedures include policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately reflect the transactions and dispositions of the assets of the Company;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Corporation's assets that could have a material effect on the annual financial statements or interim financial statements

There were no changes in the Corporation's internal control over financial reporting during the first quarter ended December 31, 2009 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

As at December 31, 2009, management assessed the effectiveness of our internal control over financial reporting using the criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and concluded that such internal control over financial reporting is effective and that there are no material weaknesses in our internal control over financial reporting.

Limitations of Controls and Procedures

The Corporation's CEO and CFO believe that any disclosure controls and procedures or internal controls over financial reporting, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, they cannot provide absolute assurance that all control issues and instances of fraud, if any, within the Corporation have been prevented or detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by unauthorized override of the control. The design of any systems of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Accordingly, because of the inherent limitations in a cost effective control system, misstatements due to error or fraud may not be detected.

Disclosure of Outstanding Share Data

The Company is a public company listed on the Toronto Stock Exchange (TSX).

As at February 11, 2010, the Company had 59,082,572 common shares issued, warrants to purchase 8,042,626 common shares at \$0.75 - \$1.92(Cdn), options to purchase 5,669,000 common shares at \$0.42 – 1.95(Cdn) and 9,400,000 special warrants, each exercisable into a unit comprised of one common share plus one half of one common share purchase warrant for no additional consideration and 658,000 compensation options exercisable into common shares at \$0.46 (Cdn).

Additional Information

Additional information relating to the Company, including its annual information form, is available at www.sedar.com and at www.franconiaminerals.com.