

## **BENTON RESOURCES CORP.**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

**For the Six Months Ended December 31, 2007**

**February 28, 2008**

#### **GENERAL**

Benton Resources Corp. (the "Company") is a development stage public company engaged in exploration for mineral deposits in Canada. The Company is in the early exploration stage with respect to all of its properties.

The following discussion of the financial condition and results of operations of the Company constitutes management's review of the factors that affected the Company's financial and operating performance for the six months ended December 31, 2007. The discussion should be read in conjunction with the audited annual financial statements of the Company for the year ended June 30, 2007, including the notes thereto and the unaudited financial statements for the six months ended December 31, 2007.

Unless otherwise stated, all amounts discussed herein are denominated in Canadian dollars and all financial information (as derived from the Company's financial statements) has been prepared in accordance with Canadian generally accepted accounting principles.

#### **FORWARD-LOOKING INFORMATION**

Certain information regarding the Company within Management's Discussion and Analysis (MD & A) may include "forward-looking statements" within the meaning of applicable Canadian securities legislation. All statements, other than statements of historical facts, included in this MD & A that address activities, events or developments that the Company expects or anticipates will or may occur in the future, including such things as future business strategy, goals, expansion and growth of the Company's businesses, operations, plans and other such matters are forward-looking statements. When used in this MD & A the words "estimate", "plan", "anticipate", "expect", "intend", "believe" and similar expressions are intended to identify forward-looking statements. Such statements are subject to known and unknown risks and uncertainties that may cause actual results in the future to differ materially from those anticipated in forward-looking statements. Although the Company has attempted to identify important factors that could cause actual results to differ materially, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such statements will prove to be accurate as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.

#### **OVERVIEW OF BUSINESS**

The focus of the Company is to seek out and explore mineral properties of potential economic significance and advance these projects through prospecting, sampling, geological mapping and geophysical surveying, trenching, and diamond drilling in order for management to determine if further work is justified. The Company's property portfolio consists of projects focusing on base metals, gold, uranium, and platinum group metals.

## **FINANCIAL & OPERATIONAL OVERVIEW**

### **Financial Condition**

The Company's cash balance as at December 31, 2007 was \$1,541,208 compared to \$6,703,785 as at June 30, 2007. This decrease is attributable in large part to increased expenditures on mineral properties and general and administrative expenses. Current assets of the Company as at December 31, 2007 were \$20,309,788 compared to \$7,020,251 as at June 30, 2007. The increase in current assets was attributable in a large part to the purchase of the fixed income temporary investments. Total assets as at December 31, 2007 were \$29,787,905 compared to \$13,647,441 as at June 30, 2007. The increase in total assets was attributable to the aforementioned investment of private placement proceeds in fixed income temporary investments by the Company. Current liabilities as at December 31, 2007 were \$136,210 compared to \$317,710 as at June 30, 2007. This decrease is attributable to decreased activity in exploration activities and general operating expenses just prior to the end of the quarter.

### **Results of Operations**

The net loss for the six months ended December 31, 2007 was \$547,511 (\$0.01 per common share) as compared to \$465,999 (\$0.02 per common share) for the same period in 2006. The increased loss is primarily due to increased expenses arising as a result of the financing and stock options, advertising, promotional, and investor relations expenditures incurred and compensation costs arising from stock options.

### **Cash Flows**

The cash used by operating activities was \$1,023,441 for the six months ended December 31, 2007 compared to cash used by operating activities of \$423,027 for the same period in 2006. This difference is mainly due to the aforementioned increase in general operating expenditures. Cash provided by financing activities was \$16,413,285 for the six months ended December 31, 2007 as compared to cash provided by financing activities of \$3,850,450 for the same period in the prior year; this change arose due to a significant increase in the proceeds from the issuance of shares with respect to a private placement closing during the period and to a significant increase in proceeds from the exercise of share purchase warrants. Cash used in investing activities was \$20,552,421 for the six months ended December 31, 2007 as compared to \$1,384,226 for the same period in 2006. The change in cash used by investing activities is due to the investment of private placement proceeds into fixed income temporary investments and an increase in mineral property acquisitions and exploration expenditures.

### **Exploration Projects**

#### **BERMUDA/BAMOOS/REDSTONE COPPER PGE PROPERTIES**

The Bermuda project is Benton's flagship property and exploration work to be completed in 2007 will include a minimum 10,000 metre drill program. The objective of the drill program is to expand and define the extension of the Marathon copper PGE deposit as well as the AREA 41 Zone located to the west. The Company has also completed further line cutting, mapping and ground geophysics to identify new zones of economic potential. 7000 metres of the 10,000 metres of diamond drilling have been completed to date. Another 10,000 metres is planned but contingent on the availability of diamond drill rigs and qualified operators.

Subsequent to the period ended December 31, 2007, the Company signed an agreement to enter into an Option and Joint Venture Agreement with Marathon PGM Corporation ("Marathon") on the eastern portion of the Bermuda property named the Bamooos/Claw Lake/Four Dams Property ("BCF"). Under the terms of the agreement, the Company will allow Marathon to earn a 60% interest in the BCF property by (i) issuing to the Company 120,000 common shares of Marathon, (ii) spending \$1.5 million in each of the first four option years and an additional \$2 million on or before the fifth anniversary year, and (iii) issuing to the Company cash payments of \$500,000 per year for the first three years totaling \$1.5 million. In

addition, any ore mined on the property during the earn in period would entitle the Company to a 2% NSR royalty payable by Marathon.

#### GOODCHILD AND SOUTH GOODCHILD PROPERTY (STILLWATER JOINT VENTURE)

On the Goodchild project the Company has completed a detailed airborne survey over the entire property and entered into a joint venture with Stillwater Mining Company of Montana, USA on the project. The company has also completed additional prospecting, line cutting, and geological mapping. In addition, 2000 meters of diamond drilling is also anticipated to begin in the new year as soon as the ground geophysical surveys are completed.

#### KINGURUTIK LAKE NICKEL PROPERTY

The Company has spent the initial \$600,000 on the property under the Agreement and the exploration completed to date includes a large airborne survey, geological mapping, prospecting, sampling, and limited Deep EM ground geophysics. Due to weather conditions, additional ground geophysics will be completed in the spring to be followed by diamond drilling and will be funded by Teck Cominco Limited ("Teck Cominco"). Teck Cominco has the right under the Agreement to increase their interest in the property to 60% by incurring an additional \$4 million in expenditures over the initial three years with an additional right to increase its interest to 70% by incurring an additional \$7 million in expenditures (for a total of \$11 million) over a further three years.

During the period ended December 31, 2007, Teck Cominco has notified the company that it has elected to increase its interest in the project to 60% by incurring the aforementioned expenditures.

#### Q-9 GOLD AND SAGANAGA LAKE PROPERTIES

Teck Cominco has elected not to continue its joint venture agreement with the Company on these properties. As a result, the Company now has a 100% interest in the properties.

#### ARMIT LAKE PROPERTY

The Company has recently completed line cutting and ground geophysics consisting of ground magnetics, HLEM (Max-Min) surveys, geological mapping, soil sampling, prospecting and is currently completing an induced polarization survey (I.P) and trenching to be followed by diamond drilling in March 2008.

#### FLYING LOON PROPERTY

The Company completed a small drill program to evaluate an unexpected intercept of gold mineralization from the 2006 drill campaign but only anomalous values over narrow width were obtained. The Company is currently looking for a joint venture partner on this property but has no plans for any work until such time as an agreement is made.

#### NIPIGON URANIUM PROPERTIES

The Company has numerous claim blocks in the Nipigon Basin covering structures and geology favorable for hosting uranium mineralization. The Company has recently signed joint venture agreements with Tri-Gold Resources Corp. ("Tri-Gold") and Grandcru Resources Corp. ("Grandcru") for all the claims held in the area. Work completed to date include, airborne geophysics, prospecting, line cutting, trenching, and geological mapping. Exploration on both projects are ongoing which include diamond drilling on the Tri-Gold joint venture and additional line cutting to be followed by diamond drilling on the Grandcru joint venture ground. Both Tri-Gold and Grandcru can earn up to 60% interest in their respective joint venture properties with the Company by spending the initial \$1 million each on the blocks they have under joint venture.

### BARK LAKE PROPERTY

During the period, the Company entered into an option agreement with Joseph Hackl Sr. and Joseph Christopher Hackl Jr. whereby the Company has the right to earn a 100% interest in the Bark Lake claims located in Northern Ontario by making cash payments totaling \$59,000 and issue 40,000 common shares over a three year period. The property is subject to a 2% NSR royalty, half of which can be purchased by the Company for \$1 million.

The Bark Lake property is host to numerous newly discovered platinum (Pt), palladium (Pd), gold (Au), copper (Cu) and nickel (Ni) showings consisting of mineralized ultramafic rock either in outcrop or dozens of mineralized boulders. The mineralized occurrences are situated along the Quetico Fault, a major crustal-scale east west oriented structure. Samples collected during the first phase prospecting program has identified high grade nickel (Ni) and copper (Cu), along with platinum (Pt), palladium (Pd), and gold (Au). These samples which were taken approximately 200 meters to the north of the initial mineralized zone have returned individual assays grading up to 1.5% Ni, 1.2% Cu, 2.6 gram per tone (gpt) of Pd and 0.7gpt Au.

Through additional staking, the Company has more than doubled its initial land position and has completed its initial prospecting and line cutting programs as well as geological mapping and ground geophysics including magnetic, Max-Min electromagnetic and an induced polarization survey. This will be followed up by an initial 2,000 meter diamond drill program to commence in early March 2008.

### HOPE BROOK GOLD PROPERTY

Subsequent to the period ended December 31, 2007, the Company acquired through staking and option a large land package that includes the past producing Hope Brook Gold Mine located on the southwest coast of Newfoundland. The company has staked the favourable gold-bearing trend that hosts the Hope Brook deposit for approximately 30 kilometers and has entered into an option agreement with Quinlan Prospecting (Q.P.) of Newfoundland to acquire 3 separate claim blocks, one of which includes the Hope Brook gold deposit. To earn a 100% interest in the 3 claim blocks, the Company will make cash payments to Q.P. totaling \$170,000 and issue 200,000 shares over 4 years. As well, the Company will pay a finder's fee to a third party for being introduced to the project of 25,000 shares and 25,000 share purchase warrants exercisable for 24 months at a price of \$1.00. As well, the 3 claim blocks are subject to a 2% NSR royalty payable to Q.P. with an advance royalty payment of \$10,000 owing per year to a maximum of \$100,000 commencing on the Company having exercised the option to acquire the 3 claim blocks. The Company has the right to purchase one half of the 2% NSR royalty for \$1 million.

The Company's management is excited about this unique opportunity as the Hope Brook gold deposit was the province of Newfoundland's largest gold deposit and it is management's view that there is significant potential to discover additional deposits in the area. The Hope Brook deposit operated from 1987 to 1997 and produced 752,826 ounces of gold plus a copper concentrate from 1993 to 1997. Previous exploration by Royal Oak Mines near the mine during the last few years of mining operations resulted in the discovery of several areas of significant gold mineralization. Since the closure of mining operations in 1997, little or no exploration has been carried out for gold in the area.

The Company is planning an aggressive and extensive exploration program, and has begun an extensive regional compilation of the entire belt which will incorporate all existing drill holes, mine workings, geology and assay results of the mine area. A large airborne survey will be flown over the entire project as soon as possible, to be followed up with ground exploration programs including geological mapping, prospecting and diamond drilling.

### OTHER PROPERTIES

The Company has several early stage projects which include, Delta Property, RIM Property, Rex Lake property, Swayze JV Properties (Tooms Property, Heenan Property, Kenogaming Property), Cheeseman Lake Property, Whitten Lake Property, Gem Property, Pikitigushi Property, Linklater Lake Property and

Blackett Lake Property projects. Currently a budget of approximately \$600,000 has been allocated for the projects, but this could change if exploration is successful in discovering anything of interest.

#### DROPPED PROPERTIES

The Company is not planning to complete further exploration on Bottle Bay Property, Mainville Property, and Uchi Lake Property at this time. The projects may lapse as a result.

#### **MINERAL PROPERTIES AND DEFERRED DEVELOPMENT EXPENDITURES**

Mineral property acquisition, exploration and development expenditures are deferred until the properties are placed into production, sold, impaired or abandoned. These deferred costs will be amortized over the estimated useful life of the properties following commencement of production or written-down if the properties are allowed to lapse, are impaired or are abandoned. The deferred cost associated with each property is as follows:

<u>For the six months ended December 31, 2007</u>	<u>Opening balance</u>	<u>Expenditures</u>	<u>Recoveries and write downs</u>	<u>Ending balance</u>
Bermuda/Redstone/Bamoos Copper PGE Property	4,473,618	1,378,908	-	5,852,526
Saganaga Lake Property	266,368	46,556	-	312,924
Nipigon Uranium Property	83,302	66	-	83,368
Flying Loon Property	611,644	-	-	611,644
Goodchild and South Goodchild Property	220,196	313,144	-	533,340
Armit Lake Property	361,048	230,868	-	591,916
Kingurutik Lake Nickel Property	395,294	304,424	(74,274)	625,444
Q-9 Gold Property	37,200	40,131	-	77,331
Sibley Basin Property	37,022	337,370	(366,281)	8,111
Other Properties	126,015	501,670	-	627,685
<b>Total</b>	<b>\$6,611,707</b>	<b>\$3,153,137</b>	<b>\$(440,555)</b>	<b>\$9,324,289</b>

#### **SELECTED ANNUAL FINANCIAL INFORMATION**

<b>Description</b>	<b>Six months ended December 31, 2007</b>	<b>Year ended June 30, 2007</b>	<b>Year ended June 30, 2006</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Operating expenses	932,939	1,706,384	858,443
Interest income	204,318	45,534	14,724
Investment income	155,593	-	-
Write down of mineral properties	-	34,532	209,588
Net loss	547,511	1,668,309	977,607
Net loss per share – basic (1) (2)	0.01	0.05	0.05
Cumulative mineral properties and deferred development expenditures	9,324,289	6,611,707	3,652,590
Total assets	29,787,905	13,647,441	4,312,411

- (1) Basic per share calculations are made using the weighted-average number of shares outstanding during the year.
- (2) Loss per share on a diluted basis is the same as the basic calculation per share as all factors are anti-dilutive.

## SUMMARY OF QUARTERLY RESULTS

<b>Three Month Period Ending</b>	<b>Net Loss \$</b>	<b>Net Loss per Share Basic and Diluted (1) (2) \$</b>
December 31, 2007	206,804	0.01
September 30, 2007	340,707	0.01
June 30, 2007	586,547	0.01
March 31, 2007	615,763	0.02
December 31, 2006	279,296	0.01
September 30, 2006	186,703	0.01
June 30, 2006	334,917	0.01
March 31, 2006	367,273	0.02
December 31, 2005	199,046	0.01

- (1) Basic loss per share calculations are made using the weighted-average number of shares outstanding during the period.
- (2) Loss per share on a diluted basis is the same as the basic calculation per share as all factors are anti-dilutive.

In the second quarter of 2008, the Company's cash on hand decreased by \$5,162,577 to \$1,541,208 at December 31, 2007 as compared to \$6,703,785 as at June 30, 2007. The decrease in cash on hand is attributed to the increase of mineral property and deferred development expenditures and an increase in general and administrative expenses. Temporary investments increased from \$nil at June 30, 2007 to \$18,125,064 at December 31, 2007. This increase is attributable to the Company's investment of the private placement proceeds into fixed income temporary investments. Accounts receivable decreased from \$317,710 at June 30, 2007 to \$136,210 at December 31, 2007 mainly due to decreased activity levels at or around the end of the period that were not yet paid for. Mineral properties increased from \$6,611,707 at June 30, 2007 to \$9,320,754 at December 31, 2007 due mainly to exploration activities at the Bermuda, Kingurutik Lake, Goodchild and South Goodchild, Armit Lake, and Sibley Basin properties. As a result of the exercise of various share purchase warrants and the above mentioned private placement, share capital increased from \$13,834,676 at June 30, 2007 to \$25,591,510 at December 31, 2007.

## TRANSACTIONS WITH RELATED PARTIES

The Company paid or accrued the following amounts to related parties during the three months ended December 31, 2007 and December 31, 2006:

Payee	Description of Relationship	Nature of Transaction	2007 Amount (\$) (Unaudited)	2006 Amount(\$) (Unaudited)
Stares Contracting Corp.	Company controlled by Stephen Stares, Director and Officer and Michael Stares, Director	Payments for equipment rentals, supply of labour and reimbursement of expenses capitalized in deferred development expenditures and for office costs included in general and administrative expenses	660,800	241,460
Clint Barr, Michael & Stephen Stares	Directors and Officers	Reimbursement of expenses capitalized in deferred development expenditures and for promotional activities included in advertising and promotion expenses	35,315	23,814
Barr Geological Consulting	Company controlled by Clinton Barr, Director and Officer	Payments for geological services, equipment rentals and reimbursement of expenses capitalized in deferred development expenditures and for promotional activities included in advertising and promotion expenses	77,624	58,800
Gordon J. Fretwell Law Corporation	Company controlled by Gordon Fretwell, Director and Officer	Legal fees charged/accrued during the period	111,645	94,954
Newfie Shores	Partnership controlled by Stephen Stares, Director and Officer and Michael Stares, Director	Payments for cabin rentals capitalized in deferred development expenditures	7,335	-
Cindy Stares	Spouse of Stephen Stares, Director and Officer	Bookkeeping services	7,480	-
Stares Prospecting	Company controlled by Alexander Stares, Brother of Stephen and Michael Stares	Prospecting services	73,399	-

The purchases from and fees charged by the related parties are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

During fiscal year 2007, the Company entered into an option agreement with Stares Contracting Corp. to acquire a 100% interest in the Q-9 Gold Property (note 5(h)). The transaction was recorded at the exchange amount, which is the amount established and agreed to by the related parties.

During the year ended June 30, 2007, the Company entered into a Joint Venture agreement with a company which a director of the Company is also on the Board of Directors of the Joint Venture Company (note 5 (i)).

Included in accounts payable and accrued liabilities is \$7,155 (December 31, 2006 - \$16,600) to Barr Geological Consulting, \$nil (December 31, 2006 - \$4,499) to Clint Barr, \$nil (December 31, 2006 - \$17,361) to Gordon J. Fretwell Law Corporation, \$31,458 (December 31, 2006 - \$23,214) to Stares Contracting Corp., \$nil (December 31, 2006 - \$97) to Stephen Stares and \$nil (December 31, 2006 - \$nil) to Stares Prospecting. The repayment terms are similar to the repayment terms of non-related party trade payables.

## **SHARE DATA**

As at February 28, 2008, the Company has 67,362,169 common shares issued and outstanding, as well as: (a) stock options to purchase an aggregate of 5,892,500 common shares expiring at various dates between October 18, 2007 and November 16, 2012 and exercisable at various prices between \$0.30 and \$1.18 per share; and, (b) share purchase warrants to purchase an aggregate of 11,923,297 common shares expiring at various dates between April 12, 2007 and April 16, 2009 and exercisable at various prices between \$0.20 and \$1.60 per share. For additional details of share data, please refer to note 5 of the June 30, 2007 financial statements.

## **FINANCIAL INSTRUMENTS**

The Company's financial instruments consist of cash, accounts and other receivables and accounts payable and accrued liabilities. It is management's opinion that the Company is not exposed to significant interest or credit risks arising from these financial instruments.

## **LIQUIDITY AND CAPITAL RESOURCES**

The Company has a net working capital as at December 31, 2007 of \$20,173,578 (\$6,702,541 as at June 30, 2007) and cash on hand of \$1,541,208 (\$6,703,785 as at June 30, 2007).

During the six months ended December 31, 2007, the Company issued, pursuant to a private placement, 1,290,322 common shares for gross proceeds of \$1,600,000 as well as a \$15,001,500 bought deal private placement. The private placement consisted of 9,600,000 units at \$1.25 each, with each unit consisting of one common share and one common share purchase warrant, each warrant entitling the holder to acquire one common share at a price of \$1.60 for a period of eighteen months from the closing date. In addition, the Company issued 2,070,000 flow through shares at \$1.45 each.

The Company anticipates that the continued sale of Flow Through shares/warrants should enable it to maintain exploration activities on its mineral properties. However, there can be no assurance that these activities will be sufficient to enable the Company to carry on its planned activities.

## **CRITICAL ACCOUNTING ESTIMATES**

A detailed summary of all of the Company's significant accounting policies is included in Note 2 to the June 30, 2007 audited financial statements.

## **OFF-BALANCE SHEET ARRANGEMENTS**

The Company has not participated in any off-balance sheet or income statement arrangements.

## **RISKS AND UNCERTAINTIES**

### Nature of Mineral Exploration and Mining

At the present time, the Company does not hold any interest in a mining property in production. The Company's viability and potential success lie in its ability to discover, develop, exploit and generate revenue out of mineral deposits. The exploration and development of mineral deposits involve significant financial risks over a significant period of time which even a combination of careful evaluation, experience and knowledge may not eliminate. While discovery of a mine may result in substantial rewards, few properties which are explored are ultimately developed into producing mines. Major expenses may be required to establish reserves by drilling and to construct mining and processing facilities at a site. It is impossible to ensure that the current or proposed exploration programs on exploration properties in which the Company has an interest will result in a profitable commercial mining operation.

The operations of the Company are subject to all of the hazards and risks normally incidental to exploration and development of mineral properties, any of which could result in damage to life or property, environmental damage and possible legal liability for any or all damage. The activities of the Company may be subject to prolonged disruptions due to weather conditions depending on the location of operations in which the Company has interests. Hazards, such as unusual or unexpected formation, rock bursts, pressures, cave-ins, flooding or other conditions may be encountered in the drilling and removal of material. While the Company may obtain insurance against certain risks in such amounts as it considers adequate, the nature of these risks is such that liabilities could exceed policy limits or could be excluded from coverage. There are also risks against which the Company cannot insure or against which it may elect not to insure. The potential costs which could be associated with any liabilities not covered by insurance or in excess of insurance coverage or compliance with applicable laws and regulations may cause substantial delays and require significant capital outlays, adversely affecting the future earnings and competitive position of the Company and, potentially, its financial position.

Whether a mineral deposit will be commercially viable depends on a number of factors, some of which are the particular attributes of the deposit, such as its size and grade, proximity to infrastructure, financing costs and governmental regulations, including regulations relating to prices, taxes, royalties, infrastructure, land use, importing and exporting and environmental protection. The effect of these factors cannot be accurately predicted, but the combination of these factors may result in the Company not receiving an adequate return on invested capital.

### Fluctuating Prices

Factors beyond the control of the Company may affect the marketability of any copper, nickel, gold, platinum or any other minerals discovered. Resource prices have fluctuated widely and are affected by numerous factors beyond the Company's control. The effect of these factors cannot accurately be predicted.

### Competition

The mineral exploration and mining business is competitive in all of its phases. The Company competes with numerous other companies and individuals, including competitors with greater financial, technical and other resources than the Company, in the search for and acquisition of attractive mineral properties. The ability of the Company to acquire properties in the future will depend not only on its ability to develop its present properties, but also on its ability to select and acquire suitable properties or prospects for mineral exploration. There is no assurance that the Company will continue to be able to compete successfully with its competitors in acquiring such properties or prospects.

### Financing Risks

The Company has limited financial resources and no current revenues. There is no assurance that additional funding will be available to it for further exploration and development of its projects or to fulfill its obligations under applicable agreements. Although the Company has been successful in the past in obtaining financing through the sale of equity securities, there can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. Failure to obtain such additional financing could result in delay or indefinite postponement of further exploration and development of the property interests of the Company with the possible dilution or loss of such interests.

### Permits and Licenses

The operations of the Company may require licenses and permits from various governmental authorities. The Corporation believes that it presently holds all necessary licenses and permits required to carry on with activities which it is currently conducting under applicable laws and regulations and the Company believes it is presently complying in all material respects with the terms of such laws and regulations. However, such laws and regulations are subject to change. There can be no assurance that the Company will be able to obtain all necessary licenses and permits required to carry out exploration, development and mining operations at its projects.

### No Assurance of Titles

The acquisition of title to mineral projects is a very detailed and time consuming process. Although the Company has taken precautions to ensure that legal title to its property interests is properly recorded in the name of the Company where possible, there can be no assurance that such title will ultimately be secured. Furthermore, there is no assurance that the interest of the Company in any of its properties may not be challenged or impugned.

### Environmental Regulations

The operations of the Company are subject to environmental regulations promulgated by government agencies from time to time. Environmental legislation provides for restrictions and prohibitions on spills, releases or emissions of various substances produced in association with certain mineral exploration and mining operations, which would result in environmental pollution. A breach of such legislation may result in the imposition of fines and penalties. In addition, certain types of operations require the submission and approval of environmental impact assessments. Environmental legislation is evolving in a manner which means stricter standards, and enforcement, fines and penalties for non-compliance are more stringent. Environmental assessments of proposed projects carry a heightened degree of responsibility for companies and their directors, officers and employees. The cost of compliance with changes in governmental regulations has a potential to reduce the profitability of operations.

### Conflicts of Interest

The directors and officers of the Company may serve as directors or officers of other public resource companies or have significant shareholdings in other public resource companies. Situations may arise in connection with potential acquisitions and investments where the other interests of these directors and officers may conflict with the interest of the Company. In the event that such a conflict of interest arises at a meeting of the directors of the Company, a director is required by the *Business Corporations Act* (Ontario) to disclose the conflict of interest and to abstain from voting on the matter.

From time to time several companies may participate in the acquisition, exploration and development of natural resource properties thereby allowing for their participation in larger programs, permitting involvement in a greater number of programs and reducing financial exposure in respect of any one program. It may also occur that a particular company will assign all or a portion of its interest in a particular program to another of these companies due to the financial position of the company making the assignment. In determining whether or not the Company will participate in a particular program and the interest therein to be acquired by it, the directors will primarily consider the degree of risk to which the Company may be exposed and its financial position at that time.

#### Dependence on Key Personnel

The Company is dependent on a relatively small number of key people, the loss of any of whom could have an adverse effect on its operations. Any key person insurance which the Company may have on these individuals may not adequately compensate for the loss of the value of their services.

#### **EFFECTIVENESS OF DISCLOSURE CONTROLS**

The Chief Executive Officer, Chief Operating Officer and Chief Financial Officer have evaluated the effectiveness of the Company's disclosure controls and procedures as of June 30, 2007. They have concluded that the Company's disclosure controls and procedures were effective to provide reasonable assurance that all material financial information relating to the Company was made known to them by others within the Company in order for them to complete their analysis and review of the financial position and results of the Company, particularly during the period in which the annual filings are being prepared.

This evaluation of the design of internal controls over financial reporting for the Company resulted in the identification of internal control deficiencies which are not atypical for a company of this size including lack of segregation of duties due to a limited number of employees dealing with accounting and financial matters and insufficient in-house expertise to deal with complex accounting, reporting and taxation issues.

The MD&A was reviewed and approved by the Audit Committee and Board of Directors and is effective as of February 28, 2008.

#### **ADDITIONAL INFORMATION**

Additional information relating to the Company is available on SEDAR at [www.sedar.com](http://www.sedar.com).