MANTLE RESOURCES INC.

MANAGEMENT DISCUSSION AND ANALYSIS

Years ended June 30, 2007 and 2006

1.1 Date

This Management Discussion and Analysis ("MD&A") of Mantle Resources Inc. ("Mantle" or the "Company") has been prepared by management as of October 24, 2007 and should be read in conjunction with the audited financial statements and related notes thereto of the Company, as at and for the years ended June 30, 2007 and 2006, which were prepared in accordance with Canadian generally accepted accounting principles.

The Company is presently a "Venture Issuer", as defined in NI 51-102.

This MD&A may contain "forward-looking statements" which reflect the Company's current expectations regarding the future results of operations, performance and achievements of the Issuer, including potential business or mineral property acquisitions and negotiation and closing of future financings. The Issuer has tried, wherever possible, to identify these forward-looking statements by, among other things, using words such as "anticipate," "believe," "estimate," "expect" and similar expressions. The statements reflect the current beliefs of the management of the Company, and are based on currently available information. Accordingly, these statements are subject to known and unknown risks, uncertainties and other factors, which could cause the actual results, performance, or achievements of the Issuer to differ materially from those expressed in, or implied by, these statements.

The Company undertakes no obligation to publicly update or review the forward-looking statements whether as a result of new information, future events or otherwise.

Historical results of operations and trends that may be inferred from the following discussions and analysis may not necessarily indicate future results from operations.

1.2 Over-all Performance

Mantle was incorporated under the laws of the Province of British Columbia on February 10, 1988. The Company operates in one business segment, that being the exploration and development of mineral properties in Canada.

Pursuant to a special resolution passed by shareholders on February 15, 2002, the Company consolidated its capital on a one-new-for-eight-old basis and changed its name from Intertech Minerals Corp. to Mantle Minerals Inc. On April 25, 2002, the Company commenced trading on the TSX Venture Exchange (TSXV) under the symbol "MIN". To date, the Company has not generated significant revenues from operations or recorded any cost of sales and as a result is considered to be in the development stage. The underlying value of the mineral properties and related deferred costs are entirely dependent on the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development, and upon future profitable production.

Effective October 21, 2003, the Company was designated as inactive. The Company's listing was transferred to the NEX Board of the TSX Venture Exchange ("Exchange") and its tier classification was changed from Tier 2 to NEX in accordance with the revised policy 2.5 of the Exchange.

Effective September 22, 2004, the Company's listing was transferred from NEX to the TSX Venture Exchange and the Company's Tier classification was changed from NEX to Tier 2.

Effective August 9, 2005, the Company changed its name from Mantle Minerals Inc. to Mantle Resources Inc. and consolidated its share capital on the basis of two old shares to one new share. As a result, the common shares of Mantle Minerals Inc. were delisted and the common shares of Mantle Resources Inc. commenced trading under the trading symbol "MTS".

Effective October 18, 2005, the Company's common shares commenced trading on the Frankfurt Stock Exchange under the trading symbol M9R, WKN-A0F7E1.

During the year ended June 30, 2006, the Company graduated to Tier 1 of the TSX Venture Exchange.

As at the date hereof, the Company has mining interests in properties located in British Columbia and entered into the following agreements as at June 30, 2007:

Akie Property

On August 23, 2005, the Company entered into an agreement with Ecstall Mining Corporation ("Ecstall"), pursuant to which the Company has been granted an option entitling it to earn a 65% interest in Ecstall's Akie property, located in the Omineca Mining Division of British Columbia.

In consideration, the Company had to make staged cash payments totalling $450,000 on or before June 21, 2008 (fully paid as of June 30, 2007) and incur a total of $4,000,000 in exploration expenditures on or before August 31, 2008 (incurred as of June 30, 2007).

As per the original agreement, the Company was appointed operator of the Akie property until December 31, 2006 and was responsible for managing all work carried out on the Akie property. In return, the Company was paid an operator's fee. Ecstall had the right to become the operator of the Akie property commencing January 1, 2007, effective until the Company exercises the option.

Following earn-in by the Company of a 65% interest in the Akie property, further exploration and development would be carried out pursuant to a joint venture agreement, with the initial participating interests in the joint venture to be: the Company – 65%; and Ecstall – 35%. Under the terms of the joint venture agreement, each of the Company and Ecstall would be responsible for paying their proportionate share of all expenses respecting the Akie property, with a minimum of $500,000 to be expended on exploration work on the Akie property during each year after June 1, 2008.

The Company issued 150,000 shares as a finder's fee to a third party as per the terms of the agreement.

On February 23, 2007, the Company acquired approximately 96% of the issued and outstanding shares of Ecstall pursuant to its take-over bid made December 22, 2006, as amended by its Notice of Variation dated January 29, 2007 and Notice of Extension dated February 9, 2007. The conditions of its Offer were satisfied and the Company took up an aggregate of 53,533,615 shares of Ecstall which were validly tendered prior to the February 23, 2007 expiry date. Pursuant to the Offer, the Company issued and distributed to those shareholders who have tendered, 0.41 of one share of the Company for each Ecstall share tendered.

The results of Ecstall's operations have been included in the consolidated financial statements since February 23, 2007.

The Company exercised its rights pursuant to compulsory acquisition procedures under the British Columbia Business Corporations Act to acquire, for the same consideration as that paid under the Offer, all of the remaining shares of Ecstall that were not tendered to the Offer. The Company now owns 100 % interest in the Akie property.

Property Update

Below is a progress report on the ongoing exploration program at the Company's Akie zinc-lead property located in northeastern British Columbia, approximately 280 kilometers north-northwest of the town of Mackenzie.

Previous Results:

Hole: A-07-43

From (m)	To (m)	Interval (m)	Zinc (%)	Lead (%)	Silver (gr/t)
544.20	571.81	27.61	12.20	2.99	20.01
Incl: 559.92	571.81	11.89	15.64	4.29	29.04

Hole: A-07-42

From (m)	To (M)	Interval (m)	Zinc %	Lead %	Silver (gr/t)
666.9	678.22	11.32	13.83	3.24	21.11

Hole: A-06-41A

From (m)	To (m)	Interval (m)	Zinc (%)	Lead (%)	Silver (gr/t)
587.60	604.35	16.75	6.56	1.20	12.20
Incl. 591.87	604.35	12.48	6.99	1.31	13.04
Incl. 596.70	604.35	7.65	7.65	1.49	14.67

Hole: A-06-40

From (m)	To (m)	Interval (m)	Zinc (%)	Lead (%)	Silver (gr/t)
480.00	510.40	30.40	5.49	0.86	10.69
Incl. 483.60	490.80	7.20	6.88	1.06	10.61
And. 493.00	505.30	12.30	7.33	1.19	11.55
Incl. 493.00	502.10	9.10	8.56	1.35	12.23

Hole: A-06-39A

From (m)	To (m)	Interval (m)	Zinc (%)	Lead (%)	Silver (gr/t)
490.00	508.10	18.10	8.16	1.58	14.15
Incl. 490.00	503.00	13.00	9.73	1.82	15.27
Incl. 494.00	502.00	8.00	11.73	2.24	16.94

Hole: A-06-38

From (m)	To (m)	Interval (m)	Zinc (%)	Lead (%)	Silver (gr/t)
528.35	547.75	19.40	8.27	1.45	14.17
Incl. 528.35	542.20	13.85	8.99	1.68	16.57
Incl. 537.80	542.20	4.40	13.00	1.83	18.09
Incl. 544.90	547.75	2.85	12.39	1.58	14.67

Hole: A-06-37A

From (m)	To (m)	Interval (m)	Zinc (%)	Lead (%)	Silver (gr/t)
500.20	525.70	25.50	8.45	1.74	14.6
Incl. 500.20	508.00	7.80	9.35	1.73	15.1
Incl. 511.00	520.30	9.30	10.35	2.25	17.3

Hole: A-06-36A

a) Hanging Wall Zone

From (m)	To (m)	Interval (m)	Zinc (%)	Lead (%)	Silver (gr/t)
673.50	688.10	14.60	3.90	0.74	6.8

b) Cardiac Creek Zone

From (m)	To (m)	Interval (m)	Zinc (%)	Lead (%)	Silver (gr/t)
711.40	721.80	10.40	5.81	1.19	10.6
711.40	720.10	8.70	6.56	1.34	11.8
Incl. 713.00	716.00	3.00	9.14	1.68	14.0

Hole: A-06-35.

From (m)	To (m)	Interval (m)	Zinc (%)	Lead (%)	Silver (gr/t)
642.70	664.60	21.90	8.88	1.80	15.6
Incl. 654.50	664.60	10.10	11.06	2.52	21.3
677.10	681.90	4.80	9.33	2.16	17.3

Hole: A-05-33.

From (m)	To (m)	Interval (m)	Zinc (%)	Lead (%)	Silver (gr/t)
558.55	577.75	19.20	8.71	1.83	16.01
Incl. 565.50	577.00	11.50	9.81	2.20	18.54
Incl. 571.00	577.00	6.00	11.97	2.79	22.00

Hole: A-05-32.

From (m)	To (m)	Interval (m)	Zinc (%)	Lead (%)	Silver (gr/t)
555.20	581.90	26.70	11.95	2.74	22
Incl. 558.20	581.90	23.70	12.47	2.91	23.5
Incl. 570.40	581.90	11.50	16.16	3.95	29
Incl. 576.40	580.05	3.65	28.25	6.18	44

Hole: A-05-30.

From (m)	To (m)	Interval (m)	Zinc (%)	Lead (%)	Silver (gr/t)
531.75	568.80	37.05	10.98	2.61	21.2
Incl. 543.47	567.30	23.83	15.02	3.27	28.5
Incl. 543.70	561.40	17.93	17.22	4.20	30.1

Assay Samples and Assay Procedures

All core selected for analysis is split by diamond saw and sampled, with a maximum of 1.5 meters of core in each sample. These are placed in plastic bags and shipped in secure containers to Analytical Laboratories Ltd. in Vancouver, British Columbia, for analysis for zinc, lead and silver by aqua regia digestion followed by ICP emission spectrometry (Group 7A-ICP Multi-Element Assay). Check assays are carried out by Global Discovery Labs, also in Vancouver, employing aqua regia digestion followed by atomic absorption finish (Group 4).

John R. Fraser, P.Geo. (BC) is the Qualified Person for the Company and is responsible for the technical information contained in news releases.

About the Akie Property

The Akie property comprises a total of 22 contiguous mineral claims encompassing some 6,400 hectares, situated in the Omineca Mining Division of British Columbia. Between 1992 and 1996, Inmet Mining Corporation spent approximately $5.4-million exploring the property, including approximately 13,000 metres of diamond drilling.

Variably siliceous, bluish-grey weathering, fine-grained clastic rocks of the Middle to Late Devonian ‘Gunsteel formation’ host a sheet-like body of laminated to massive pyrite and barite, with local finely laminated bands of sphalerite and galena mineralization, referred to as the Cardiac Creek Zone, that has a strike length of 1,600 meters, a dip extent of at least 800 meters and a true width of up to 30 meters.

The Akie deposit is open to expansion in tonnage and grade both along strike and down-dip.

For further information regarding the Akie property, the reader is referred to a NI 43-101 report, titled ***Geological Report** on the Akie Property*, dated October 24, 2005, by D.G. MacIntyre, Ph. D., P.Geo.(BC)., which is filed on SEDAR at www.sedar.com.

Armstong Brook Gold Property

The Company had an option agreement with Geodex Minerals Ltd. (“Geodex”) to earn a 65% interest in Geodex’s 100%-owned Armstrong Brook gold property, located in the Cape Spencer area near Saint John, New Brunswick, subject to the following terms:

(i) by making the following cash payments to Geodex:
- $15,000 upon Exchange approval of the agreement (paid);
- $20,000 on the first anniversary; and
- $30,000 on the second anniversary.

(ii) by issuing a total of 450,000 post-consolidated common shares to Geodex as follows:
- 100,000 common shares upon Exchange approval of the agreement (issued);
- 150,000 common shares due on the first anniversary; and
- 200,000 common shares due on the second anniversary.

(iii) by incurring minimum exploration expenditures of $200,000 in the first year and a cumulative total of $1,000,000 by the second anniversary of the agreement.

The Company would have been able to increase its interest to 75% by funding 100% of all exploration and development costs to the stage of completing a feasibility study. The claims are subject to a 1.5% NSR.

The Company issued 50,000 shares as a finder’s fee to a third party as per the terms of the option agreement.
During the year ended June 30, 2006, management decided not to proceed with this option agreement. The Company introduced Geodex to Global Sortweb.Com Inc. (“Global”) and entered into a finder’s fee agreement as per the following terms:
- $25,000 within seven business days from the date of acceptance for filing of the agreement
- $10,000 within two months of the acceptance date

The Company has not collected these amounts yet.

Accordingly all acquisition and related exploration costs of $ 65,367 were written-off during the previous year.

West Range Property

The Company entered into an agreement with West Range Exploration Ltd. ("West Range"), pursuant to which the Company has agreed to purchase all of West Range's interest held in its property located in British Columbia by making a payment of $10,000 to West Range.

DA Properties

As of June 30, 2007, the Company beneficially owned an undivided 8.2% interest, subject, in part, to certain royalties and a royalty reduction option dated August 30, 1998, in twenty-four mineral claims and three mineral leases, known collectively as the Afridi Lake Property. The Afridi Lake Property is located southeast of Lac de Gras, approximately 335 km northeast of Yellowknife, Northwest Territories. The target mineral being sought on the property is diamond contained in kimberlite. To date, five kimberlite intrusions, with variable, but low diamond content, have been identified on the mineral leases.

On August 1, 2006, the Company entered into a joint venture agreement where by the Company holds 8.2% undivided interest in the mineral claims and three mineral leases, the latter subject to a 10% underlying NPI, a 5% GOR and a 5% NSR.

Mt Alcock Properties

During the year ended June 30, 2007, the Company entered into a property purchase agreement to acquire, a 100% interest, subject only to a 1% Net Smelter Returns (NSR) royalty, in 18 mineral claims located in the Mt. Alcock area of northeastern British Columbia in consideration of the payment of $75,000 cash and the issuance of 200,000 common shares (100,000 issued shares upon TSX Venture Exchange ("Exchange") approval and 100,000 shares issued on or prior to nine months after the anniversary of the Exchange acceptance date) of the Company. The Company has an option to purchase the entire NSR from the vendor for the sum of $1 million cash, subject to Exchange approval.

The Company paid $75,000 cash and issued 100,000 shares on October 20, 2006 and issued 100,000 shares on July 6, 2007

Kechika Regional

On March 28, 2007, the Company entered into a definitive agreement with Megastar Development Corp. pursuant to which the Company will have an option to earn an initial 60% interest in Megastar's SEDEX zinc properties located in Northeastern British Columbia by spending up to $2.25 million. Megastar's 100% owned SEDEX zinc properties are located within the highly prospective Gunsteel shale formation in the regionally extensive, world-class Kechika trough sedex zinc basin. The properties comprise over 18,000 hectares and are situated adjacent to and along strike the favourable geology which is host to several zinc deposits including the nearby Akie deposit where drilling has intersected extensive high-grade SEDEX style.
The Company will be the operator and can earn a 60% interest in Megastar's properties as follows:

(i) Payment to Megastar of $50,000 and the issuance of 50,000 shares of the Company upon signing a definitive agreement; (paid and issued)

(ii) The issuance of 50,000 shares of the Company nine months from signing a definitive agreement;

(iii) Payment to Megastar of $100,000 and the issuance of 25,000 shares of the Company on or before the first anniversary of the signing of the definitive agreement; and

(iv) Spending $2.25 million in exploration and development over a three-year period.

Summary of expenditure incurred on various properties upto the year ended June 30, 2007:

	Akie Property	Armstrong Brook Gold	DA	Kechika Regional	Mt Alcock	West Range	Total
Acquisition Costs:							
Balance June 30, 2005	$ –	$ –	$ –	$ –	$ –	$ –	$ –
Additions	160,688	65,367	7,757	–	–	10,000	243,812
Written-off	–	(65,367)	(7,757)	–	–	–	(73,124)
Balance June 30, 2006	160,688	–	–	–	–	10,000	170,688
Additions	23,720,648	–	70,930	163,661	136,778	–	24,092,017
Balance June 30, 2007	$ 23,881,336	$ –	$ 70,930	$ 163,661	$ 136,778	$ 10,000	$ 24,262,705
Deferred Exploration Costs:							
Balance June 30, 2005	$ –	$ –	$ –	$ –	$ –	$ –	$ –
Additions							
Geological Consulting	19,204	–	–	–	–	–	19,204
Drilling	2,494,532	–	–	–	–	–	2,494,532
Balance June 30, 2006	2,513,736	–	–	–	–	–	2,513,736
Additions							
Geological Consulting	57,324	–	–	672	1,352	–	59,348
Drilling	3,428,634	–	–	–	1,185	–	3,429,819
Environmental studies	50,724	–	–	–	–	–	50,724
Balance June 30, 2007	$ 6,050,418	$ –	$ –	$ 672	$ 2,537	$ –	$ 6,053,627
June 30, 2007	**$ 29,931,754**	**$ –**	**$ 70,930**	**$ 164,333**	**$ 139,315**	**$ 10,000**	**$ 30,316,332**

1.3 Selected Annual Information

The following is a summary of certain financial information concerning the Company for each of the last three most recently completed financial years:

	Years ended		
	2007	2006	2005
Interest Income	$231,342	$85,039	$2,205
Net Loss	($1,419,576)	($2,119,818)	($251,373)
Loss per share	($0.03)	($0.11)	($0.03)
Total assets	$40,564,127	$8,420,167	$334,843
Total long term liabilities	$Nil	$Nil	$Nil
Cash dividends declared per share for each class of share	$Nil	$Nil	$Nil

1.4 Results of Operations

The following is a discussion of the financial condition, changes in financial condition and results of operations of the Company for the years ended June 30, 2007 and 2006. There have been no major changes in accounting policies during these periods.

During the year ended June 30, 2007, the Company reported a loss of $1,419,576 or $0.03 per share compared to a loss of $2,119,818 or $0.11 per share during the year ended June 30, 2006, a decrease in loss by $700,242. The decrease in loss was primarily due to increase in future income tax recovery by $1,350,032.

The administration expenses increased by $15,500, flow through taxes by $31,957, investor relation expenses by $226,780, management fees by $32,900, office and miscellaneous expenses by $37,694, professional fees by $59,278, rent by $10,656, stock based compensation expense by $437,732, termination fees by $300,000, transfer agent fees by $6,761, travel and promotion by $29,334, wages and benefits by $24,022, and loss on sale of asset by $12,873 offset by decreases in consulting fees by $6,495, regulatory fees by $20,410, and increases in interest income by $146,303 and a gain on sale of marketable securities by $9,251.

Total interest income during the year ended June 30, 2007 was $231,342 compared to $85,039 during the year ended June 30, 2006. The gain on sale of marketable securities was $12,168 during the year as compared to $2,917 in the previous year.

The increase in investor relations by $226,780 during the year was a result of fees paid to various parties in connection with the Company's acquisition of interests in resource properties, other potential acquisitions and fees paid relating to strategic public relations campaigns for increased investor awareness. The Company did not incur any investor relation fees during the year ended June 30, 2006.

The increase in management and administrative fees by $32,900 and $15,500, respectively were due to a management and administrative services agreement entered into by the Company effective October 2004 with a company controlled by a director of the Company whereby the Company agreed to pay management fees of $5,000 per month and administrative fees of $1,000 per month. The management fee was increased to $7,500 per month and administrative fee to $2,500 per month, during the year ended June 2006 and further increased to $12,500 per month and $5,000 per month respectively during the year ended June 30, 2007.

Regulatory fees decreased by $20,410 as there were no events such as listing on the Stock Exchange.

A total of $300,000 in termination fees was paid to former director of Ecstall as a result of the acquisition.

Travel and promotion increased by $29,334 due to various travel expenses incurred by directors for presentations arranged for various potential European investors and newswire costs for various press release disseminations.

The Company recognizes compensation expense for all stock options granted, using the fair value based method of accounting and any cash paid on the exercise of stock options is added to the stated value of common shares. The Company recorded stock compensation expense of $2,028,894 for the year ended June 30, 2007 as there were options granted. For the year ended June 30, 2006, the Company recorded $1,591,162 in stock compensation expense for options granted during the year.

1.5 Summary of Quarterly Results

The following is a summary of certain consolidated financial information concerning the Company for each of the last eight reported quarters:

Quarter ended	Interest Income	Net Earnings (Loss)	Earnings (Loss) per share
June 30, 2007	$ 77,003	$ 244,797	$ 0.00
March 31, 2007	64,281	(689,994)	(0.01)
December 31, 2006	43,119	(910,184)	(0.03)
September 30, 2006	46,939	(64,195)	(0.00)
June 30, 2006	64,657	(86,959)	(0.00)
March 31, 2006	18,722	(1,357,382)	(0.06)
December 31, 2005	1,211	(419,581)	(0.03)
September 30, 2005	449	(255,896)	(0.02)

Over the past eight fiscal quarters there have been no significant trends.

1.6/1.7 Liquidity and Capital Resources

The Company reported a working capital of $8,774,470 at June 30, 2007 compared to a working capital of $5,262,263 at June 30, 2006, representing an increase in working capital by $3,512,207. Net cash and cash equivalents on hand increased by $4,228,144 from $4,920,537 at June 30, 2006 to $9,148,681 at June 30, 2007. The increase in cash resulted from an increase of $8,572,346 through issuance of capital stock net of issuance costs, cash acquired through the acquisition of Ecstall of $491,916, proceeds on sale of marketable securities of $79,280, and proceeds on sale of capital assets of $17,100, offset by cash utilized for operations of $1,168,762, purchase of equipment of $1,578, and resource properties costs of $3,762,158.

Current assets excluding cash and cash equivalents as at June 30, 2007 consisted of receivables of $340,794 which consists of GST recoverable of $151,496, accounts receivable of $93,568 and interest receivable of $95,730, deposits held in trust of $13,000 and prepaid expenses of $711,362. Current assets excluding cash and cash equivalents at June 30, 2006 consisted of receivables of $228,089 which consists of GST recoverable of $165,915 and interest receivable of $62,174 and marketable securities of $576,873.

Current liabilities as at June 30, 2007 consisted of accounts payable and accrued liabilities of $1,439,367 (June 30, 2006 - $463,236).

During the year ended June 30, 2007, the Company generated net cash of $8,572,346 from its financing activities as follows:

(i) the Company completed a non-brokered private placement on April 10, 2007 of 3,500,000 units at a price of

$1.15 per unit for gross proceeds of $4,025,000. Each unit consists of one common share and one-half share purchase warrant of the Company. Each whole warrant is exercisable at a price of $1.75 until April 10, 2009.

An aggregate of $70,725 was paid as finders' fees and another $23,465 was paid in regulatory costs on this private placement.

(ii) an aggregate of 7,403,679 warrants were exercised at a price ranging from $0.20 per share to $1.10 per share and a total of 7,403,679 common shares were issued for total proceeds of $2,351,616.

(iii) 35,000 options were exercised at $0.20 per share. In addition, a reallocation of $5,950 from contributed surplus to share capital was recorded on the exercise of these options.

(iv) the Company entered into a financing arrangement with Lundin Mining Corp. ("Lundin"), pursuant to which Lundin subscribed, by way of a non-brokered private placement, for 3,685,000 units of the Company at a price of $0.78 per unit for gross proceeds of $2,874,300. Each unit consists of one common share and one common share purchase warrant. Each warrant shall entitle the purchaser to purchase, at any time within 24 months from closing, one common share of the Company at a price of $0.78.

(v) pursuant to the Company's take-over bid, as described in Note 4 of the audited financial statements, the Company issued a total of 21,948,782 common shares of the Company at a value of $24,143,660. The Company incurred $567,020 in share issuance costs in relation to the take-over bid.

The Company paid $24,360 in filing and regularly costs for various share issuances during the year.

Financing for the Company's operations was funded primarily through the exercise of options and warrants. The other sources of funds potentially available to the Company are through the exercise of outstanding stock options, share purchase warrants and brokers' warrants. See *Item 1.15 – Other Requirements – Summary of Outstanding Share Data*. There can be no assurance, whatsoever, that any or all of these outstanding exercisable securities will be exercised.

The Company has and may continue to have capital requirements in excess of its currently available resources. In the event the Company's plans change, its assumptions change or prove inaccurate, or its capital resources in addition to projected cash flow, if any, prove to be insufficient to fund its future operations, the Company may be required to seek additional financing. Although the Company has been successful in raising the above funds, there can be no assurance that the Company will have sufficient financing to meet its future capital requirements or that additional financing will be available on terms acceptable to the Company in the future.

During the year ended June 30, 2005, the Company wrote-off all of its interests in the DA and AYL properties located in the Northwest Territories. During the year ended June 30, 2006, the Company wrote-off all of its interest in the Armstrong Brook Gold property located in New Brunswick in order to focus purely on its Akie zinc-lead property located in British Columbia. See *1.2 Over-all Performance – Akie Property* for a full disclosure on this property.

The Company's overall success will be affected by its current or future business activities. The Company is currently in the process of acquiring and exploring its interests in resource properties and has not yet determined whether these properties contain mineral deposits that are economically recoverable. The continued operations of the Company and the recoverability of expenditures incurred to earn an interest in these resource properties are dependent upon the existence of economically recoverable reserves, securing and maintaining title and beneficial interest in the properties, obtaining necessary financing to explore and develop the properties, and upon future profitable production or proceeds from disposition of the resource properties.

1.8 Off-Balance Sheet Arrangements

The Company does not utilize off-balance sheet arrangements.

1.9 Transactions with Related Parties

During the year ended June 30, 2007:

(a) the Company paid or accrued $100,000 (2006 – $72,500) for management fees and $35,000 (2006 – $19,500) for administrative fees to a company controlled by a director and an officer of the Company.

(b) the Company paid or accrued $46,623 (2006 - $10,500) for consulting and geological services fees, included in resource properties, to a company controlled by a director of the Company.

(c) the Company paid director's fees of $20,000 (2006 - $nil) to a director of the Company.

(d) the former President of Ecstall was paid $300,000 under an agreement which he had entered with Ecstall which agreement was duly approved by the Board of Ecstall.

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

1.10 Subsequent Events

Subsequent to the year ended June 30, 2007,

(a) the Company completed a private placement of up to 3,500,000 flow-through shares at a price of $1.50 per share for gross proceeds of up to $5,250,000 and of 550,000 shares at a price of $1.25 per share for gross proceeds of $687,500. The securities issued are subject to a four month hold period expiring December 14, 2007.

The Company paid an aggregate of $239,850 as finder's fees on a portion of the private placement.

(b) the Company acquired the remaining 59,241 shares of Ecstall by issuing a total of 24,289 shares of the Company as consideration.

(c) the Company granted in an aggregate of 3,075,000 stock options to directors, officers, investor relations and consultants at a price between $1.00 per share and $1.26 per share expiring between July 3, 2010 and September 17, 2012. Of the granted stock options, 372,939 stock options are subject to shareholder approval at the Company's next Annual General Meeting scheduled on November 21, 2007.

1.11 Proposed Transactions

No disclosure necessary.

1.12 Critical Accounting Estimates

Not applicable to Venture Issuers.

1.13 Changes in Accounting Policies including Initial Adoption

None.

1.14 Financial Instruments and Other Instruments

The Company's financial instruments consist of cash and cash equivalents, deposits held in trust, receivables, marketable securities and accounts payable and accrued liabilities. 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.
The fair value of these financial statements approximate their carrying value, unless otherwise noted.

1.15 Other Requirements

Summary of outstanding share data as at October 24, 2007

(1) Authorized: Unlimited common shares without par value
Issued and outstanding: 67,484,108

(2) Stock options outstanding: 7,037,500

(3) Warrants outstanding: 7,077,730

Disclosure Controls and Procedures

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported to senior management, including the Company's Chief Executive Officer and Chief Financial Officer, on a timely basis so that appropriate decisions can be made regarding public disclosure. Management of the Company, with the participation of the Chief Executive Officer and the Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures as at June 30, 2007 as required by Canadian securities laws. Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer, have concluded that, as of June 30, 2007, the disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed in the Company's annual filings and interim filings (as such terms are defined under Multilateral Instrument 52-109 Certification of Disclosure in Issuer's Annual and Interim Filings) and other reports filed or submitted under Canadian securities laws is recorded, processed, summarized and reported within the time periods specified by those laws and that material information is accumulated and communicated to management of the Company, including the Chief Executive Officer and the Chief Financial Officer, as appropriate to allow for accurate disclosure to be made on a timely basis.

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 with Canadian GAAP. The Chief Executive Officer and Chief Financial Officer have also concluded that there has been no change in the Company's internal control over financial reporting during the period ended June 30, 2007 that has materially affected, or is reasonably likely to affect, the Company's internal control over financial reporting.

Additional disclosures pertaining to the Company's technical report, management information circulars, material change reports, press releases and other information are available on the SEDAR website at www.sedar.com.
On behalf of the Board of Directors, thank you for your continued support.

"Peeyush Varshney"

Peeyush Varshney
Director
October 24, 2007