

CARLISLE GOLDFIELDS LIMITED
MANAGEMENT'S DISCUSSION AND ANALYSIS
NINE MONTHS ENDED MAY 31, 2008

The following Management's Discussion and Analysis ("MD&A") of the Company has been prepared based on information available to the Company as at May 31, 2008 and analyzes the Company's results for the nine months ended May 31, 2008. The financial statements of the Company have been prepared in accordance with Canadian generally accepted accounting principles.

Overview

The Company's principal business activity is the acquisition, exploration and development of high potential mineral properties, with particular focus on gold and silver. Users of gold had ample supply over the past 40 years, as government central banks sold their gold inventories because of the demonetizations of gold as a currency, and investing in U.S. currency became popular. Over time, excess gold inventories have been depleted and the supply/demand imbalance began to reverse itself, with production now lagging demand, and little new production coming on stream. Continuing weakness of the US dollar has been a major factor in the increase in price. Since 1967, the price of gold has climbed from the US\$35.00 per ounce range to over US\$ 1,000 per ounce in March of 2008, peaking at a 27 year high of US\$ 1,011.25 per ounce on March 17 2008. In March 2008 the gold price was over \$US 1,000 per ounce for about 5 days before dropping back into the \$US 900 range in April and Below \$US 900 in May.

In the former MacLellan Mine site silver values parallel gold at an average of five times the number of ounces per tonne providing a significant value add as the silver is extracted at the time as the gold is extracted. Silver prices have also shown a similar increase over the last five years doubling in price in mid 2006, and rising to a recent high of US\$ 19.25 per ounce on February 29, 2008.

Management believes that through 2008 the gold price will remain above \$US 900 per ounce, and that silver will remain about \$ US 18 per ounce. The price of gold and silver are impacted by many factors, ultimately reflected in supply and demand. Factors supporting management's opinion that gold will continue to be strong include increasing Asian demand for gold, particularly in India and China, combined with lagging world production over the next several years, even the major companies are finding that replacing mined reserves has become increasingly difficult. In addition, since 2006 we have seen a unique situation in mineral commodity prices in that all mineral commodity prices are at historical highs – at the same time. This results from a worldwide demand for mineral products which has never existed before. These supply and demand factors support management's opinion that the price of gold and silver will continue to rise. At the present time, management of the Company has determined that gold and silver will be its principal interest.

Overall Performance

The Company was able to achieve key objectives in 2007, becoming a publicly-traded company with the listing of its shares on the TSX on January 31, 2007. It had raised gross proceeds of \$ 4.816 Million in its IPO, closing January 24, 2007. It has also raised approximately \$1.468 million through two private placements in fiscal 2006. The Company has no secured or long-term debt, and no short-term debt aside from its regular trade payables.

The primary focus of the Company is the exploration of the mineralized veins that traverse the MacLellan Gold Property.

In June 2006, the Company engaged Terraquest Ltd. of Markham, Ontario to conduct a combined Mag, Radiometric and VLF/EM geophysical survey over the MacLellan Gold Property. The survey was completed in July 2006 and preliminary maps of the MacLellan Gold Property were completed in December 2006, and final maps and report received April 26, 2007.

In October 2006, the Company engaged Major Drilling Group International Inc. and between November 1, 2006 and July 19, 2007 a total of 41 drill holes were completed for approximately 12,000 metres. Drilling was focussed at the MacLellan Mine in an effort to confirm and expand the historic resources remaining at the time the mine closed. Results have been released periodically, and can be reviewed at SEDAR.com.

A review of other resources in the Lynn Lake area was completed and based on the results the Company has raised its target for overall resources in Lynn Lake, as detailed in the Press release of Oct 11, 2007, to a range of 800,000 to 1,200,000 ounces of gold.

A digital database containing all of the current and the historic information on the MacLellan Mine has been compiled and is being used to model the mineralized zones in order to complete a resource estimate. Delays in completing field surveys of the drill holes, and in receiving final assay information resulted in database work continuing into October 2007. Modelling of the mineralization proved to be quite complex and time consuming, but provided greater understanding of the trends of the mineralized zones.

Diamond drilling at Lynn Lake re-commenced in the first week of March 2008 and continued until mid June. A total of 21 drill holes were completed for a total of 8,794 metres. Targeting using input from the geological model was improved and better grade and more consistent results were achieved.

On May 22, 2008 the Company announced the long awaited Resource Estimate for the MacLellan Property. This included Measured and Indicated resources of 932,000 tonnes @ 6.81 g/t gold (Au) and 11.4 g/t silver (Ag) and an Inferred resource of 904,000 tonnes @ 7.16 g/t Au and 11.4 g/t Ag. This was the first NI43-101 compliant resource ever developed for the MacLellan Property and is a significant milestone for Carlisle as it puts the company on a path towards a scoping study and advanced exploration, with a view to resumption of production, and it further confirms Management's confidence in the MacLellan property and in the gold potential within the Lynn Lake Greenstone belt. The full Report containing the resource estimate is available on SEDAR.

The MacLellan deposit remains open to depth, below the area for which the resource is estimated, and there is significant potential to develop additional resources below the mine with additional drilling. There is also potential to add resources with drilling towards the southwest where recent drilling continues to intersect veins with visible gold in the Dot and Rainbow zones.

The current resource has met management's initial objective of roughly doubling the historic resource figure, with recognition of the silver values now included in this resource for the first time. The information being gained by the current drilling program is expected to add to, and upgrade the resource estimate. Work on an updated resource estimate will commence once all of the data from the drilling program is in hand.

As a result of this the Company is well on its way to the previously stated target of discovering 800,000 - 1,200,000 ounces of gold on its larger Lynn Lake land package.

The 2008 Drilling program has been testing all of the zones at the MacLellan Mine from the Nisku Zone on the east to the Dot zone on the west, and below the mine workings. Additional mineralization has been targeted to the south of the mine area as well. Drilling in the Rainbow Zone has provided a number of intervals with visible gold. Many of these recently drilled intervals are outside of the area in which the recently published resource is contained and will contribute to enlarging the resource and upgrading from Inferred to Indicated resources.

Drilling continues to intersect high grades and multiple zones in both the Nisku and Main zones. The frequency of higher grade intervals and of visible gold occurrences is greater than in previous drilling programs, suggesting that both grade and consistency of the mineralization are improving to depth. Silver values continue to be found in the assay intervals with the Gold, up to 3 times the gold content. It is anticipated that silver values will contribute in a major way to the economics of a future mining operation.

Drillhole **MG08-1** was completed, at -60 degrees, to a final length of 350 metres. Drillhole **MG-08-02**, which intersected a wide zone of mineralization, including a number of higher grade intervals in the lower Nisku Zone and Drillhole **MG08-3** was completed, at -66 degrees, to a final length of 452 metres. Drillhole **MG08-04** intersected low gold and silver values in a gap in mineralization to the east of the Nisku zone, under-explored gold values remain further east of this location. Drillhole **MG08-5** was completed, at -60 degrees, to a final length of 245 metres, and was testing for a zone south of Nisku seen in previous drilling. No significant gold values were returned. Drillhole **MG-08-06** intersected a wide zone of elevated gold mineralization including a number of higher grade

intervals in the Rainbow Zone, as did drillhole MG08-14. Drillhole **MG08-07** intersected a number of mineralized intervals in the Nisku zone. Drillhole **MG-08-08** intersected a wide zone of mineralization, including a number of higher grade intervals in the East Main Zone. Drillhole **MG08-10** intersected low gold and silver values in a poorly mineralized area above the East Main zone. **Drillhole MG08-11** intersected low gold and silver values in a poorly mineralized area between the East Main and Nisku zones. Drillhole **MG08-12** confirmed the East Main at deeper levels. Drillhole **MG08-13** cut a weakly mineralized zone, west of the Main zone at depth. Drillhole **MG08-16A** cut a number of higher grade intervals, within a broad mineralized zone, deep in the Main zone. Details of the drilling and assay results can be found in the information filed in SEDAR website.

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The current resource has met management's initial objective of roughly doubling the historic resource figure, with recognition of the silver values now included in this resource for the first time. The information being gained by the current drilling program is expected to add to, and upgrade the resource estimate. Work on an updated resource estimate will commence once all of the data from the drilling program is in hand.

The Company does not currently derive any revenue from its operations, aside from interest revenue on short-term investments. Its ability to conduct exploration on its properties and develop properties that could prove to be economical is based on its ability to raise capital through equity financing. The Company's ability to raise capital by equity financing in the near future will be affected by the price of gold and silver and the results of the drill program on the MacLellan Gold Property.

There was no activity on the Company's other properties. The claims forming the Doc Property in British Columbia expired as there was no assessment work to report and funds to pay in Lieu of assessment were not available. No interest in option or joint venture of the Property had been found. Efforts to option out the Goodfish Property in Ontario met with no success.

Financing Activities

Three months Ended May 31, 2008

The Company did not undertake any financing activities in the period.

Three months Ended February 29, 2008

NOTE: During December 2007, the Company issued by private placement 7,426,863 flow-through common shares at \$0.28 and received proceeds of \$2,079,522 less commissions of \$166,362. In addition, 652,686 broker's warrants of 18 months duration convertible at \$0.28 were issued and legal costs of \$44,838 were paid.

Three months Ended November 30, 2007

The Company did not undertake any financing activities in the period.

Three months ended August 31, 2007

The Company did not undertake any financing activities in the period.

Three months ended May 31, 2007

The Company did not undertake any financing activities in the period.

Three months ended February 28, 2007

On December 7, 2006, the Company filed a long-form preliminary prospectus for an Initial Public Offering. The final prospectus was filed by December 28, 2006. The offering consisted of a maximum offering of \$11,000,000 consisting of a maximum of 6,000,000 units and 14,545,454 Flow-Through Shares at a price of \$0.50 per unit and \$0.55 per Flow-Through Share. Each unit consisted of one common share and one-half of one common share purchase warrant. Each whole warrant will entitle the holder to purchase one common share on or before June 30, 2008 at an exercise price of \$0.85 per warrant. The units and Flow-Through Shares were issued pursuant to an Agency Agreement. The Agents received a cash commission equal to 8% of the gross proceeds of the offering. In addition, the Agents received Agents' Warrants equal to 10% of the number of units and Flow-Through Shares issued pursuant to the offering. Each Agent's warrant entitles the holder to purchase one common share at the unit Offering Price at any time prior to June 30, 2008.

The prospectus also qualified the distribution of 3,190,000 Flow-Through Shares, 810,000 common shares and 405,000 Series 2007 Warrants issuable upon the exercise or deemed exercise of 4,000,000 previously issued Special Warrants issued on August 31, 2006

On January 9, 2007 the Company announced that it had raised gross proceeds of \$4,364,828 by way of its initial public offering, on the sale of 7,666,961 flow-through common shares at a purchase price of \$0.55, and 296,000 units comprised of one common share and one half of one common share purchase warrant at a price of \$0.50 per unit. Each warrant entitles the holder to acquire one common share of the Company at a price of \$0.85 on or before June 30, 2008. On January 31, 2007 the Company announced that it had closed an additional financing on January 24, 2007 and had raised an additional \$ 456,000 by way of sale of an additional 912,000 units.

The TSX granted the Company's application for original listing, in the Mining category, and the common shares of the Company were posted for trading on January 31, 2007.

Upon listing of the Company's shares all of the Special Warrants were converted into the underlying shares and warrants as applicable. A 10% penalty provision was triggered as a result of the listing occurring after December 31, 2006. The company issued 4,400,000 common shares, and 445,500 warrants to acquire one common share at a price of \$ 0.50 on or before August 31, 2008 in exchange for the Special warrants.

Three months ended November 30, 2006

On October 13, 2006, the Company issued, by way of private placement, 1,146,667 Units comprised of one common share and one half of one common share purchase warrant at a price of \$0.30 per unit for a total gross proceeds of \$344,000. In addition the Company issued 87,267 compensation warrants for this private placement. Each warrant entitles the holder to acquire one common share of the Company at a price of \$0.50 on or before December 31, 2007. In addition, on October 13, 2006, the Company issued 1,200,000 Flow-Through shares by way of a private placement at a price of \$0.40 for total gross cash proceeds of \$480,000.

Liquidity and Capital Resources

The mineral properties of the Company are in the exploration and development stage and, as a result, the Company has no source of operating cash flow. The exploration and development of the Company's properties depends on the ability of the Company to obtain financing. If the Company's exploration programs are successful, additional funds will be required to develop the Company's properties and, if successful, to place them into commercial production. The only sources of future funds presently available to the Company are the exercise of warrants or stock options, the sale of equity capital of the Company, or the sale by the Company of an interest in any of its properties in whole or in part.

Currently the Company has negative working capital of \$568,000. The Company has been unable to raise capital and unless it is able to raise funds within the very short-term period it will not be able to sustain its operations. The primary cause of the working capital deficiency is an the result of an audit performed by the Canadian Revenue Agency related to the failure of the Company to match the amounts renounced on the issuance of flow-through shares in 2006 with expenditures on exploration in 2007. The Company has recorded approximately \$242,000 related to the indicated assessment that has yet to be received and an additional \$50,000 anticipated to arrive from an assessment of 2008 expenditures. In addition \$480,000 was transferred from future income taxes payable to a reserve for claims anticipated from the purchasers of the flow-through shares who will be re-assessed, reducing the allowable tax deductions they claimed. The Company intends to object to the assessment when received and anticipates a reduction in the liability recorded this quarter after the objection has been filed.

The Company is currently actively seeking capital financing.

Results of Operations

As an exploration stage company, the Company does not have operating revenue from mining operations. In the six month period ended February 29, 2008 the Company earned \$20,515 in interest income (February 28, 2007-\$15,934).

Operating Expenses and Net Losses

Operating Expenses and Net Loss (compared to the previous quarter)

For the three month period the company incurred a net loss of \$564,665 which compares to a loss of \$300,777 in the previous quarter. The current quarter included a tax expense of \$292,000 which had no matching cost in the previous quarter. Adjusting for the tax cost, the loss for the quarter was \$272,665 which was approximately \$28,000 less than the previous quarter loss. Professional fees were approximately \$95,000 lower in the third quarter with but this was offset by a write-down of a mineral property of \$70,527. Advertising and promotion expenses were \$51,000 lower but a receivable was written-off as uncollectible for almost \$90,000.

Comparison of Fiscal 2008 to Fiscal 2007

On a year over year basis the net operating loss of 2008 was just over \$166,000 higher than 2007. The Company was in start-up mode in 2007 and experienced lower first quarter costs. The current year's loss did contain about \$450,000 in one-time items (write-down of property, receivable and accrual of income taxes) and the previous year had a stock compensation expense of \$279,600. Net of these items the current loss was \$719,608 while the previous year's net loss was \$624,000. This difference was primarily caused by the costs associated with trade shows which expense was about \$130,000 higher than the previous year associated with the efforts to raise funding.

The Company has not paid a cash dividend to its shareholders and does not anticipate paying cash dividends in the near future.

Selected Quarterly Financial Data:

Financial Results		31-May-08	29-Feb-08	30-Nov-07	31-Aug-07	31-May-07	28-Feb-07	30-Nov-06	31-Aug-06
Net profit (loss) for the period		(\$564,665)	(\$300,777)	(\$304,366)	\$181,991	(\$353,253)	(\$210,653)	(\$110,446)	(\$201,221)
Basic and diluted profit (loss) per shares		(\$0.015)	(\$0.005)	(\$0.01)	\$(0.01)	(\$0.02)	(\$0.02)	(\$0.01)	(\$0.04)
Balance Sheet Data		31-May-08	29-Feb-08	30-Nov-07	31-Aug-07	31-May-07	28-Feb-07	30-Nov-06	31-Aug-06
Cash and cash equivalents		\$299,883	\$1,918,898	\$578,243	\$1,275,392	\$2,460,675	\$3,854,709	\$1,025,712	\$858,137
Mineral Properties		\$6,746,031	\$5,241,967	\$4,929,198	\$4,559,583	\$3,682,270	\$2,368,831	\$1,535,092	\$931,390
Total Assets		\$7,087,635	\$7,454,796	5,891,718	\$6,196,182	\$6,548,780	\$6,691,060	\$2,879,339	\$1,868,544
Shareholder's Equity		\$4,519,942	\$4,735,306	4,308,683	\$4,613,049	\$6,078,318	\$6,306,871	\$2,357,849	\$1,690,354

The ability of the Company to arrange such financing in the future will depend in part upon the prevailing capital market conditions as well as the business performance of the Company. There can be no assurance that the Company will be successful in its efforts to arrange additional financing, if needed, on terms satisfactory to the Company. If additional financing is raised by the issuance of shares from the treasury of the Company, control of the Company may change and shareholders may suffer dilution. If adequate financing is not available, the Company may be required to delay, reduce the scope of, or eliminate one or more exploration activities or relinquish rights to certain of its interests. Failure to obtain additional financing on a timely basis could cause the Company to forfeit its interests in some or all of its properties and reduce or terminate its operations.

There are warrants outstanding as of July 15, 2008 that are a potential source of financing to the Company; these are Shareholders' and Agent's Warrants. The exercise of all outstanding warrants would result in the injection of approximately \$182,452 into the Company.

There are Stock Options outstanding as of July 15, 2008 that may be a potential source of financing to the Company. The exercise of all outstanding Stock options would result in the injection of \$274,500 into the Company.

As at May 31, 2008 the Company had current assets of \$299,883 to meet current liabilities of \$867,693. Included in current assets is, cash, and cash equivalents, of \$268,966.

Share Data

As at July 15, 2008 the Company had 40,035,159 common shares outstanding as well as:

- a) Shareholder warrants to purchase 445,500 common shares expiring August 31, 2008 and exercisable at \$0.50 per share;

- b) Agent's warrants to purchase 652,686 common shares expiring June 4, 2009 and exercisable at \$0.28 per share.
- c) Stock Options issued under the Company's Stock Option Plan: 900,000 exercisable at \$0.305 per share, expiring in April 2012

On a fully diluted basis, the Company had 42,033,345 common shares outstanding.

Contractual Obligations and Commitments

The Company's major contractual obligations and commitments are:

- On November 3, 2006 entered into an agreement to rent office premises for a period of 61 months, commencing January 1, 2007.
- The Company had a consulting contract with Mr. Stephen Mlot, details noted below.
- The Company is required to incur exploration costs of \$1,902,000 in fiscal 2008

The Company has no other contractual obligations or commitments.

Glencairn Agreement

The Company acquired its interest in the Properties pursuant to a property acquisition agreement (the "Glencairn Agreement") dated effective December 31, 2005, as amended, on December 21, 2006, between the Company, as purchaser, and Glencairn, 2791341 Manitoba Ltd., Black Hawk, and 632164 BC Ltd., as vendors.

The acquisition was completed on May 30, 2006, for the cost of \$666,667 which was satisfied by the issue of 8,000,000 Common Shares to Glencairn and the reservation of a 2% net smelter return royalty (the "NSRR") in favour of Glencairn with respect to the Lynn Lake Properties. In the event that any part of the Lynn Lake Properties is subject to a prior net smelter return royalty, Glencairn's NSRR payment shall be reduced to the extent of any payment required to be made to the existing net smelter return royalty holder. In addition, in the event that the average of the Daily London Bullion Broker second gold fixing over a quarterly period falls below US\$300 per ounce the NSRR shall be reduced to 1% for that quarterly period.

Under the Glencairn Agreement the Company has agreed to: complete a Going-Public Transaction on or before January 31, 2007 and pay to Glencairn the amount of \$50,000 within 30 days of completing the Going-Public Transaction; raise a minimum of \$2,000,000 prior to completing the Going-Public Transaction (this was completed on September 22, 2006), and incur exploration expenditures on the Properties of at least \$1,000,000 on or before February 1, 2007. Glencairn has the right to appoint one director to the board of directors of the Company and, if the board has more than 5 directors, it has the right to appoint two.

The Company also agreed to provide quarterly reports and pay all taxes and other expenses and perform all assessment work necessary to keep the Properties in good standing prior to completion of the Going-Public Transaction. The Company must also notify Glencairn of any material information it receives with respect to the Properties prior to completion of the Going-Public Transaction. The Company has also assumed any of the environmental liabilities relating to the Properties, exclusive of all reclamation work on the Farley Lake Property to be performed by Black Hawk, a wholly-owned subsidiary of Glencairn, in connection with its closure plan filed with the Government of Manitoba. Management is of the opinion that there are no material environmental liabilities relating to the Properties.

To date the Company has completed the following with respect to the Glencairn Agreement

- The Company has raised in excess of the \$2 million requirement,
- The Company has spent in excess of required the \$1 million on exploration of the properties,

- The Company has paid the required \$50,000 within the 30 days of the "going public" event,
- The Company completed its requirement for a public listing, commencing trading on the Toronto Stock Exchange (TSX) on January 31, 2007.

This completes all of the terms and obligations of the Glencairn Agreement.

Consulting Agreement with Mr. Stephen Mlot

The Company and Stephen Mlot entered into a consulting agreement (the "Mlot Services Agreement") dated December 4, 2006. Pursuant to the terms of the Mlot Consulting Agreement, Mr. Mlot has agreed to serve as President for the Company. Mr. Mlot is a shareholder, officer and director of the Company. The Mlot Services Agreement provides for a monthly fee of \$5,000 for up to ten days of services during the month, and \$500 for each additional day of work, to a maximum of \$10,000 per month, plus reimbursement of reasonable out-of-pocket expenses incurred in connection with the performance of services under the agreement. Mr. Mlot is eligible, subject to compliance with all securities and regulatory laws, rules and policies, and the discretion of the board of directors, to participate in the Stock Option Plan. Annual bonuses may also be declared at the sole option of the board of directors based on Mr. Mlot's performance which, at the option of the Company, may be paid either in cash, Common Shares, options or such other form of compensation as may be determined by the board.

The Mlot Services Agreement was terminated on July 2, 2008.

Transactions with Related Parties

During the year, the company had dealings with the following related parties:

The company relies on the experience and expertise of Mr. Stephen Mlot in his role as President and Chief Executive Officer and Director of the Company. The Company has secured his services at \$10,000 per month for management and exploration management fees. For the nine months Mr Mlot received \$75,000 and \$49,640 in expenses (2006-\$75,000).

The Company also used the services for offices, geological consulting and management fees of a company controlled by a shareholder and director of the Company. For the nine months these fees amounted to \$49,388 (2006- \$68,041).

The Company also used the services of Raymond Mitchell, the CFO of the company who received \$10,000 in the nine months and in 2007 the previous CFO received \$15,000.

Disclosure Controls and Internal Controls Over Financial Reporting

Management, with the participation of Raymond Mitchell, CFO and Carl McGill, President, has evaluated the effectiveness, as of May 31, 2008, of the Company's design of internal controls over financial reporting. These controls were evaluated during the period and it was noted that due to the start-up nature of the Company and the limited amount of staff available, controls over financial reporting are heavily reliant on the knowledge of senior management and their review of activities reflected in the financial statements. Nevertheless, it was determined that the overall review of matters by management, including audit committee review of all expenditures of any significance, were adequate compensating controls for any weaknesses that existed during the period.

Critical Accounting Estimates

The preparation of financial statements requires the Company to estimate the effect of various matters that are inherently uncertain as at the date of the financial statements. Each of these required estimates varies with respect to the level of judgment involved and the potential impact on the Company's reported financial results. Estimates are deemed critical when the Company's financial condition, change in financial condition or results of operations would be materially impacted by a different estimate or a change in estimate from period to period. The Company's significant accounting policies are discussed in note 1 of the Notes to Consolidated Financial Statements. Critical estimates inherent in these accounting policies are discussed in the following paragraphs.

Income taxes

The Company operates in Canada. The breadth of the Company's operations and the complexity of the taxing legislation and practices require the Company to apply judgment in estimating its ultimate tax liability. The final taxes paid will depend on many factors, including the Company's interpretation of the legislation and the outcomes of audits by and negotiations with tax authorities. Ultimately, the final taxes may be adjusted based on the resolution of these uncertainties.

The Company follows the liability method of accounting for income taxes. Under this method, future tax liabilities and assets are recognized for the estimated tax consequences attributable to differences between the financial statement carrying amounts of assets and liabilities and their respective tax bases. Future tax liabilities and assets are measured using enacted tax rates. The effect on future tax liabilities and assets of a change in tax rates is recognized in the period that the change occurs.

During fiscal 2008 and 2007, the company renounced its rights to exploration expenditures that flowed through to shareholders and recorded the impact on the future tax position of the company within the accounts last year.

In 2006, the Company raised gross proceeds of approximately \$4.7 million of flow-through share financing from investors. The gross proceeds of the financing were renounced to the investors as at December 31, 2006 and were to be used to incur flow-through expenditures by December 31, 2007. In March 2008, the flow-through expenditures incurred by the Company from the financing were the subject of a Canada Revenue Agency ("CRA") audit. Based upon the Company's records, approximately \$1,200,000 of the gross proceeds renounced to the investors were not used to incur flow-through expenditures. Under the subscription agreements entered into by the Company with the investors, the Company is required to compensate the investors for the amount of any income tax reassessment resulting from the failure by the Company to incur flow-through expenditures for the entire proceeds of the financing. The Company has recorded \$242,000 including penalties related to the review and in addition has estimated and recorded an obligation of \$480,000 related to the anticipated requests for compensation. The Company will be objecting to the assessment when received from the "CRA" as it believes there expenditures incurred that were disallowed should be reinstated. If the objection is accepted there will still be material liabilities.

In addition, the Company anticipates a similar assessment for delays in 2008 expenditures for which it has accrued \$50,000 in taxes and penalties.

Nature of Operations

The Company is an exploration company. Its mineral properties are currently being explored and the Company has not yet determined whether these properties contain reserves that are economically recoverable. The recoverability of the amount shown for mineral properties is dependent upon the existence of economically recoverable reserves (as established in accordance with NI 43-101), the ability of the Company to obtain the necessary financing to complete exploration and development and upon future profitable production or proceeds from disposition of such properties.

The Company tries to maximize its exposure to promising exploration opportunities, to manage the risks inherent in exploration and to make appropriate use of financial management resources. The Company intends to hire several employees that worked the properties in the past, hence, are familiar with the legacy workings and historic infrastructure; further, they are familiar with the historic mine data and government reports that identify some of the positive attributes of the properties. This experience and knowledge base would mitigate the risk associated with otherwise unknown properties.

Additional Funding Requirements

As discussed above, the mineral properties of the Company are in the exploration stage and, as a result, the Company has no source of operating cash flow. The Company intends to raise such additional funds to complete its projects. The Company does not currently have the financial resources necessary to undertake all of its currently planned activities. Upon the completion of the Offering, the Company will be able to undertake an exploration program. However, there can be no assurance that the Company will be successful in obtaining any additional required funding necessary to conduct

additional exploration, if warranted, on the Company's exploration properties or to develop mineral resources on such properties, if commercially mineable quantities of such resources are located thereon.

Incentive Stock Option Plan

The Company has established a stock option plan to provide incentive compensation to the Company's directors, officers, employees and consultants (the "Stock Option Plan").

The Stock Option Plan is administered by the board of directors of the Company. Stock options may be granted at any time to any director, senior officer, key employee or other person providing services to the Company, taking into consideration his or her contribution to the success of the Company and any other factor which the board of directors of the Company may deem proper and relevant. The aggregate number of Common Shares which may be reserved for issuance pursuant to the Stock Option Plan and any other share compensation arrangements of the Company will not exceed 10% of the total number of issued and outstanding Common Shares (calculated on a non diluted basis) from time to time.

Stock options granted under the Stock Option Plan are exercisable over a period not exceeding five years, subject to earlier cancellation upon the termination of the optionee's employment, upon the optionee ceasing to be an employee, senior officer, director or consultant of the Company, as applicable, or upon the optionee retiring, becoming permanently disabled or dying. The stock options are non-assignable and non-transferable. The Stock Option Plan contains provisions for adjustment in the number of shares issuable in the event of a subdivision, consolidation, reclassification or change of the Common Shares, or a merger or other relevant changes in the Company's capitalization. The Stock Option Plan does not contain any provision for financial assistance by the Company in respect of stock options granted.

As at February 29, 2008 the Company had granted 1,200,000 stock options under the Stock Option Plan, 900,000 stock options remained outstanding, and are exercisable at \$0.305 until April 1, 2012, and 300,000 had expired during the current period.

Mineral Properties and Deferred Exploration Costs

The Company defers the costs of exploration on existing projects and carries them as assets until production commences. The amounts at which mineral properties and deferred exploration expenditures are recorded do not necessarily reflect present or future values. If a project is successful, the related mineral properties and deferred exploration costs will be amortized over the estimated economic life of the project. If a project is unsuccessful, or if exploration has ceased because continuation is not economically feasible, the mineral properties and related exploration expenditures are written off.

Dividends

The Company has not paid any dividends on its Common Shares since incorporation and does not anticipate paying any dividends on its Common Shares in the foreseeable future. The Company has a limited operating history and there can be no assurance of its ability to operate its projects profitably.

Legal Proceedings

Management is not aware of any material legal proceedings, actual, contemplated or threatened to which the Company is a party or to which any of its property or assets is subject.

Forward-Looking Statements

This prospectus contains "forward-looking information" which may include, but is not limited to, statements with respect to the future financial or operating performance of the Company, and its projects, the exploration expenditures, costs and timing of future exploration, requirements for additional capital, government regulation of mining operations, environmental risks, limitations of insurance coverage and regulatory matters. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates", or "believes" or variations (including negative variations) of such words and phrases, or state that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or

be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such factors include, among others, general business, economic, competitive, political and social uncertainties; the actual results of current exploration activities; conclusions of economic evaluations; changes in project parameters as plans continue to be refined; the future price of gold and silver; possible variations of ore grade or recovery rates; failure of the plant, equipment or processes to operate as anticipated; accidents, labour disputes and other risks of the mining industry; delays in obtaining governmental approvals or financing or in the completion of development or construction activities. A detailed description of risk factors can be found in the Company's Annual Information Form dated November 29, 2007 available on SEDAR at www.sedar.com. Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results to differ from those anticipated, estimated or intended. Forward-looking statements contained herein are made as of the date of this prospectus and the Company disclaims any obligation to update any forward-looking statements, whether as a result of new information, future events or results or otherwise. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. The Company undertakes no obligation to update forward-looking statements if circumstances, management's estimates or opinions should change, except as required by securities legislation. Accordingly, the reader is cautioned not to place undue reliance on forward-looking statements.

Financial Instruments

The balance sheet carrying amounts for cash, GST recoverable, subscription receivable, prepaid expenses, deferred financing fees, accounts payable and accruals approximate fair value due to their short-term nature.

Additional Information

Additional information relating to the Company is available on SEDAR at www.sedar.com.