



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

**MARCH 31, 2008**

The following is Management's Discussion and Analysis ("MDA") of the financial condition and results of operations to enable a reader to assess material changes in financial condition and results of operations for the three months ended March 31, 2008. This MDA has been prepared as at May 15, 2008, unless otherwise indicated. This MDA is intended to supplement and complement the unaudited financial statements and notes thereto for the three months ended March 31, 2008. All amounts are expressed in Canadian dollars unless otherwise indicated.

## Overview

GLR Resources Inc. ("GLR" or the "Company") is a Canadian-based mining and exploration company incorporated under the Canada Business Corporations Act. The Company's primary project is development of its 100%-owned Goldfields Mine, located near Uranium City in northern Saskatchewan. The mine consists of two gold deposits, the Box and Athona deposits. The resources for these mines are summarized as follows:

|                        | Tonnes (000's) | Grade<br>(gm/tonne) | Contained ounces<br>(000's) |
|------------------------|----------------|---------------------|-----------------------------|
| <b>Box Mine</b>        |                |                     |                             |
| Measured               | 2,401          | 1.68                | 130                         |
| Indicated              | 14,500         | 1.34                | 623                         |
| Measured and indicated | 16,901         | 1.39                | 753                         |
| Inferred               | 3,710          | 0.93                | 111                         |
| <b>Athona Mine</b>     |                |                     |                             |
| Indicated              | 7,000          | 1.28                | 289                         |
| Inferred               | 1,400          | 1.10                | 50                          |

In a 43-101 compliant study commissioned by the Company, proven and probable mineable reserves at the Box Mine were estimated by Bikerman Engineering & Technology Associates, Inc. to be as follows:

|          | Tonnes     | Grade<br>(gm/tonne) | Ounces<br>contained | Ounces<br>recoverable |
|----------|------------|---------------------|---------------------|-----------------------|
| Proven   | 1,683,717  | 2.025               | 109,619             | 101,945               |
| Probable | 9,313,283  | 1.641               | 491,436             | 457,035               |
| Total    | 10,997,000 | 1.700               | 601,007             | 558,937               |

## Outlook for 2008

On March 6, 2008, the Company announced that the Saskatchewan Environmental Assessment Branch had commenced the public review phase of the Environmental Study for the Box Mine portion of its Goldfields project. This review was successfully wrapped up on April 15th with no questions or concerns being raised by the public. The Environmental Assessment Branch has now made a submission to the Minister of the Environment recommending that Environmental Permits be granted for the Box Mine portion of the Goldfields Project.

Subject to timing of the equity and project financing, GLR expects construction to commence late in the second quarter of 2008. Completion of construction and commissioning of the mine is expected during the fourth quarter of 2009.

On April 7, 2008, GLR obtained a receipt for its preliminary short form prospectus filed with securities regulatory authorities in the provinces of British Columbia, Alberta, Ontario and Quebec in connection with the offering of up to 20,000 subscription receipts ("Subscription Receipts") at a price of \$1,000 per Subscription Receipt for gross proceeds of up to \$20,000,000. Each Subscription Receipt conditionally represents one unit (each, a "Unit") subject to adjustment in certain circumstances. Each Unit consists of a face value \$1,000 principal amount unsecured note (each a "Note" and collectively the "Notes") and 350 common shares of GLR (each a "Unit Share" and collectively the "Unit Shares"). The Units will not trade and will separate into Notes and Unit Shares immediately upon issue. The Notes will carry a term of five years and will bear interest at the rate of 11% per year, payable semi-annually in arrears in equal instalments on January 1<sup>st</sup> and July 1<sup>st</sup> of each year.



If the offering is taken up, the GLR expects to net approximately \$16 million from the offering to finance development of the Box Gold Mine, after placing funds in escrow for future interest payments and payment of costs of the offering.

### Selected Quarterly Information

|  | 2008      |           | 2007      |             |
|--|-----------|-----------|-----------|-------------|
|  | Q1        | Q2        | Q3        | Q4          |
|  | \$        | \$        | \$        | \$          |
| Revenues                               | 71,943    | 65,383    | 80,950    | 55,691      |
| Expenses                               | 467,644   | 546,088   | 598,197   | 1,557,450   |
| Net loss                               | (395,701) | (377,964) | (378,172) | (1,297,744) |
| Basic and fully diluted loss per share | (0.01)    | (0.01)    | (0.00)    | (0.03)      |

|   | 2006        |           |           | 2007      |
|---|-------------|-----------|-----------|-----------|
|   | Q2          | Q3        | Q4        | Q1        |
|   | \$          | \$        | \$        | \$        |
| Revenues  | 23,960      | 18,101    | 230,571   | 14,608    |
| Expenses (recovery)                             | 1,219,115   | 277,134   | (383,122) | 318,526   |
| Net income (loss)                               | (1,115,585) | (190,612) | 691,452   | (220,050) |
| Basic and fully diluted income (loss) per share | (0.03)      | (0.01)    | 0.02      | (0.01)    |

### Results of Operations

During 2008 GLR charged Uranium City Resources Inc. ("UCR") \$48,224 (2007-\$12,307) in respect of certain exploration and development projects. The increased management fee income results from increased exploration activity on properties jointly held with UCR.

Operating expenditures for 2008 totalled \$467,643 compared to \$318,526 during 2007.

Office and general expenses increased \$53,016 as a result of increased management charges to the administrative function resulting from increased staffing over the similar period in 2007.

Interest expense of \$41,778 arises in 2008 in respect of interest charges on the promissory note to Blackfish Capital (Master) Fund 1 SPC ("Blackfish") which was issued in October 2007 and an accrual of Part XII.6 tax in respect of under-expended Canadian exploration expenditures in respect of a flow-through financing completed in November 2007 (See Commitments and Contingencies).

The cost of public relations decreased \$5,676 on decreased travel and more focus on completion of Saskatchewan Environmental Study.

Professional fees increased \$11,813 principally as a consequence of increased general legal costs indirectly related to financial structuring of the Company.

Costs associated with communication of shareholder information decreased \$3,376 due to timing of communications with shareholders.

Consulting expense declined \$1,042. The Chief Financial Officer is no longer grouped in this category but rather is included under the caption, Salaries, fees and benefits.

Salaries, fees and benefits increased \$96,692 over 2007. This increase arises from the hiring of support staff in the Kirkland Lake and Saskatoon offices not directly related to development of the Goldfields Mine. This category now includes management fees charged by the President, the Chief Financial Officer and the Vice-president, Government Relations of the Company. Management fees attributable to the President's function are now totally



expensed as a corporate expense rather than partially allocated and capitalized to exploration as the president function is now primarily focused on financing issues.

Stock-based compensation, which is a non-cash charge, decreased on reduced amortization of Black-Scholes valuations attributable to options previously granted to personnel.

The Company is assessing the potential of its exploration portfolio and may consider further write-downs in carrying value of certain exploration properties.

As a result of its activities, the Company recorded a net loss of \$395,700 or \$0.01 per share during the quarter compared to a net loss of \$303,918 or \$0.01 per share during the corresponding quarter of fiscal 2007.

## Capital Resources and Liquidity

The financial statements are prepared in accordance with Canadian generally accepted accounting principles and on the assumption that GLR will be able to realize the carrying value of its assets and discharge its liabilities in the normal course of business as a going concern. The ability of the Company to continue as a going concern is dependent upon, among other things, being able to obtain additional financing and reach positive cash flows from operations. During the first quarter of 2008, the Company raised \$4,290,800 through the placement of non-flow-through and flow-through equity placements. After cash issuance costs associated with the private placements, the Company netted \$3,953,045 to finance its on-going development of the Box Mine and exploration projects.

### Project Financing

On April 7, 2008, GLR obtained a receipt for its preliminary short form prospectus filed with securities regulatory authorities in the provinces of British Columbia, Alberta, Ontario and Quebec in connection with the offering of up to 20,000 subscription receipts ("Subscription Receipts") at a price of \$1,000 per Subscription Receipt for gross proceeds of up to \$20,000,000. Each Subscription Receipt conditionally represents one unit (each, a "Unit") subject to adjustment in certain circumstances. Each Unit consists of a face value \$1,000 principal amount unsecured note (each a "Note" and collectively the "Notes") and 350 common shares of GLR (each a "Unit Share" and collectively the "Unit Shares"). The Units will not trade and will separate into Notes and Unit Shares immediately upon issue. The Notes will carry a term of five years and will bear interest at the rate of 11% per year, payable semi-annually in arrears in equal instalments on January 1<sup>st</sup> and July 1<sup>st</sup> of each year. The offering is being sold on a "best efforts" basis by a syndicate of agents. GLR has agreed to grant to the agents an over-allotment option to acquire, on the closing of the offering, up to an aggregate of 3,000 additional Subscription Receipts.

If the offering is taken up, GLR expects to net approximately \$16 million from the offering to finance development of the Box Gold Mine, after placing funds in escrow for future interest payments and payment of costs of the offering. A pre-condition to finalization of the offering of Subscription Receipts and release from escrow of the funds received involves the Company entering into a definitive credit agreement with Investec.

In order to further the development of the Company's Box Mine, on February 27, 2006, the Company entered into an agreement, as amended on January 31, 2008 (the "Mandate") with Investec for the provision of project financing services for the Box Mine from a syndicate of financial institutions (the "Project Lenders"). The Mandate contains terms of reference for Investec to arrange project debt financing for the Box Mine comprising the following facilities (collectively, the "Project Debt Facilities"): (i) a term loan facility of up to US\$40 million; (ii) a convertible loan facility of US\$5 million; and (iii) a gold hedging facility during the terms of the term loan facility and the convertible loan facility.

The Company intends to enter into the Debt Facility Agreement in order to obtain a significant proportion of the funding required for the development of the Box Mine. The "Debt Facility Agreement" is a definitive binding agreement to be entered into among the Project Lenders and the Company pursuant to which the Project Lenders agree to provide the Project Debt Facilities to fund the development of the Box Mine upon satisfaction of certain conditions precedent. The "**Project Lenders**" will be a syndicate of financial institutions arranged by Investec to provide the Project Debt Facilities pursuant to the Debt Facility Agreement.



While the Company cannot provide assurance that it will enter into the anticipated Debt Facility Agreement, the Company has entered into the Mandate and Investec is currently conducting due diligence and is in preliminary discussions with other Project Lenders in connection with syndicating the Project Debt Facilities. Over the next year, the Company plans to continue to work on the exploration and development of its mineral projects and to develop and build a mine at the Box Mine. The Company expects to put the Box Mine into production in late 2009. The anticipated funding to be provided by the Project Lenders under the Debt Facility Agreement and the Project Debt Facilities is critical to the successful development of the Box Mine.

One of the conditions precedent to the advance of funding by the Project Lenders for the development of the Box Mine is that the Project Lenders will have a first ranking security interest over the Box Mine and related assets. In order to facilitate the provision of such security interest to the Project Lenders and, in turn, the funding to be provided for the Box Mine under the Project Debt Facilities, it is contemplated that: (i) the Box Mine and assets relating to the Box Mine (collectively, the "Transferred Assets") will be transferred to a subsidiary directly or indirectly owned by the Company, such that the Project Lenders will have a first ranking security interest in all of the outstanding shares of the subsidiary and all debt made available by the Company to the subsidiary; and (ii) the Project Debt Facilities will be made available to the subsidiary.

On May 12, 2008, the shareholders of the Company approved the transfer of the following assets to the subsidiary in exchange for 99 common shares of the subsidiary and the assumption of certain liabilities of the Company related to assets:

- (i) the "Box Mine" being mining lease #5522 covering 70 hectares;
- (ii) mining claim CBS #5664 comprising 4,547 hectares surrounding the Box Mine;
- (iii) all assets relating to the Box Mine, including all agreements to which the Company is a party which pertain to the Box Mine, all related plant, equipment and information and data to, and required for, the development of and production from the Box Mine; and
- (iv) such other assets as the board of directors of the Company may determine (collectively, the "Transferred Assets").

At March 31, 2008, the Company had entered in several contracts in order to commence construction of its Goldfields Mine. These contracts commit the Company to expending approximately \$20.8 million on process plant and equipment, of which \$5.0 million had been advanced to suppliers at March 31, 2008. The ability of the Company to satisfy these commitments depends on its ability to raise sufficient funds to complete construction and commence production. As at March 31, 2008, the Company had advanced approximately \$5,025,574 to certain suppliers for construction and design work on the process plant and crushing facilities. These advances are reported as Other Assets at March 31, 2008. At quarter end, the Company had 8 full-time staff working in the engineering, procurement and contract management function.

Once the Environmental Impact Statement is approved and financing is in place, the Company will quickly move to the construction stage which is expected to start late in the second quarter of 2008. Should the Company meet these targets, construction should be completed approximately one year later and commissioning of the plant should begin late in the fourth quarter of 2009.

### **Construction of the Goldfields Mine**

During the first quarter of 2008 the Company conducted additional engineering and pre-feasibility studies with respect to the Athona Mine and continued refurbishing of the administration and housing complex in Uranium City.

Expenditures on its Goldfields Mine were as follows:

| <b>2008</b>             | <b>(\$)</b>      |
|-------------------------|------------------|
| Advances to suppliers   | 2,027,681        |
| Property expenditures   | 111,931          |
| Administration building | 209,426          |
| Other equipment         | 251,678          |
| <b>Total</b>            | <b>2,600,716</b> |



## Mineral properties

The following table summarizes the Company's exploration activity during 2008:

|                                | Opening<br>Balance<br>(\$) | Additions<br>(\$) | Disposals<br>(\$) | Net<br>(\$)      |
|--------------------------------|----------------------------|-------------------|-------------------|------------------|
| Stares, Ontario                | 785,461                    | 1,193             | -                 | <b>786,654</b>   |
| Goldie, Ontario                | 430,402                    | 102,654           | -                 | <b>533,056</b>   |
| Hurd McAuley, Ontario          | 457,237                    | 10,148            | -                 | <b>467,385</b>   |
| Baldwin, Ontario               | 313,661                    | 5,965             | -                 | <b>319,626</b>   |
| Kirkland West, Ontario         | 248,148                    | 1,824             | -                 | <b>249,972</b>   |
| Martin Lake, Saskatchewan      | 127,243                    | -                 | -                 | <b>127,243</b>   |
| Dubnick Triangle, Saskatchewan | 144,623                    | -                 | -                 | <b>144,623</b>   |
| General and other              | 252,113                    | 2,518             | -                 | <b>254,631</b>   |
|                                | <b>2,758,888</b>           | <b>124,302</b>    | -                 | <b>2,883,190</b> |

### Goldie property

During 2007, the Company expended approximately \$102,654 on exploring its 3,760-acre Goldie Property which is located in the Matawan gold belt approximately 50 kilometres west of Thunder Bay, Ontario. Costs consist primarily of \$42,000 in drilling costs and \$62,000 in geological analysis and other project-related costs.

### Liquidity

In order to finance the Goldfields Mine into production, the Company needs to raise approximately \$70 million. At March 31, 2008, the Company had entered in several contracts in order to commence construction of its Box Mine. These contracts commit the Company to expending approximately \$20.8 million on process plant and equipment, of which \$5.0 million had been advanced to suppliers at March 31, 2008. The ability of the Company to satisfy these commitments and bring the Goldfields Mine into production depends on its ability raise sufficient financing to complete construction.

During 2007, the Company raised \$8,190,256. Subsequent to year end, the Company raised gross proceeds of \$4.3 million to finance its on-going exploration programs and development of the Goldfields Mine.

Effective October 31, 2007, the Company completed a financing with Blackfish Capital (Master) Fund 1 SPC ("Blackfish Capital Fund") pursuant to which Blackfish Capital Fund advanced \$2,000,000 to the Company (the "Loan"). The Loan has a maximum term of 12 months and bears interest at 30-day USD LIBOR plus 0.5% during the term of the Loan. Also, GLR must maintain a positive net worth of \$7,500,000. GLR also retains the right to prepay without a premium or penalty in minimum integrals of \$500,000. Pursuant to the terms of the loan agreement, the Company issued 3,389,830 warrants of the Company (each, a "Warrant") to Blackfish Capital Fund. Each Warrant entitles the holder thereof to purchase one Class A share of the Company until October 31, 2008 at a price of \$0.59. The instrument governing the Warrants permits the holder of the Warrants to physically settle amounts due to the Company upon exercise of such Warrants by setting off such amounts owed by the Company to such holder pursuant to the Loan.

During February, 2008, the Company completed a brokered private placement for aggregate gross proceeds of \$4,010,000 through the sale of 4,000,000 flow-through Class A shares at a price of \$0.50 per Class A share and 5,025,000 units of the Company at a price of \$0.40 per unit. Each unit is comprised of one Class A share of the Company and one-half of one share purchase warrant (each such whole share purchase warrant, a "Warrant"). Each Warrant entitles the holder to purchase one share of the Company at a price of \$0.60 for a period of 24 months. The Warrants were valued at \$169,000 using the Black-Scholes option pricing model with a risk-free rate of 3.05%, expected volatility of 56.24% and expected life of 2 years.

The Company paid the agents a cash commission of \$240,600 and granted them non-transferable warrants (each, an "Agent Warrant") to purchase an aggregate of up to 541,500 units of the Company (each, an "Agent Unit").



Each Agent Warrant entitles the holder thereof to purchase on Agent Unit for a period of 24 months at an exercise price of \$0.44 per unit. Each Agent Unit is comprised of one Class A share and one-half of one share purchase warrant (each such whole share purchase warrant, an "Agent Unit Warrant"). Each Agent Unit Warrant entitles the holder thereof to purchase one Class A share at a price of \$0.60 for a 24-month period. The Agent Unit Warrants were valued at \$91,000 using the Black- Scholes option pricing model with a risk-free rate of 3.05%, expected volatility of 56.24% and expected life of 2 years.

During March, 2008, the Company completed a non-brokered private placement for aggregate gross proceeds of \$280,800 through the sale of 702,000 units of the Company at a price of \$0.40 per unit. Each unit is comprised of one Class A share of the Company and one-half of one share purchase warrant (each such whole share purchase warrant, a "Warrant"). Each Warrant entitles the holder to purchase one share of the Company at a price of \$0.60 for a period of 24 months following closing. The Warrants were valued at \$28,000 using the Black- Scholes option pricing model with a risk-free rate of 3.05%, expected volatility of 56.31% and expected life of 2 years.

The Company paid the agents a cash commission of \$16,080 and granted them non-transferable warrants (each, an "Agent Warrant") to purchase an aggregate of up to 40,200 units of the Company (each, an "Agent Unit"). Each Agent Warrant entitles the holder thereof to purchase on Agent Unit for a period of 24 months at an exercise price of \$0.44 per unit. Each Agent Unit is comprised of one Class A share and one-half of one share purchase warrant (each such whole share purchase warrant, an "Agent Unit Warrant"). Each Agent Unit Warrant entitles the holder thereof to purchase one Class A share at a price of \$0.60 for a 24-month period following closing. The Agent Unit Warrants were valued at \$7,000 using the Black- Scholes option pricing model with a risk-free rate of 3.05%, expected volatility of 56.31% and expected life of 2 years.

### ***Commitments and Contingencies***

On November 25, 2007 the Company completed a brokered private placement pursuant to which 3,750,000 flow-through Class A shares were issued at a price of \$0.80 per share for aggregate proceeds of \$3,000,000. As at March 31, 2008, the Company is committed to incur, prior to December 31, 2008, on a best efforts basis, approximately \$1,525,000 in qualifying Canadian exploration expenditures ("CEE") renounced to the subscribers with an effective date of December 31, 2007.

During February 2008, the Company raised a further \$2.0 million in flow-through financing which the Company is committed to incur, prior to December 31, 2009, on a best efforts basis,

### ***Future Tax Liability***

During November 2007, the Company issued 3,750,000 flow-through shares for proceeds of \$3,000,000. During February 2008, the Company renounced the equivalent expenditure to its investors and recognized a non-cash future income tax liability of \$810,000 using the substantially enacted, combined federal and provincial tax rate of 27%. The offsetting amount was charged as a cost of equity financing.

### ***Dividend Record***

There are no restrictions that prevent the Company from paying dividends. The Company has not paid any dividends on its common shares during the last 5 fiscal years.

The Company currently has no intention of paying any dividends on its Class A shares. The Board of Directors of the Company will determine if and when dividends should be declared and paid in the future, based on the Company's financial position at the relevant time.

### ***Disclosure Controls and Procedures***

Management is responsible for the information disclosed in this management's discussion and analysis and has in place the appropriate information systems, procedures and controls to ensure that information used internally by management and disclosed externally is, in all material respects, complete and reliable. The Company has three officers, the Chief Executive Officer, the Chief Financial Officer and the Corporate Secretary involved in



preparation of the financial statements. The involvement of these officers in all aspects of the design and operation of disclosure controls and procedures was effective as at and for the period ended March 31, 2008 and provides reasonable assurance that all material information relating to the Company is disclosed. The audit committee is actively involved in quarterly reviews and is comprised of three independent directors.

There have been no material changes in the Company's internal control over financial reporting during the quarter ended March 31, 2008 that have materially affected, or are reasonably likely to affect, the Company's internal control over financial reporting.

### **Critical Accounting Policies and Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in Canada requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and reported amounts of revenue and expenditures during the reporting period.

The financial statements follow the same accounting policies and methods set forth in the Company's audited financial statements as at and for the year ending December 31, 2007, except as noted below.

#### *Capital Disclosure and Financial Instruments-Disclosure and Presentation*

On December 1, 2006, the Canadian Institute of Chartered Accountants ("CICA") issued three new accounting standards: Handbook Section 1535-Capital Disclosures; Handbook Section 3862-Financial Instruments-Disclosure; and Handbook Section 3863-Financial Instruments-Presentation. These new accounting standards are effective for interim and annual financial statements for reporting periods beginning January 1, 2008.

Handbook Section 1535 specifies the disclosure of (i) an entity's objectives, policies and processes for managing capital; (ii) qualitative data concerning what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance.

Handbook Sections 3862 and 3863 replace Handbook Section 3861-Financial Instruments-Disclosure and Presentation, revising and enhancing disclosure requirements for financial instruments and carrying forward, unchanged, its presentation requirements. These new Handbook Sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks. The Company continues to assess the impact of these accounting standards on its financial statements.

### **Share Capital**

GLR's share capital consists of an unlimited number of Class A voting common shares and an unlimited number of non-voting, redeemable Class B Preferred Shares, Series A. This series of shares is redeemable by GLR, in whole or in part, at the rate of \$1,000 per Series A share. The holders of Series A shares are not entitled to receive dividends. There were no Class B Preferred Shares issued as at March 31, 2008.

| <b>As at March 31, 2008</b>         |                   |
|-------------------------------------|-------------------|
| Class A common shares issued        | 63,595,024        |
| Shares issuable pursuant to:        |                   |
| Warrants                            | 11,013,389        |
| Stock options                       | 4,500,000         |
| <b>Fully diluted March 31, 2008</b> | <b>79,108,413</b> |



## Related Party Information

The financial statements include balances and transactions with directors and/or officers of the Company and/or corporations related to or controlled by them. These transactions are measured and recorded at their exchange amounts, being the amounts agreed to by the related parties.

|   | Three months ended March 31 |               |
|---|-----------------------------|---------------|
|   | 2008                        | 2007          |
|   | \$                          | \$            |
| <b>Transactions during the year:</b>                      |                             |               |
| Exploration expenditures                                  | 11,345                      | 52,300        |
| Consulting fees   | -                           | 12,000        |
| Administrative costs                                      | 69,539                      | 11,614        |
| Management fees earned                                    | 48,224                      | 12,307        |
|   | As at                       | As at         |
|   | March 31,                   | December 31,  |
|   | 2008                        | 2007          |
| <b>Related party advances and fees receivable:</b>        |                             |               |
|   | \$                          | \$            |
| Management fees   | 115,911                     | 65,276        |
| Other (non-interest bearing, no fixed terms of repayment) | 122,532                     | 32,211        |
|   | <b>238,443</b>              | <b>97,487</b> |
| <b>Related party payables included in:</b>                |                             |               |
| Accounts payable and accrued liabilities                  | 7,875                       | 37,565        |

## Risks

The Company's assets are subject to the risk of increases in taxes and royalties, renegotiation of contracts and currency exchange fluctuations. Operational risks include finding and developing economic ore reserves. Financial risks include interest and U.S. dollar exchange rates, which are beyond the control of the Company. The ability of the Company to develop its properties and the future profitability of the Company are directly related to the market price of exploited minerals and metals. The Company is subject to various regulatory risks, many of which also are beyond the control of the Company.

The Company is considered to be in the construction stage and has not yet recorded any revenues from its mining operations nor has the Company commenced commercial production on any of its properties. There can be no assurance that the Company will generate any revenues or that the assumed levels of expenses will prove to be accurate.

The Company expects to incur losses unless and until such time as its properties enter into commercial production and generate sufficient revenues to fund its continuing operations. The development of the Company's properties will require substantial resources to complete the development of its properties. There can be no assurance that significant losses will not occur in the near future or that the Company will be profitable in the future. The Company's operating expenses and capital expenditures may increase in subsequent years as needed consultants, personnel and equipment associated with advancing exploration, development and commercial production of its properties are added. The amounts and timing of expenditures will depend on the progress of on-going development, the results of consultant's analyses and recommendations, the rate at which operating losses are incurred, the execution of any joint venture agreements with strategic partners, the Company's acquisition of additional properties and other factors, many of which are beyond the Company's control.



The Company's vulnerability to changes in metal prices may cause its share price to be volatile and may affect the Company's operations and financial results.

The Company's primary source of revenue will be the sale of gold bullion. Accordingly, changes in the market price of gold will significantly impact the Company's profitability and share price. The Company's financial results will be very sensitive to external economic factors related to gold price. A major risk will arise if there is a prolonged period of lower gold prices. Many factors beyond the Company's control influence the market price of gold. These factors include: global supply and demand; availability and costs of metal substitutes; speculative activities; international political and economic conditions; and production levels and costs in other gold-producing countries.

The Company is subject to extensive environmental legislation and the costs of complying with these regulations may be significant. Changes in environmental legislation could increase the costs of complying with applicable regulations and reduce levels of production.

Environmental legislation relating to land, air and water affects nearly all aspects of the Company's operations. This legislation requires the Company to obtain various operating licenses and also imposes standards and controls on activities relating to exploration, development and production of gold and other precious metals. The cost of obtaining operating licenses and abiding by standards and controls on its activities may be significant. Further, if the Company fails to obtain or maintain such operating licenses or breaches such standards or controls imposed on its activities, it may not be able to continue its operations in its usual manner, or at all, or the Company may be subject to fines or other claims for remediation which may have a material adverse impact on its operations or financial results. The Company will be responsible for all costs of closure and reclamation at the Goldfields Mine. While the Company is unaware of any existing material environmental liabilities, it cannot guarantee that no such liabilities currently exist or will occur in the future.

Changes in environmental laws, new information on existing environmental conditions or other events may increase future compliance expenditures or otherwise have a negative effect on the Company's financial condition and results of operations. In addition to existing requirements, it is expected that other environmental regulations will likely be implemented in the future with the objective of protecting human health and the environment. Some of the issues currently under review by environmental agencies include reducing or stabilizing air emissions, mine reclamation and restoration, and water quality. Other changes in environmental legislation could have a negative effect on production levels, product demand, product quality and methods of production and distribution. The complexity and breadth of these issues make it difficult for the Company to predict their impact. The Company expects that capital and operating expenditures will increase as a result of compliance with the introduction of new more stringent environmental regulations. Failure to comply with environmental legislation may result in the issuance of clean-up orders, imposition of penalties, liability for related damages and the loss of operating permits. While the Company believes it is now in material compliance with existing environmental legislation, it cannot give assurances that it will, at all future times, be in compliance with all federal and provincial environmental regulations or that steps to bring the Company into compliance would not have a negative effect on its financial condition and results of operations.

The financing of the Company is dependent upon completion of environmental permitting in Saskatchewan. The mining industry is intensely competitive and the Corporation must compete in all aspects of its operations with a substantial number of other junior mining companies, some of which have greater technical and financial resources. The Company may be at a disadvantage with respect to some of its competitors in the acquisition and/or development of high potential mining properties throughout the principal markets and geographical areas in which the Company carries on its business activities.

There is uncertainty about the Company's ability to realize the carrying value of its assets and discharge its liabilities as they come due. The ability of the Company to continue as a going concern is dependent upon, among other things, being able to obtain additional financing and reach positive cash flows from operations.

## Forward Looking Information

This MDA contains "forward looking information". Forward looking information includes, but is not limited to, statements concerning mineral resource estimates, the development budget for the Goldfields Mine, the expected timing of development of the Goldfields Mine and other statements which are not historical facts.



In certain cases, forward looking information can be identified by the use of words such as “plans”, “expects” or “does not expect”, “is expected”, “budget”, “scheduled”, “estimates”, “forecasts”, “intends”, “anticipates” or “does not anticipate”, or “believes”, or variations of such words and phrases or state that certain actions, events or results “may”, “could”, “would”, “should”, “might” or “will be taken”, “occur” or “be achieved” and include the negative variation of such phrases.

With respect to forward looking information contained in this MDA, the Company has made assumptions regarding, among other things, the Company’s ability to generate sufficient cash flow from operations and access existing credit facilities and capital markets to meet its future obligations, the regulatory framework in the provinces in which its properties are located with respect to, among other things, permits, licenses, authorizations, royalties, taxes and environmental matters, and the Company’s ability to obtain qualified staff and equipment in a timely and cost-efficient manner to meet the Company’s demand.

Although the Company believes that its expectations reflected in forward looking information are reasonable, such forward looking information involves known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Company or the Company’s projects, or any of them, to be materially different from any future results, performance or achievements expressed or implied by the forward looking information. Such factors include, risks related to failure to convert estimated mineral resources to reserves, conclusions of economic evaluations, changes in project parameters as plans continue to be refined, future prices of gold, unexpected increases in capital or operating costs, possible variations in mineral resources, grade or recovery rates, failure of equipment or processes to operate as anticipated, accidents, labour disputes and other risks of the mining industry, delays in obtaining governmental consents, permits, licences and registrations or financing or in the completion of development or construction activities, uncertainties relating to the availability and costs and availability of financing needed in the future, changes in equity markets, inflation, changes in exchange rates, fluctuations in commodity prices and uninsured risks, as well as those factors discussed under “Risks” in this MDA.

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 information, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward looking information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. Accordingly, readers should not place undue reliance on forward looking information. The forward looking information contained herein, unless stated otherwise, is made as of the date of this MDA and the Company makes no responsibility to update them or to revise them to reflect new events or circumstances, except as required by law.

The mineral resource and mineral reserve figures referred to in this MDA are estimates and no assurances can be given that the indicated levels of minerals will be produced. Such estimates are expressions of judgment based on knowledge, mining experience, analysis of drilling results and industry practices. Valid estimates made at a given time may significantly change when new information becomes available. While the Company believes that the resource and reserve estimates referred to in this MDA are well established, by their nature resource and reserve estimates are imprecise and depend, to a certain extent, upon statistical inferences which may ultimately prove unreliable. If such estimates are inaccurate or are reduced in the future, this could have a material adverse impact on the Company. Due to the uncertainty that may be attached to inferred mineral resources, it cannot be assumed that all or any part of an inferred mineral resource will be upgraded to an indicated or measured mineral resource as a result of continued exploration.

## Additional Information

Additional information relating to the Company, including its current annual information form, is available on SEDAR at [www.sedar.com](http://www.sedar.com).

Robert J. Kasner  
President and Chief Executive Officer

David J. Layman  
Senior Vice-president and Chief Financial Officer

May 15, 2008

