

**JASPER MINING CORPORATION**  
**Management's Discussion and Analysis (Form 51-102F1)**  
**December 31, 2007**

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The following discussion and analysis of financial results for the year ended December 31, 2007 should be read in conjunction with the Corporation's audited financial statements as at and for the year ended December 31, 2007 and related notes thereto. Certain statements included in this discussion constitute forward-looking statements that involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements expressed or implied by such forward-looking statements. Such factors include general economic and business conditions, which among other things, affect demand for the Corporation's services; industry capacity; the ability of the Corporation to implement its business strategy; and changes in, or the failure to comply with government regulations, especially health, safety and environmental law, regulations and guidelines.

The date of this Management's Discussion and Analysis ("MD&A") is April 25, 2008.

## **OVERVIEW**

Jasper Mining Corporation (the "Corporation") was incorporated on November 28, 1994 in the Province of Alberta. Effective November 14, 2007, the Corporation amalgamated with its wholly-owned subsidiary, Mountain Star Resources Ltd. The Corporation is in the exploration stage and is engaged in the exploration for and development of base and precious metals in Canada.

The carrying value of mineral properties reported in the Corporation's financial statements represents costs incurred to date, net of abandonment's and write-downs, and do not necessarily reflect present or future values. The ability of the Corporation to continue as a going concern and the recoverability of amounts shown for mineral properties is dependent upon the existence of economically recoverable mineral reserves, the ability of the Corporation to obtain necessary financing to complete their development and upon future profitable operations. These financial statements have been prepared on a going concern basis, which assumes the Corporation will be able to realize its assets and discharge its liabilities in the normal course of business in the foreseeable future. These financial statements do not include any adjustments that would be necessary should the Corporation be unable to raise sufficient capital and consequently be unable to continue as a going concern.

Jasper's sole business is the exploration and development of mining properties located in the Province of British Columbia. Jasper's business plan has been to acquire 100% working interest properties that have indications of known mineralization. The Corporation has undertaken an extensive review of the B.C. mines department's public records and private corporate records in order to locate properties that management of Jasper believe are mineral properties of merit. Jasper has acquired its properties by share purchase agreements, options to purchase, staking, and a combination of these methods.

Once acquired, Jasper's strategy has been to develop a systematic exploration approach, which generally includes gathering and assimilating all known reports and data on a particular property, conducting geological mapping to determine rock type and structure followed by geophysical work which usually includes airborne magnetic, electromagnetic and radiometric followed by diamond drilling, if warranted.

During 2007, the Corporation has raised additional funds to meet both its general and administrative expenses for the year, and to enable it to undertake further exploration and development on its mineral properties.

## **PORTFOLIO OF EXPLORATION PROPERTIES AND YEARLY ACTIVITY REPORT**

The Corporation carried out work on most of its exploration properties during 2007 and has kept all of the properties in good standing with the exception of two. The properties was very isolated and appeared to be only a small gold occurrence on the Alberta/British Columbia border. All of the other properties owned by the Corporation are considered to have potential for economic mineral development. During 2007, the Corporation expended \$1,831,793 on diamond drilling, exploration and soil sampling. Ground geophysical work and Induced Polarization (IP) was carried out on the Isintok and the McFarlane properties. This geophysical work co-ordinates with the airborne geophysical evaluations the Corporation has carried out. Updates of work performed on the properties are outlined in the following descriptions which are categorized by possible type of deposit and principal mineral(s):

### **Graphite Veins Vowell Creek / Ruth Vermont / Lead Zinc, Gold, Graphite**

**Vowell Creek** - The Vowell Creek property comprises of 15,766 hectares (“ha”) (38,960 acres) located approximately 35 km south of Golden, British Columbia. Previous programs on the property were undertaken to evaluate potential for a Lead-Zinc Sedimentary Exhalative type of deposit. Vowell Creek also has gold and graphite potential.

The Vowell Creek property has been the focus of precious metal-enriched vein and/or replacement (manto) type mineralization since 1996. In an attempt to test the projected trend of the Ruth Vermont Vein System, an airborne survey was completed on the property in 2006, resulting in identification of two prominent geophysical anomalies on the northeast side of Vowell Creek. The graphite cores are now being evaluated by an expert in the business in the United States and results should be available in the next few months.

### **Polymetallic Veins - Gold**

**Sanca**- The Sanca property consists of 11 separate claims comprising 5,335 ha (13,184 acres) located immediately east of Kootenay Lake in British Columbia. Significant work has been completed by the BC Geological Survey Branch over the past several years to assess the underlying Mount Skelly Batholith for intrusion-related gold potential. Aeroquest Surveys flew geophysics on the property and the geophysical signatures look promising and are still being evaluated.

### **Molybdenum Properties**

**Lydy** - The property consists of 522 ha (1,364 acres) located east of the community of Grey Creek, east of Kootenay Lake in British Columbia.

**McFarlane** – The property is located immediately west of Kootenay Lake in British Columbia and is separated from the Lydy property by 1 km of competitor’s claims. Extensive soil sampling was completed during 2005 along the existing road network. As a result of preliminary soil results, the available ground between the initial McFarlane property and the Lydy property was acquired.

In addition, a geophysical airborne survey was flown over the property in the early fall, comprised of magnetic, radiometric and electromagnetic. The final interpreted data has been received and the results are encouraging. The recent geophysics are still being evaluated and indicate locations for new drill holes in the futures.

An extensive diamond drill program has been carried out on the McFarlane property in the vicinity of two high grade molybdenum bearing veins. It would appear the veins have high grade (up to 1%) molybdenum. At the present time (April 2008) there have been 35 diamond drill holes drilled to identify the limits of these veins. Several hundred assays are being performed on the drilling results. An IP survey has been conducted over the high grade veins on the McFarlane property. It is anticipated that the Corporation will develop enough data in order to obtain a 43-101 compliant reserve and grade report on the McFarlane property.

### **Organic and/or Shear-hosted Gold**

**Cascade** - The property is located approximately 55 kilometers north of the community of Kaslo, British Columbia and is comprised of approximately 1545 ha (3,819 acres), on the west side of the Lardeau River. Soils geochemical work is still being evaluated by the Corporation. It is anticipated that a short diamond drill program will be carried out on the Cascade property in 2008.

**Faith** - The property is located approximately 38 km southwest of Cranbrook, British Columbia, in the headwaters of Kamma Creek, a tributary of the Goat River. The property consists of approximately 2,104 ha (5,199 acres), underlain by strata correlated to the Creston and Aldridge Formations of the Late Proterozoic Purcell Supergroup. During 2007 a soils geochemical program was carried out on the Faith property. The interpretation through the Corporation's work and the work of previous operators suggests that a small helicopter supported diamond drill program should be carried out on the property and it is expected to be carried out during the work season of 2008.

**Perry Creek** - The property consists of 943 ha (2,331 acres), located southwest of Cranbrook, British Columbia, along one of the placer gold producing creeks in the area. A soils geochemical program will be carried out during 2008.

### **Copper Molybdenum Porphyry**

**Isintok** - The Isintok property is located approximately 30 km west of Summerland, British Columbia and south of the former Brenda Mine. A limited program late in 2005, comprised of 4 holes, documented thick intervals of anomalous (but not "ore grade") mineralization. However, due to winter conditions prevalent on the property during drilling, particularly with regard to accessing water, prevented the Corporation from drilling the holes in the intended locations. These holes on secondary objectives returned very encouraging results.

A geophysical airborne survey was flown over the property in the early fall of 2005, and was comprised of magnetic, radiometric and electromagnetic. The final interpreted data has been received and results are very encouraging and suggest several significant drilling targets.

An extensive soils geochemical program was carried out as well as an Induced Polarization (IP) survey during 2006 and 2007. This work has resulted in the identification of a significant anomaly laying to the east of the all of the Corporation's 2006 and earlier drilling.

The Corporation has now co-ordinated the results of the soils geochemical and ground IP and plans to drill a number of holes to the east of the former drill locations. These locations represent a very exciting prospect for the Corporation. The drill program is expected to begin in April or May 2008.

**Alaric** - The property consists of 16 claims, comprising 1,250 ha (3,089 acres), located west of Summerland, British Columbia. Airbourne geophysics were flown during 2006 and the interpretation is very positive and suggests diamond drilling during 2008.

**Proximal** - The property is located immediately north of Cranbrook, British Columbia and consists of 300 ha (741 acres). Geophysics were flown during 2006. The Corporation does not plan to carry out any work on the Proximal property during 2008.

### **Polymetallic Veins**

**Memphis Creek** - The property consists of 396 ha (978 acres), located between the communities of Slocan and Silverton, British Columbia immediately east of Slocan Lake. The Corporation carried out no work on the property during 2007, but plans to carry out a small soils geochemistry program during 2008.

**Erie Creek** - The property consists of 3,287 ha (8,122 acres), located north of Salmo along Erie Creek and west of Sultan Minerals Keno property. The Corporation carried out soils geochemistry and interpreted airborne geophysics on this property. A diamond drill program started in 2007 was encouraging with anomalous results with respect to tungsten and copper. An extensive soil program was carried out in 2007 which suggests drilling locations which coincide with the Corporation's airborne geophysical interpretation. The Corporation intends to drill this property with a helicopter supported program during 2008.

### **Broken-Hill Type Pb-Zn**

**Irony** - The property is located north of Revelstoke, British Columbia and southwest of Mica Dam, consisting of 2,375 ha (5,869 acres), immediately adjacent and contiguous with Selkirk Metals' Ruddock Creek property. The Corporation drilled a number of unsuccessful diamond holes and have gone back to the geophysical contractor and explained our difficulty with the interpretation and it has been agreed that the Corporation drilled on faulty interpretation and the geophysical contractor has given us seven of what they consider to be high grade locations, some of which the Corporation expects to drill during 2008.

### **Cretaceous Granite Project**

The properties comprising the Cretaceous Granite Project are all located along the east side of Kootenay Lake, British Columbia extending from the Sanca property northward to the Crawford property and includes the Copper Storm, Crawford, Lydy, McFarlane, Mt. Rice, Sanca and Sawyer properties.

### **Intrusion-related Gold**

**Copper Storm** - The property consists of 315 ha (778 acres) located immediately northeast of the Mount Skelly Batholith, east of Kootenay Lake. Geophysics was flown during 2006 and are still being interpreted. No work is planned for 2008.

**Crawford** - The 522 ha (1,290 acre) property is located within the magnetic halo surrounding the Fry Creek Batholith and covers a small granitic exposure previously documented and exposed at surface. The Humbolt and Rose Pass MINFILE occurrences are located to the southwest and may indicate base metal mineralization associated with proximity to one (or more) Cretaceous intrusions. Geophysics was flown during 2006 and there are some prospective drilling holes. Crawford may be drilled in a helicopter supported program along with Sawyer during 2008.

**Mount Rice** - The 522 ha (1,290 acre) property similarly overlies a moderate magnetic signature located southwest of the Fry Creek Batholith and between the mapped exposures of the Sawyer stock (north) and Hall Creek stock (south). No significant work was carried out on this property during 2007.

**Sawyer** - The Sawyer property is located on a tributary of St. Marys River, west of Cranbrook, British Columbia. The property consists of 1,566 ha (3,869 acres) overlying a Cretaceous age intrusive body localized along the contact between the uppermost Purcell Supergroup and the lowermost Windermere Supergroup. An airborne geophysics has identified a number of high grade anomalies which coincide with the previously reported high grade lead/zinc grab samples. Sawyer has become a priority property and helicopter supported diamond drilling will take place on Sawyer in the area of the high grade anomalies during 2008.

### **Diamonds**

**Summer** - The Summer property consists of 271 ha (671 acres) located along Summer Creek, British Columbia, an east flowing tributary of the Bull River, in the western Rocky Mountains. No work was carried out on this property during 2007. The Corporation did not have an opportunity to collect bulk samples, but expects to have an opportunity in 2008

## **RESULTS OF OPERATIONS**

### **Three months ended December 31**

During the three months ended December 31, 2007, the Corporation incurred a net loss of \$278,691 compared to a net loss of \$550,437 during the same 2006 period. The majority of the decrease in the loss can be attributed to the following components:

- A \$7,800 decrease in general and administrative expenses due to higher professional fees (\$9,300); decrease in office costs (\$15,900); and decreased other (\$1,200).
- A \$173,000 decrease in stock-based compensation expense as there were more options granted in 2006 compared to 2007.
- A \$48,000 decrease in Part XII.6 tax due to the amount and timing of qualifying flow-through expenditures incurred under the look-back rule. In 2007, the Corporation settled the underpayment on the 2005 \$2.5 million of flow-through expenditures that was fully accrued during the 2006 year end.
- A \$16,700 decrease in interest revenue as term deposits held at December 31, 2006 were redeemed throughout 2007 and only purchased again at the end of the fourth quarter of 2007.
- An impairment write down of \$98,000 in the 2007.

### Year ended December 31

During the year ended December 31, 2007, the Corporation incurred a net loss of \$694,278 compared to a net loss of \$1,121,350 in 2006. The decrease in the loss for 2007 is primarily due to decreases in the same components discussed above, in the following amounts:

- A \$91,000 decrease in general and administrative expenses due to decrease in professional fees (\$59,000); and decreased travel/entertainment expenses (\$22,000).
- A \$369,000 decrease in stock-based compensation due to more options being granted in 2006 as compared to 2007.
- A \$95,000 decrease in Part XII.6 tax due to the amount and timing of qualifying flow-through expenditures incurred under the look-back rule. In 2007, the Corporation settled the underpayment on the 2005 \$2.5 million of flow-through expenditures that was fully accrued during the 2006 year end.
- A \$64,000 decrease in interest revenue as term deposits held at December 31, 2006 were redeemed throughout 2007 and only purchased again at the end of the fourth quarter of 2007.
- An impairment write down of \$98,000 in 2007.

### LIQUIDITY AND CAPITAL RESOURCES

As at December 31, 2007, the Corporation had a working capital of \$2,455,291 compared to \$1,206,588 at December 31, 2006. The increase in working capital is due primarily to net proceeds of \$3,384,000 raised through the issue of common and flow-through shares offset by \$1,768,000 of mineral property expenditures, \$19,370 of capital asset purchases, \$343,000 of funds used by operations and \$4,600 of other reductions.

### FINANCING ACTIVITIES

During 2007, the Corporation issued the following equity instruments:

|  | Number    | Amount       |
|--|-----------|--------------|
| Common shares on the exercise of warrants  | 600,000   | \$ 190,000   |
| Flow-through common shares                 | 9,125,000 | 3,650,000    |
| Common shares on exercise of stock options | 50,000    | 10,000       |
| Reduced by:                                |           |              |
| Cash share issue costs                     | -         | (465,763)    |
|  | 9,775,000 | \$ 3,384,237 |

### MINERAL PROPERTY AND OTHER CAPITAL SPENDING

During the year ended December 31, 2007, the Corporation incurred \$1,768,309 of cash expenditures on mineral properties as described under "Portfolio of Exploration Properties and Yearly Activity Report".

The Corporation also capitalized \$63,485 of stock-based compensation expense for two officers of the Corporation who are involved 100% in exploration and development of the Corporation.

2007 mineral property expenditures are summarized in the following table:

| Property       | Type of Expenditure | Amount              |
|----------------|---------------------|---------------------|
| Vowell Creek   | Acquisition         | \$ 2,803            |
|                | Exploration         | 11,230              |
| Isintok        | Acquisition         | 351                 |
|                | Exploration         | 71,793              |
| Lydy/McFarlene | Acquisition         | 2,167               |
|                | Exploration         | 728,818             |
| Proximal       | Acquisition         | 536                 |
|                | Exploration         | 447                 |
| Erie Creek     | Acquisition         | 14,723              |
|                | Exploration         | 822,805             |
| Irony          | Acquisition         | 11,793              |
|                | Exploration         | 13,161              |
| Other          | Acquisition         | 13,832              |
|                | Exploration         | 137,334             |
|                |                     | <u>1,831,793</u>    |
| Impairment     |                     | <u>(98,382)</u>     |
|                |                     | <u>\$ 1,733,411</u> |

During 2007, the Corporation incurred a total of \$19,370 (cash) on other capital expenditures comprised of \$5,721 for land, \$957 for computer equipment and a \$12,692 for fencing.

In addition, during 2007 the Corporation allowed the Punch Bowl tenure to lapse which was purchased by another Company and determined that the Baribeau property was impaired. The total carrying value of these properties, \$98,382 was written off.

## INCOME TAX

The Corporation's liability for future income tax decreased and the related provision for future income tax reduction increased in 2007 primarily due to the increase in the valuation allowance estimated against the Corporation's future income tax assets. Because the Corporation continues to generate losses and its related non-capital losses for tax purposes are beginning to expire, their actual use and recovery is uncertain. In addition, the Corporation did not increase the tax base of its mineral properties as the majority of mineral property expenditures incurred in the year are renounced out as flow-through expenditures.

As at December 31, 2007, the Corporation has approximately \$2,800,000 (2006 - \$1,650,000) in tax pools and \$1,800,000 (2006 - \$1,385,000) in non-capital losses available for deduction against future taxable income.

## **ASSET RETIREMENT OBLIGATIONS**

At December 31, 2007, the Corporation did not estimate costs relating to future site restoration and abandonment to be in excess of recorded property deposits. The Corporation has made no provision for site restoration costs or potential environmental liabilities on the basis any such liability would not have a material effect on the December 31, 2007 or 2006 financial statements. Factors such as further exploration, inflation and changes in technology may materially change the cost estimate. Mineral property deposits totaling \$41,492 (2006- \$41,104) have been paid to the Government of British Columbia and are refundable upon reclamation of areas impacted by mining exploration activities.

## **RELATED PARTY BALANCES AND TRANSACTIONS**

Except as disclosed elsewhere in the financial statements, the Corporation had the following related party transactions:

- a) Legal fees of \$149,739 (2006 – \$120,221) relating to various financings were charged by the President’s law firm of which \$89,825 (2006 – \$23,055) was capitalized to share issue costs, \$39,250 (2006 – \$63,836) was capitalized to mineral properties and \$20,664 (2006 – \$33,330) was recorded to general and administrative expenses.
- b) A total of \$44,100 (2006 – \$22,075) was charged by a company owned by the President for rent and administrative services.
- c) Consulting and rental fees of \$236,999 (2006 – \$255,246) was paid to a company owned by an officer of the Corporation and capitalized to exploration and development costs.
- d) Finder’s fees of \$75,000 (2006 – \$70,000) were paid to the President and capitalized to share issue costs.

Transactions in the normal course of operations were recorded at exchange amounts, which is the amount of consideration established and agreed to by the related parties.

## **SHARE CAPITAL**

### **Common shares**

The Corporation commenced 2007 with 46,985,053 shares outstanding. During the year the Corporation issued the following:

- 9,125,000 common shares on a flow-through basis through private placements
- 50,000 common shares on the exercise of stock options
- 600,000 common shares on the exercise of warrants

As at December 31, 2007, the Corporation had 56,760,053 common shares outstanding.

Subsequent to December 31, 2007, a private placement for 1,050,000 common shares was closed which increased the common shares outstanding to 57,810,053 as at the date of this MD&A.

**Warrants**

At the beginning of 2007, the Corporation had 7,409,107 warrants outstanding. During the year, 600,000 options were exercised, 9,125,000 issued and 6,809,107 expired. As at December 31, 2007, 9,125,000 warrants were outstanding.

**Stock options**

The Corporation had 5,452,500 stock options outstanding at the beginning of 2007. During 2007, the Corporation granted 950,000 stock options, 700,000 finders option, 50,000 options were exercised and 200,000 options were cancelled or expired resulting in 6,852,500 options outstanding at December 31, 2007 and at the date of this MD&A.

**COMMITMENTS AND CONTRACTUAL OBLIGATIONS****Flow-through expenditures**

During 2007, the Corporation raised \$3,650,000 of flow-through share proceeds. The related tax benefits of the flow-through share proceeds will be renounced to investors in February 2008 with an effective date of December 31, 2007. The Corporation has until December 31, 2008 to incur the related qualifying flow-through expenditures. As at December 31, 2007, approximately \$480,000 expenditures had been incurred and \$3,170,000 remains unspent.

**Work Credits**

The Corporation's work on the Ruth/Vowell Creek, Lydy, Proximal, Isintok, Erie Creek and other properties have been credited towards the assessment requirement of the Province of British Columbia which puts the claims, leases and grants of the Corporation in good standing for a number of years. The Corporation will file its assessment report with the Government of the Province of British Columbia for the 2008 field work.

**Other**

The Corporation has not entered into any hedging contracts. The Corporation does not have any special purpose entities nor is it a party to any off-balance sheet arrangements.

**THE YEAR AHEAD**

The Management of the Corporation believes that the exploration for economic deposits in British Columbia is a high risk program. The results that the Corporation has obtained to date justify continued exploration on all of its properties. The financial reward of success in mining exploration would be significant.

**SELECTED QUARTERLY INFORMATION**

|                      | 2007      |           |              |             |
|----------------------|-----------|-----------|--------------|-------------|
|                      | March 31  | June 30   | September 30 | December 31 |
| \$                   |           |           |              |             |
| Mineral properties   | 6,248,172 | 6,751,208 | 7,065,980    | 7,537,486   |
| Total assets         | 7,752,498 | 7,632,536 | 7,516,217    | 10,667,052  |
| Working capital      | 918,636   | 359,607   | (40,360)     | 2,455,291   |
| Shareholders' equity | 6,038,698 | 6,001,423 | 5,914,385    | 9,140,666   |
| Net loss             | 138,782   | 112,629   | 164,176      | 278,691     |
| Net loss per share   | 0.00      | 0.00      | 0.01         | 0.01        |
|                      |           |           |              |             |
|                      | 2006      |           |              |             |
|                      | March 31  | June 30   | September 30 | December 31 |
| \$                   |           |           |              |             |
| Mineral properties   | 3,207,770 | 4,004,225 | 5,086,688    | 5,804,075   |
| Total assets         | 7,327,030 | 7,569,462 | 7,749,682    | 7,630,104   |
| Working capital      | 3,831,105 | 3,060,869 | 2,016,825    | 1,206,588   |
| Shareholders' equity | 5,702,722 | 5,953,355 | 6,013,018    | 5,897,269   |
| Net loss             | 153,524   | 168,228   | 249,161      | 550,437     |
| Net loss per share   | —         | —         | 0.01         | 0.01        |

**BUSINESS AND OPERATIONAL RISKS**

The Corporation is a mineral exploration company and is exposed to a number of risks and uncertainties that are common to companies in the same business. These risks and uncertainties include, among other things, the speculative nature of mineral exploration and development activities, the Corporation's need for additional funding to continue its exploration efforts, operating hazards and risks incidental to mineral exploration, the Corporation's properties are in the exploration stage only and do not contain a known body of commercial ore, uncertainties associated with title to mineral properties, changes in general economic, market and business conditions; competition for, among other things, capital, acquisitions of mineral properties and skilled personnel; ability to obtain required mine licenses, mine permits and regulatory approvals required to proceed with mining operations; ability to comply with current and future environmental and other laws; actions by governmental or regulatory authorities including increasing taxes and changes in other regulations; and the occurrence of unexpected events involved in mineral exploration, development and production.

Being a junior exploration mining company, the Corporation's ability to raise the necessary financings for future exploration depends to a large degree on commodity price trends, general investor sentiment for companies in the mining exploration sector and the Corporation's ability to confirm the existence of sought after minerals in sufficient quantities and quality on its exploration lands. Management of the Corporation is of the view that these risks faced by the Corporation are no greater than with risks encountered by its peers.

## **CRITICAL ACCOUNTING ESTIMATES**

The Corporation's financial statements are prepared in accordance with Canadian generally accepted accounting principles. A comprehensive discussion of the Corporation's significant accounting policies is contained in Note 2 to the audited financial statements for the year ended December 31, 2007. The Corporation's significant accounting policies are subject to estimates and key judgments about future events, many of which are beyond management's control.

The Corporation believes the following are the most critical accounting estimates used in the determination of its financial results:

### **Valuation of mineral properties**

The Corporation records its interest in mineral claims and properties at cost whereby all direct and indirect costs of acquiring, exploring for and developing mining properties are capitalized as separate areas of interest. When the areas of interest are brought into production, the costs will be amortized using the unit-of-production method based on estimated proved reserves. Where a property shows no promise from prior exploration results and is dormant, the claims may be allowed to lapse, and would be written down to a nominal value where an interest in claims remained. Management will also determine if an exploration property is impaired, and whether the carrying value of such property should be written down and whether exploration costs incurred should be charged against earnings rather than being deferred, on each occasion that financial statements are issued.

### **Income taxes**

The Corporation records future tax assets and liabilities to account for the expected future tax consequences of events that have been recorded in its financial statements and its tax returns. These amounts are estimates and the actual tax consequences may differ from the estimates due to changing tax rates and regimes, as well as changing estimates of cash flows and capital expenditures in current and future periods. A valuation allowance is recorded to the extent that there is uncertainty regarding utilization of future tax assets.

### **Stock-based compensation**

Stock-based compensation expense is recorded in the statement of loss and deficit for all options granted based on the estimated fair value at the time of the grant and recognized as expense over the vesting period of the option. The fair value of options is estimated using the Black-Scholes option-pricing model based on estimates and assumptions for expected life of the options, expected volatility, risk-free interest rate and dividend yield.

## **CHANGE IN ACCOUNTING POLICIES**

The Canadian Institute of Chartered Accountants (“CICA”) has issued a number of accounting pronouncements, some of which may impact the Corporation’s reported results and financial position in future periods:

### **Comprehensive Income / Financial Instruments / Hedges**

The CICA issued new standards in early 2005 for Comprehensive Income (CICA 1530), Financial Instruments – Recognition and Measurement (CICA 3855), Financial Instruments – Disclosure and Presentation (CICA 3861) and Hedges (CICA 3865), all of which are effective for fiscal periods beginning on or after January 1, 2007.

The standards require the inclusion of all financial instruments on a company’s balance sheet at their fair value, other than held-to-maturity investments, loans and receivables. Held-to-maturity investments, loans and receivables would be measured at their amortized cost. The standards create a new statement of comprehensive income that will include changes in fair value of certain derivative financial instruments.

The Corporation elects to mark-to-market its derivative contracts under its risk management program. The accounting for hedging relationships for prior fiscal years is not retroactively changed. Therefore, management expects no restatement of prior periods as a result of these new standards.

As the Corporation does not have any hedges in place, the new pronouncements do not impact the Corporation’s current financial position.

### **International Financial Reporting Standards (“IFRS”)**

Over the next five years, the CICA will adopt its new strategic plan for the direction of accounting standards in Canada as ratified in 2006. As part of that plan, Canadian accounting standards for public companies will converge with IFRS. The Corporation will continue to monitor and assess the impact of the planned convergence of Canadian GAAP with IFRS.

## **DISCLOSURE CONTROLS AND PROCEDURES**

Disclosure controls and procedures have been designed to ensure that information required to be disclosed by the Corporation is accumulated and communicated to our management as appropriate to allow timely decisions regarding required disclosure. The Corporation’s Chief Executive Officer and Chief Financial Officer have concluded, based on their evaluation as of December 31, 2006, that the Corporation’s disclosure controls and procedures are effective to provide reasonable assurance that material information related to the Corporation, is made known to them by others with the entity. It should be noted that while the Corporation’s Chief Executive Officer and Chief Financial Officer believe that our disclosure controls and procedures provide a reasonable level of assurance and that they are effective, they do not expect that the disclosure controls and procedures will prevent all errors and fraud. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

## **INTERNAL CONTROLS OVER FINANCIAL REPORTING**

The Chief Executive Officer and Chief Financial Officer of the Corporation are responsible for designing internal controls over financial reporting or causing them to be designed under their supervision in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP. We have assessed the design of our internal control over financial reporting and during this process we have identified certain weaknesses in internal controls over financial reporting which are follows:

- Due to the limited number of staff at the Corporation, it is not possible to achieve complete segregation of duties; and
- Due to the size of the Corporation and the limited number of staff, the Corporation does not have the technical accounting expertise and knowledge to address all complex and non-routine accounting transactions that may arise.

These weaknesses in the Corporation's internal controls over financial reporting result in a more than remote likelihood that a material misstatement would not be prevented or detected. Management and the board of directors work to mitigate the risk of material misstatement in financial reporting. In addition, when complex accounting and technical issues arise during preparation of the quarterly financial statements outside consulting expertise is engaged. In spite of management's best efforts, there can be no assurance that this risk can be reduced to less than a remote likelihood of a material misstatement.

### **LIST OF DIRECTORS AS OF DECEMBER 31, 2007**

Gordon F. Dixon, Q.C.  
 Steven C. Funk  
 John A. Dixon  
 Ronald W. Shepherd  
 Jean-Pierre Pelletier  
 Frederick W. Shandro

### **LIST OF OFFICERS AS OF DECEMBER 31, 2007**

Gordon F. Dixon, Q.C. - President and CEO  
 John A. Dixon - Secretary  
 Richard T. Walker - Vice-President, Exploration  
 Dena Dixon - Assistant Treasurer