

# PROPHECY RESOURCE CORP.

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS For the three month period ended June 30, 2007

The following discussion and analysis should be read in conjunction with the Interim Financial Statements and related notes for the three month period year ended June 30, 2007. All dollar amounts are stated in Canadian funds. This discussion is based on information available as at August 20, 2007.

The Company was incorporated under the *Business Corporations Act* (British Columbia) on February 9, 2006 under the name "Prophecy Resource Corp." Prophecy is focused on the acquisition of base and precious metal exploration properties primarily in the Province of British Columbia. The Company has no subsidiaries.

### Overview

On March 8, 2006 the Company acquired Goldrush Resources Ltd.'s option with Eastfield Resources Ltd. whereby Goldrush had the right to earn an interest in mineral exploration claims located north of Powell River in British Columbia (the "Okeover Property") from Eastfield. James (Bill) Morton, a director of the Company, is the president and chief executive officer of Eastfield. The Company can earn a 60% interest in the Okeover Property from Eastfield by spending up to \$1,000,000 in exploration on the Okeover Property within four years of the date of the agreement and by making cash payments totalling \$110,000, of which \$17,000 has been paid. To acquire the option from Goldrush, the Company issued 100,000 shares to Goldrush and made a payment of \$10,000 on completion of its proposed Initial Public Offering ("IPO").

On February 9, 2007 Prophecy completed its Initial Public Offering for gross proceeds of \$550,000 and on February 14<sup>th</sup> commenced trading on the TSX Venture Exchange under the symbol "PCY".

The Offering was comprised of 2,200,000 shares of the Company at \$0.25 per share. Bolder Investment Partners Ltd. acted as agent for the Offering. As compensation, Bolder received a commission, a corporate finance fee, and was issued 220,000 Broker Warrants exercisable to purchase a share at the Offering price for a period of one year from closing.

On May 11, 2007 the Company completed a non-brokered private placement of 750,000 flow-through units at a price of \$0.30 per unit. Each unit consists of one common share of the company and one share purchase warrant, with each warrant exercisable into one additional common share of the Company for a period of two years from closing at an exercise price of \$0.40 per share. The proceeds of this placement will be used for exploration of the Okeover Property, with exploration drilling having commenced in June, 2007. Further information is available on our website at [www.prophecyresource.com](http://www.prophecyresource.com)

## **The Okeover Copper-Molybdenum Property**

The following represents information summarized from a technical report (the "Okeover Property Report") dated October 5, 2006 entitled "Technical Report on the OK Copper Property", prepared by N.C. Carter, Ph.D. P.Eng. pursuant to the provisions of National Instrument 43-101 ("NI 43-101").

N.C. Carter is a "qualified person" within the meaning of NI 43-101. N.C. Carter is independent of the Company applying all of the tests in section 1.5 of NI 43-101 and has not had prior involvement with the Okeover Property that is the subject of the Okeover Property Report.

The Okeover Property (copper-molybdenum) consists of eleven contiguous legacy and cell mineral claims located in the Vancouver Mining Division of southwestern British Columbia, 25 kilometres north of Powell River and 145 kilometres northwest of Vancouver. Collectively, the claims cover an area of approximately 3,950 hectares between latitudes 49°59.5' and 50°04.6' North and longitudes 124°37.0' and 124°41.2'

All claims are registered in the name of Eastfield and are subject to a March 4, 2003 option agreement with Robert Edward Mickle of Likely, B.C. whereby Eastfield has the right to earn a 100% interest in the property subject to a 2.5% net smelter royalty interest which may be purchased from the vendor for \$2 million on commencement of commercial production. Cash payments to the vendor totalling \$88,000 over a five year period are due at six month intervals in addition to the annual issuance of Eastfield securities amounting to 125,000 shares over the term of the agreement. The payments totalling \$88,000 are payable by Prophecy pursuant to the terms of the agreement between Prophecy and Eastfield.

Goldrush, from whom the Company gained the right to earn an interest in the Okeover Property via an assignment, entered into an agreement with Eastfield on March 8, 2004. Goldrush maintained the option in good standing through to March, 2006 at which time Goldrush assigned its interest in the option agreement to the Company in exchange for 100,000 shares of the Company and a \$10,000 cash payment. At the same time the Company concluded a new agreement with Eastfield which provides the Company with the option to earn a 60% interest in the Okeover Property by making cash payments and/or stock issuances amounting to \$110,000 to Eastfield over the next four years, plus incurring exploration expenditures totalling \$1 million over the same period. Upon the Company earning its 60% interest in the Okeover property, the Company and Eastfield will form a joint venture for the further exploration and development of the Okeover property with Prophecy becoming the operator. A \$102,000 program was funded by the Company and completed in June, 2006. This work included the collection and analyses of several hundred soil samples from two grid areas and road and drill pad construction in the North Lake area using a large excavator.

## **Prior Exploration**

Copper and molybdenum mineralization was discovered in creek bottoms in the central part of the Okeover Property in 1965. Between 1966 and 1977, seven companies carried out a number of geological, geochemical and geophysical surveys, mechanical trenching and more than 14,000 metres of drilling. Companies working on the property included Noranda Exploration Company Ltd., Asarco Exploration Company of Canada Limited, Falconbridge Nickel Mines Ltd., Duval International Corporation, Granite Mountain Mines Ltd., Sierra Empire and Western Mines Ltd.

Drilling completed between 1966 and 1977 consisted of 13,831.5 metres of diamond drilling in 82 holes and 12 vertical percussion holes totalling 732 metres. Most of the diamond drill holes were inclined at -45° or less and five were vertical holes. Average hole length was 169 metres and the deepest hole drilled was 363 metres in length. Average vertical depth tested was between 120 and 140 metres below surface.

Vertical percussion holes were drilled to 61 metres depths. Readily available reports pertaining to drilling include only those of Western Mines Ltd. in 1974 and 1977. Original drill logs and analytical results for core and cuttings samples from all holes drilled between 1966 and 1977 were digitized in the late 1980s and these data were acquired on behalf of Goldrush in late 2004.

Work on the property conducted between 1979 and 1982 by Aquarius Resources Ltd. was mainly directed to a breccia zone with enhanced copper, molybdenum and silver values in the southern property area. Work included limited diamond drilling (3 holes totalling 205 metres), geological mapping, an Induced Polarization geophysical survey and soil geochemical surveys, road building and trenching. CanQuest Resource Corporation acquired the rights to the property in the early 1990s and a reconnaissance geological mapping and sampling program was undertaken in the area of the southern breccia zone in 1994. A small grid (4.2 line kilometres) was established in 1995 to cover this area in the south-central part of the Okeover C mineral claim and an Induced Polarization survey was completed. An area of higher chargeability identified by this survey was tested by one short (154 metres) inclined diamond drill hole in 1996. Follow-up work in 1997 included mapping of bedrock exposed in newly constructed logging roads. An expanded program in 1998 consisted of geological mapping and bedrock chip sampling in other areas of the property plus limited soil geochemical sampling and orientation magnetometer, VLF-EM and Self Potential geophysical surveys in selected areas.

A geological mapping, prospecting and bedrock sampling program on the Okeover Property was undertaken by Mincord Exploration Consultants Ltd. on behalf of Lumina Copper Corp. in October of 2003. This work, which was mainly directed to bedrock exposures along logging roads in the central southern property area, included geological mapping at 1:5000 scale, petrographic studies and the collection and subsequent analyses of 81 rock samples. Total cost of this program was \$31,509.

An airborne geophysical survey over a large part of the property was completed between July 12 and 15, 2004 by Fugro Airborne Surveys Corp. on behalf of Goldrush. This survey, conducted by helicopter, involved the collection of electromagnetic, resistivity and magnetic data. Program costs were in the order of \$82,000. Goldrush also funded a six hole, 975 metres diamond drilling program in 2005 which cost approximately \$175,000 to complete.

A surface exploration program was completed on the Okeover Property by the Company over a five week period between late May and late June of 2006. As an adjunct to the geochemical programs undertaken, a large excavator was used to improve road access within and marginal to the North Lake Zone. This work involved the extension of existing roads and construction of several drill pads east of 05-01, 05-03 and 05-05 drill holes completed in 2005. A number of grab samples were collected from bedrock exposed along the newly constructed roads. Chalcopyrite and molybdenite were found in quartz stockwork cutting quartz diorite between newly constructed drill pads east of hole 05-3.

Sites of 1960's drilling in the Claim Lake Zone were located and a road route into this area was investigated.

Some investigation and bedrock sampling was also undertaken in several areas in the northern and southern parts of the property during the 2006 program. Further examination of the Breccia Zone suggests that it forms the core of a wider zone of silicification, minor brecciation and moderate quartz stockwork development hosting variable chalcopyrite and molybdenite mineralization.

The two new soil grids were established. The northernmost grid area, which is immediately northwest of the North Lake Zone, was selected following a review of 2004 airborne geophysical data which had identified geophysical responses similar to those underlying the North Lake Zone. These included a relatively low magnetic response and generally coincident high resistivity readings. A flagged grid

consisting of 15 lines at roughly 100 metres intervals was established off part of the original survey baseline. A total of 499 soil samples were collected at 25 metres intervals along the flagged lines and submitted to Acme Analytical Laboratories in Vancouver for 4-acid digestion and the subsequent determination of 35 major and trace elements (including copper and molybdenum) by ICP – emission spectrography procedures.

Enhanced copper and molybdenum values were found throughout the grid area with the highest values being 1244 ppm (parts per million) copper and 534 ppm molybdenum. A previous statistical analysis of soil sample results from the Okeover Property suggested that anomalous values were >260 ppm copper and >27 ppm molybdenum. Assuming these values to be applicable to the results obtained from the 2006 program, less than 20 samples contain what might be referred to as anomalous values. Significantly, several of these are near the western limits of the sample grid. Molybdenum on the other hand features a much broader distribution of “anomalous” values with some 90 samples collected throughout the grid area containing values in excess of 27 ppm.

A smaller grid, consisting of three flagged lines at 100 metre spacings, was established to further assess the potential of the Southwest Zone situated southwest of the Breccia Zone. Ninety-nine soil samples, collected at 25 metre intervals, returned only slightly enhanced copper and molybdenum values with the highest values being 115 ppm copper and 52 ppm molybdenum.

#### **INTERPRETATION AND CONCLUSIONS FROM THE OKEOVER PROPERTY NI 43-101 REPORT**

The Okeover Property includes a multiple phase granitic complex which hosts widespread copper and lesser molybdenum mineralization. Eight mineralized zones over a 5 kilometres distance have been partially defined by previous drilling programs and all zones remain open both laterally and to depth. The most consistent copper (+molybdenum) mineralization identified by past drilling is associated with quartz veinlets and stockworks developed in quartz diorite and leucocratic phases along the margins of an essentially barren, large quartz-feldspar porphyry dyke.

An Inferred Mineral Resource for the North Lake Zone is estimated to be 86.8 million tonnes with average grades of 0.31% copper and 0.014% MoS<sub>2</sub> at a copper cutoff grade of 0.20%. The zone remains open to depth, along trend to the south and along most sections to the east. Similar grades of copper and molybdenum have been identified within the other known zones and the property has the potential to host a significantly large resource of low grade copper and molybdenum.

Higher grades of copper, accompanied by some silver values, are associated with the Breccia Zone in the southern property area. There are indications of similar breccias elsewhere within the large property area and these warrant further investigation inasmuch as they may assist in upgrading some of the other lower grade copper and molybdenum zones.

Results from recent drilling of the North Lake Zone indicate that precious metals values are very low within this particular zone. Previous and recent bedrock sampling in various parts of the property has returned essentially inconsequential gold values but low silver values appear to accompany zones of better grades of copper and molybdenum. Previous soil sampling indicated the presence of elevated silver values associated with coincident copper and molybdenum in soil anomalies suggesting that silver could be a significant component of the mineralized system.

As noted, post-mineral, barren dykes are ubiquitous within the various mineralized zones. The orientation of these is not well known but it is critical that these should be mapped in detail where exposed.

A 2004 airborne geophysical survey identified a number of anomalous features of which only a few have been investigated to date. Recent geochemical surveys have provided useful results and more work of this nature is warranted.

### 2007 Exploration Program (first phase)

As recommended by N.C. Carter, the Company began a first phase program in spring 2007.

In July, 2007 Prophecy received the results from the first four drill holes of a seven hole program recently completed at the Okeover copper-molybdenum property. The drill holes reported here were designed to expand the current resources of the North Lake Zone.

Hole OK-07-04, drilled near the western boundary of the North Lake Zone, intersected an aggregate intercept of **76 metres grading 0.34% copper and 0.020% MoS<sub>2</sub>**, including an intercept of **19 metres grading 0.42% copper and 0.027% MoS<sub>2</sub>**. Hole OK-07-04 was drilled adjacent to and beneath a hole completed in 1972 with much of the mineralized interval, including the higher grade section, occurring beneath the 1972 hole, which bottomed at a depth of 97 metres.

Hole OK-07-02, drilled **350 metres to the east** of the area corresponding to the North Lake resource, intersected **23 metres grading 0.24% copper and 0.031% MoS<sub>2</sub> at the bottom of the hole**, establishing that mineralization is very much open ended to the east and suggesting that the North Lake Zone may be considerably larger than the 2006 estimate. In addition, molybdenum grades appear to be increasing to the east.

A summary of results of the first four holes is as follows:

#### Hole OK-07-01

Excluding several internally dilutive dykes greater than 4 metres in thickness:

Beginning	Ending	Aggregate mineralization	Copper %	MoS <sub>2</sub> %
29 m	203 m	147 m	0.18	0.009

Mineralized intervals in OK-07-01 in detail

From m	To M	Interval m	Copper %	MoS <sub>2</sub> %
29	47	18	0.16	0.010
56	90	34	0.17	0.008
92	132	40	0.17	0.009
138	166	28	0.17	0.007
171	191	20	0.24	0.010
196	203 (end)	7	0.19	0.019

OK-07-01 is located approximately 75 metres to the east of the 2006 North Lake Zone (south side).

#### Hole OK-07-02

From m	To M	Interval m	Copper %	MoS <sub>2</sub> %
165	188 (end)	23	0.24	0.031

OK-07-02 is located approximately 350 metres to the east of the 2006 North Lake Zone.

### Hole OK-07-03

Excluding several internally dilutive dykes greater than 4 metres in thickness:

Beginning	Ending	Aggregate mineralization	Copper %	MoS <sub>2</sub> %
73 m	188 m	75 m	0.19	0.029

Mineralized intervals in OK-07-03 in detail

From m	To M	Interval m	Copper %	MoS <sub>2</sub> %
73	116	43	0.17	0.031
123	135	12	0.17	0.020
151	156	6	0.27	0.032
160	170	10	0.27	0.030
176	179	3	0.24	0.020
187	188 (end)	1	0.19	0.028

OK-07-03 is located approximately 50 metres to the east of the North Lake Zone (north side). **The interval from 73.7 metres to 74.5 metres returned grades of 1.26% copper and 0.639% MoS<sub>2</sub>.**

### Hole OK-07-04

Excluding several internally dilutive dykes greater than 4 metres in thickness:

Beginning	Ending	Aggregate mineralization	Copper %	MoS <sub>2</sub> %
41 m	141 m	76 m	0.34	0.020

Mineralized intervals in OK-07-04 in detail

From M	To M	Interval m	Copper %	MoS <sub>2</sub> %
41	61	20	0.35	0.029
72	91	19	0.42	0.027
104	141	37	0.29	0.012

OK-07-04 is located near the western boundary of the North Lake Zone, adjacent to and underneath a hole drilled in 1972, hole 72-16, which bottomed at 97 metres. Holes OK-07-01 to OK-07-07 (of which holes OK-07-01 to OK-07-04 are reported here) were drilled on pre-existing permitted sites. The results for the final three holes are expected to be available in late August.

Holes OK-07-01 to 04 have confirmed that mineralization in the North Lake Zone has not been constrained by depth and remains open on the eastern and western edges, offering substantial opportunities for expansion of the resource.

Exploration of the Okeover property is being conducted under the supervision of J.W. (Bill) Morton, P.Geo., a director of the Company and qualified person within the context of National Instrument 43-101.

A drill permit has recently been received that will allow Prophecy to drill additional sites in the fall, including drilling that will target the South Breccia Zone, where previous trenching included a **12 metre trench intercept grading 2.4% Cu and 0.52% MoS<sub>2</sub>**

During the nine month period ended June 30, 2007 the Company spent \$177,484 on exploration of the Okeover property. This was comprised of geological consulting of \$60,414, assays and drilling of \$89,041, field expenses of \$27,746 and property maintenance fees of \$283.

#### Shares for Debt

On April 4, 2007 Prophecy announced that it had agreed to issue 25,000 common shares to Eastfield Resources Ltd. for its annual option payment on the Okeover copper molybdenum property. In accordance with the terms of Prophecy's agreement with Eastfield dated March 8 2006, Prophecy elected to settle the \$10,000 due in March, 2007 by the issuance of 25,000 shares valued at \$0.40 per share. These shares were subsequently issued on April 30, 2007.

#### Private Placement

On May 11, 2007 Prophecy completed a non-brokered private placement of 750,000 flow-through units at a price of \$0.30 per unit. Each unit consists of one common share of the company and one share purchase warrant, with each warrant exercisable into one additional common share of the Company for a period of two years from closing at an exercise price of \$0.40 per share. There were no finder's fees paid on this placement, with all proceeds to be used for exploration of the Okeover copper molybdenum property.

### **Management's Discussion and Analysis**

The following discussion and analysis is based on the Company's results of operations and financial position and should be read in conjunction with the interim financial statements for the three month period ended June 30, 2007.

The Company holds an option to earn a 60% interest in eleven contiguous mineral claims in British Columbia totaling approximately 3,950 hectares called the Okeover Property. The Company is a resource development company focused on the acquisition and exploration of mineral properties and therefore has no regular cash flow from operations. The level of operations has been determined by the availability of capital resources. To date, private placements have provided the main source of funding.

#### Results of Operations

Net loss for the three months ended June 30, 2007 was \$30,744. Operating expenses totaled \$32,750 for the three months ended June 30, 2007, of which the significant expenditures were as follows:

- Office, rent and miscellaneous expenses of \$4,867, inclusive of rent of \$4,500 paid to a company wholly-owned by a director and officer of the Company;
- Professional fees of \$8,076 for accounting and legal services;
- Filing and transfer agent fees of \$6,868;

- Shareholder communications expenses of \$6,784, which included web site design, news release dissemination and advertising;
- Travel expenses of \$1,655; and
- Management fees of \$4,500 paid to an officer and director of the Company.

There are no comparative figures for the three and nine month periods ended June 30, 2007 as Prophecy was incorporated on February 9, 2006 and did not commence operations until March of that year. Comparative figures will not be available until the year end of September 30, 2007.

### **Summary of Quarterly Results**

	<b>Q3-07</b> (June 30, 2007)	<b>Q2-07</b> (March 31, 2007)	<b>Q1-07</b> (December 31, 2006)
<b>Revenue</b>	Nil	Nil	Nil
<b>Net Loss (\$)</b>	30,744	55,286	60,207
<b>Per Share</b>	0.01	0.01	0.01

A “Summary of Quarterly Results” has only been prepared for the first, second and third quarters of fiscal 2007 as the Company was private during the past fiscal year ended September 30, 2006 and did not prepare any quarterly financial reports during that period.

The loss during the second quarter of fiscal 2007 (the three month period ended March 31, 2007) decreased to \$55,286 from the loss of \$60,207 incurred during the prior fiscal quarter primarily due to the elimination of stock based compensation expense, a non-cash item, as there were no stock options granted or vested during the current period. During the first quarter of fiscal 2007, the granting of stock options to directors resulted in a charge for stock-based compensation of \$55,304 during that period. The elimination of stock-based compensation expense during the second quarter was offset by an increase in transfer agent and filing fees to \$28,800 from the \$1,162 incurred during the first quarter due to the completion of the Company’s Initial Public Offering during the second period and the subsequent listing on the TSX Venture Exchange. As it is now a public company, Prophecy also incurred additional expenses for shareholder communications of \$8,516 during the second quarter, a portion of which will continue to be incurred during subsequent quarters.

The loss for the third quarter of fiscal 2007 decreased to \$30,744 from the \$55,286 incurred during the second quarter of fiscal 2007 primarily due to a reduction in transfer agent and filing fees to \$6,868 from the \$28,800 incurred during the second quarter for completion of the Company’s Initial Public Offering and listing on the TSX Venture Exchange.

### **Liquidity and Capital Resources**

Prophecy is in the development stage and therefore has no regular cash flow. As at June 30, 2007, the Company had working capital of \$508,473, inclusive of cash on hand of \$461,966. This compares to working capital of \$139,082 at September 30, 2006, inclusive of cash on hand of \$157,944.

As at June 30, 2007, the Company had current assets of \$581,382, total assets of \$92,598 and total liabilities of \$72,909. The Company has no long-term debt. There are no known trends in the Company’s liquidity or capital resources.

The principal assets of the Company are its mineral exploration properties, amounting to \$333,716 as at June 30, 2007.

The increase in cash during the three months ended June 30, 2007 of \$16,333 was primarily due to net cash received from completion of a private placement of \$225,000, issuance of shares for debt of \$10,000 and in increase in amounts due to related parties of \$33,324, offset by cash used by operations of \$103,812 and property acquisition and exploration expenditures of \$180,845.

The Company had sufficient funds on hand at June 30, 2007 to fund the balance of its proposed Phase I exploration program on the Okeover Property and operating expenses for the balance of the fiscal year. While this funding will provide the Company with additional working capital, it will not have sufficient funds upon closing of the Offering to carry out phase II exploration work on its Okeover Property, if warranted, and may have to obtain other financing or raise additional funds in order to do so. Although the company has been successful in the past in obtaining financing through the sale of equity securities, there can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. Failure to obtain such additional financing could result in the delay or indefinite postponement of further exploration and development of its properties

Cash flow to date has not satisfied the Company's operational requirements. The development of the Company may in the future depend on the Company's ability to obtain additional financings. In the past, the Company has relied on the sale of equity securities to meet its cash requirements. Future developments, in excess of funds on hand, will depend on the Company's ability to obtain financing through joint venturing of projects, debt financing, equity financing or other means. There can be no assurances that the Company will be successful in obtaining any such financing or in joint venturing its property.

#### Disclosure Controls and Procedures

The Company's system of disclosure controls and procedures includes our Disclosure Policy, our Code of Conduct and Business Ethics and the effectiveness of our Audit Committee. The Company has established procedures that allow the identification of matters warranting consideration of disclosure by the Audit Committee, as well as procedures for the verification of individual transactions and information that would be incorporated in annual and interim filings, including Financial Statements, Management's Discussion and Analysis, Annual Information Forms and other related documents.

As required by CSA Multilateral Instrument 52-109, Certification of Disclosure in an Issuer's Annual and Interim Filings, an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures was conducted as of June 30, 2007 under the supervision of management, including the President and the Chief Financial Officer. The evaluation included review of documentation, enquiries of Company staff and other procedures considered by Management to be appropriate under the circumstances.

As a result of their evaluation, the President and Chief Financial Officer are of the opinion that the design and operation of the system of disclosure controls was effective as at June 30, 2007.

The President and Chief Financial Officer are also required to file certifications of our annual and interim filings under Multilateral Instrument 52-109. These certifications may be accessed at [www.sedar.com](http://www.sedar.com).

### Related Party Transactions

During the three month period ended June 30, 2007, \$4,500 was paid or accrued to a private company wholly-owned by Stuart Rogers, a director and Chief Financial Officer of the Company, for office rent and administration services provided to the Company.

During this same period, \$4,500 was paid to James Brown, the President and a director of the Company, for management services provided. In addition, during the period a total \$86,199 was paid or accrued to a private company in which a director, Bill Morton, is a 50% partner for exploration work done on the Company's property. Included in this amount are geological consulting fees of \$4,000 which were paid to this same director.

These amounts were incurred in the ordinary course of business.

### Use of Proceeds

In February 2007 Prophecy completed a Prospectus Offering of 2,200,000 shares at \$0.25 per share for gross proceeds of \$550,000. After deducting commission of \$44,000 and the agent's corporate finance fee and expenses, the Company received net proceeds of \$489,833. The budget amounts, compared to our actual use of proceeds, are as follows:

Principal Purposes:	Budgeted Amount	Actual Amount Spent	Balance Remaining
For the balance of the estimated costs of the Offering	\$ 65,000	\$90,969	\$ Nil
Phase 1 exploration costs on the Okeover property	333,000	279,716	53,284
Property payment due to Goldrush	10,000	10,000	Nil
Property payments over the next twelve months	5,000	5,000	Nil
General and administrative costs for the 12 months following the Offering	89,700	44,216	45,484

The Company had cash on hand of \$461,966 at June 30, 2007, which is sufficient to allow the completion of Phase 1 exploration programs on the Company's properties during the coming year, as well as fund its general and administrative expenses during that same period.

### Investor Relations

The Company incurred expenditures of \$6,784 on investor relations the three month period ended March 31, 2007. This figure was comprised of \$812 for dissemination of news releases, \$5,732 for advertising and \$240 for web site design and maintenance.

### Contingencies

The Company is aware of no contingencies or pending legal proceedings as of August 20, 2007.

### Equity Securities Issued and Outstanding

The Company had 8,250,000 common shares issued and outstanding as of August 20, 2007. In addition, there were 450,000 incentive stock options and a total of 2,570,000 warrants outstanding as of August 20, 2007.

**Disclaimer**

The information provided in this document is not intended to be a comprehensive review of all matters concerning the Company. It should be read in conjunction with all other disclosure documents provided by the Company, which can be accessed at [www.sedar.com](http://www.sedar.com). No securities commission or regulatory authority has reviewed the accuracy or adequacy of the information presented herein.

Certain statements contained in this document constitute “forward-looking statements”. Such 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 expressly stated or implied by such forward-looking statements. Such factors include, among others, the following: mineral exploration and development costs and results, fluctuation in the prices of commodities for which the Company is exploring, competition, uninsured risks, recoverability of resources discovered, capitalization requirements, commercial viability, environmental risks and obligations, and the requirement for obtaining permits and licenses for the Company’s operations in the jurisdictions in which it operates.