

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

The following Management's Discussion and Analysis « MD&A » operation's results and financial condition of Rocmec Mining Inc. « Rocmec » constitutes management's review of various elements that have impacted the company's operational and financial performance during the third quarter ended June 30<sup>th</sup>, 2007. The following MD&A, dated August 23<sup>rd</sup>, 2007 should be read in conjunction with the company's interim financial statements dated June 30<sup>th</sup>, 2007 and 2006, including related notes. All amounts included in the following document are in Canadian dollars, unless otherwise stated.

Corporate profile

### **Strategies and objectives**

With its exclusive thermal fragmentation licensing agreement, Rocmec is concentrating its thermal fragmentation activities on its own narrow vein deposits, in partnership agreements with other producers and hand-over sub licensing technological agreements with other mining companies.

The 44,000 tonne bulk sampling programme currently underway at the Rocmec1 (Russian Kid) mining site, located near Rouyn-Noranda in Abitibi, Quebec, will enable the company to employ its thermal fragmentation process, which in turn will serve to showcase this unique patented process for extracting ore and also to verify the grades contained within the mineralised structures.

The company's properties are located in the North West region of Quebec and also in the region of Quebec and its head office is located in Pointe-Claire, Quebec.

During the quarter, Rocmec pursued its objective of extracting ore by way of its thermal fragmentation process on narrow vein deposits. The company continued development and rehabilitation work on the underground infrastructure at Rocmec 1 (Russian Kid). Development work was conducted on two superimposed levels (110 and 130) in order to extract the ore from the mineralised structure between the levels by way of thermal fragmentation. With the completion of these blocks, Rocmec will now be in a position to clearly demonstrate to the mining participants its new mining method.

With the start of operations at Rocmec1 (Russian Kid), Rocmec will be in a position to continue its efforts of introducing the thermal fragmentation process to the mining industry.

### **Patents**

During the last period, the company publicly announced that it received its Canadian patent (no: 2,495,143) from the Canadian patent Office. The patent issued to Rocmec International Inc. grants to the company the exclusive rights to utilise its thermal fragmentation technology as per its licensing agreement. Furthermore, on July 14<sup>th</sup>, 2006 the company obtained a patent for South Africa. The patent issued to Rocmec International Inc. grants to the company the exclusive rights to utilise its thermal fragmentation technology as per its licensing agreement. The patent number is 2005-4251 and valid for 25 years from the international filing date being November 26<sup>th</sup>, 2003. Both patents are in addition to the United States patents no: U.S. 6,913,320 received on July 5<sup>th</sup>, 2005 and patent no: U.S. 7,195,320 B2 received on March 27<sup>th</sup>, 2007 and the Moroccan patent no: 27552 received on October 3<sup>rd</sup>, 2005.

### **Properties**

#### **Rocmec 1 (Russian Kid)**

**Infrastructures:** The property includes a 100m deep two compartment shaft, an 844 metre decline allowing access to three levels (50, 90 and 130 metres). On these levels a total of 1700 metres (drifts and cross-cut drift) were driven. The Rocmec 1 (Russian Kid) ore body is well defined by diamond drill holes, certain areas were sampled and mined (McDowell vein).

**Geology:** The mineralization is associated to an East-West sheared system, almost parallel, broken by faults which create slight displacements. Some of the transversal faults are important, causing displacements exceeding 30 metres (ex: El Coco fault). The orientation of the mineralised structures vary from N070° to N090° with a dip of 55° to 80° towards the south. Fractures and tension veins have also developed in close proximity to the sheared zones. They are strongly silicified, very well foliated and are characterized by cataclastic textures with very fine mylonitic grains containing visible or pulverised fragments.

The gold veins on the Rocmec 1 (Russian Kid) property are quartz carbonated narrow veins included in an intrusive rock with included quartz or granophyric textures. The narrow veins can be confined in a more competent ground. The high grade iron ore is most favourable for gold precipitation. These quartz carbonated narrow veins are normally created in a table and lense shape structure and are present in the central portion of the sheared zone with a fragile-ductile rocky behaviour parallel to the host structure and slightly oblique. (Hogson, 1989; Poulsen et Robert, 1989).

Since this type of ore body is low in sulphur, the exploration strategy would be oriented towards geological criteria instead of geophysical criteria. It is important to focus on the sheared zones included in the host rock where high grade iron igneous rock is present. The mapping done by colored mineralised rock is a simple way to localise the more favourable ore zones.

**Mineralization:** The gold mineralization at the Rocmec 1 (Russian Kid) Property is linked to east-northeast, centimetric and metric wide quartz veins, dipping moderately to steeply to the south, within a kilometric long by 600 meter wide gabbro to granodiorite intrusive host. There are at least six major vein systems identified on the property; however recent underground work by the Company has confirmed that several veins are likely part of the same system, simply offset by north trending faults. The veins are part of diverging / converging or anastomosing fracture system than includes shearing, alteration (silica, chlorite, sericite, epidote and carbonate) and 2 to 10% disseminated and vein-type pyrite that can attain overall widths in excess of 30 meters.

**The best known vein system is termed the McDowell Zone that may include three different vein sets, and has been recognized over a 1,660 meter long strike length, to a 317 meter depth, carrying an average of 6.07 g/t gold capped at 45 g/t over a 0.82 meter horizontal width.**

**Metallurgical test and ore treatment:** In 1983, two 45 kg samples from the 130m level of the Beaudoin vein and from the 90m level of the McDowell West vein underwent treatment testing at the Center for Mineral Research (CMR) of the government of Quebec

Gold grades from the Beaudoin and McDowell West veins were 12.8 and 30.3 gr/t Au respectively. Gold recuperation rates with cyanide testing following a recrushing period of 25 minutes of flotation concentrate from the Beaudoin vein attained 95%. However, gold recuperation rates without resorting to recrushing of concentrate from the McDowell West vein were 91-92%.

**Mineral resources:** Système Géostat International of Blainville (Quebec) has authorized Rocmec to release results of its mineral resources. The undiluted and in-situ resource estimate within the ore zones is summarized as follows:

| TONNAGE-GRADE VARIATIONS BASED ON TWO CUT-OFF GRADES* |                   |                  |        |                    |                  |        |                   |                  |         |
|---|-------------------|------------------|--------|--------------------|------------------|--------|-------------------|------------------|---------|
| Cut-off Grade (g/t)                                   | MEASURED CATEGORY |                  |        | INDICATED CATEGORY |                  |        | INFERRED CATEGORY |                  |         |
|   | Tonnes            | Grade (g/t gold) | Ounces | Tonnes             | Grade (g/t gold) | Ounces | Tonnes            | Grade (g/t gold) | Ounces  |
| 3.0   | 91 600            | 6.72             | 19 800 | 274 200            | 6.37             | 56 100 | 955 200           | 10.37            | 318 450 |
| 0.1   | 107 800           | 6.06             | 21 000 | 414 000            | 4.92             | 65 550 | 2 250 000         | 6.32             | 456 900 |

\* Calculations are in metric units with results were rounded to reflect their true estimated nature. Mineral Resources are not Mineral Reserves, since Mineral Reserves have a demonstrable economic viability. Système Géostat International Inc. has verified and is not aware of any environmental, permitting, legal, claim title, taxation, socio-political, marketing or other constraints that could affect the resource estimate.

After just over one year of exploration and development work, the Company now has National instrument 43-101 Mineral Resources for the Rocmec 1 property. The Company estimates that there is a significant opportunity to expand the resources based on the kilometric-long gold corridor on the property.

The Qualified Person responsible for the resource estimate is Mr. Claude Duplessis, P. Eng., of Système Géostat International Inc. The gold mineral resources were estimated on regular blocks on longitudinal sections by the inverse of distance method. The gold zones are Front West, McDowell, Talus, Shaft, Boucher and Boucher 2. The average true widths of the gold zones vary from 0.61 meters to 2.32 meters. High grade capping was done on the raw data and established at 45 g/t gold. The known mineralization now lies from surface to a vertical depth of 400 meters and was delineated over a strike length of approximately 1.66 kilometers and individual widths of up to 4.10 meters. The

complete National Instrument 43-101 Technical Report from Systèmes Géostat International Inc. has been filed on SEDAR (at [www.sedar.com](http://www.sedar.com)) under Rocmec Mining Corporation Inc.

The Company is planning an extensive drill program later in 2007 to test the down-dip extensions of all the mineralization zones to the -400 m vertical depth, and to outline higher quality gold resources more in-line with other gold systems in the Gold Mining Camps of the region.

**Denain**, the property is located in Louvicourt, in close proximity to Val-d'Or, and is a site, on which, the company undertook development work in order to evaluate its future potential. The principal vein, referred to as the south vein, has been intercepted on close to 400 metres in length, and identified to a depth of 100 metres. The technical report prepared by a consulting geologist reports measured and indicated resources of 9,570 ounces and inferred resources of 31,185 ounces. Furthermore, another mineralized structure, referred to as the north vein, has been identified but as of yet no resource calculation has been made. The company, Texas T. Minerals Inc. holds a 15% interest in the property. During the first quarter of the period, an option was granted to Autanabi Resources of Montreal, Quebec to acquire 85% of the property for a period of 24 months starting September 1<sup>st</sup>, 2006 and includes the following terms. The option calls for a cash payment to Rocmec of \$5,000 upon signature of the agreement, the issuance of 100,000 common shares during the first year, the issuance of an additional 300,000 common shares no later than 18 months following the signature of the agreement and a cash payment of \$2,400,000 within 24 months of the signature of the agreement. Furthermore, a 2.5% NSR is also included in the agreement.

**Montauban**, the property is located approximately 80 km south-west of Quebec City, owned by the company since its founding in 2000. No exploration work was conducted on the site during the past year. However during the quarter, management mandated an external consulting firm to conduct an evaluation of the thermal resources. The results will enable Rocmec to prepare for extraction by way thermal fragmentation on the site.

The company has been approached by certain groups interested in acquiring an option on Montauban. Ongoing discussions include an option agreement that would be tied to a partnership agreement. At this stage it is difficult for management to comment on the outcome of the agreement.

On Rocmec's Montauban property, the supracrustal rocks from the Montauban Group property constitute the majority of the outcrop areas and are represented principally within four (4) lithologies: biotite gneiss, amphibolites, quartzites and hornblend-biotite gneiss. However, the biotite gneiss rock is the most prominent on the Montauban property and within the surrounding areas. It is to be noted that the mineralization is generally located in the interface between the previously mentioned lithologies, which are, the biotite gneiss and sillimanite and the amphibolites.

The polymetallic mining site of Montauban, located on the Montauban property operated since the beginning of the century until its closing in 1990. Two types of ore were extracted, 800,000 tonnes of gold-bearing ore grading 3.55 g/t Au and 17.72 g/t Ag and 2,500,000 tonnes of polymetallic ore grading 6.8% Zn, 2.27%Pb, 131 g/t Ag and 1.3 g/t Au. The mineralization is basically formed of sphalerite, galena, chalcopyrite in a marble level or an anthophyllite-cordylite-gahnite gneiss associated to sillimanite nodules gneiss and quartzic gneiss. According to certain authors, it is a massive metamorphosed volcanogenic sulphur altered zone. During the mining of the southern section of the mineralised zone, gold and silver were recuperated as by-products, whereas mining and exploration activities on the northern section were concentrated on precious metals. Recent work supports the idea of classifying the Montauban mining site as massive gold-bearing sulphur associated to heavily metamorphosed volcanic rock.

The gold-bearing mineralization on the Montauban property tends to show a certain lateral continuity, controlled by one or more structures that stretch beyond the immediate sectors of the mine. Thus, the Saint-Thomas indicator, located more than 3 kilometres to the south, presents itself as a mineralization with free gold within quartz stockwerk. The authors of the report support the assumption brought forward by certain authors, that the gold-bearing mineralization at Montauban was late in its formation and intersects just about all of the lithologies including the amphibolites. Following work conducted by Muscocho Exploration Ltd., it was thought that the mineralization was located under a particular level of amphibolite; however, the author believes that the mineralization follows a corridor that becomes subhorizontal towards the south. This assumption is valid for the Montauban property considering the presence of a similar lithology within the same structural context. Furthermore, the North and South mineralised zones on the Montauban property display excellent surface continuity observed through overburden removal, trenches spaced at 30 metre intervals and to depth in proximity, as indicated by numerous past and recent diamond drill holes spaced at 30 metre intervals. Zone thicknesses vary from between 1 to 3 metres; however, locally they can reach 10 metres or more. Grades vary from between 1 to 6 g/t Au.

**Resource evaluation:** For the south Zone 1, the Company evaluates the indicated mineral resource of the unmined crown pillar of this zone at 114,473 tonnes with grades of 6,1 g/t Au and 94 g/t AG, for a total of 22,281 gold ounces and 347,086 silver ounces. Considering a ratio of 73 g Ag pour 1 g Au the equivalent gold grade is 7,3 g/t eqAu (82 % Au et 18 % Ag). For north zone, we calculate an indicated resource totalling 274,500 tonnes with grades of 2,8 g/t Au and 15 g/t Ag. for a total of 24,917 gold ounces and 133,912 silver ounces. Considering a ratio of 73 g Ag pour 1 g Au the equivalent gold grade is 3.0 g/t eqAu (93 % Au et 7 % Ag). However, we advise that within this sector 113,284 tonnes with grades of 3.1 g/t Au and 19 g/t Ag (3.4 g/t eqAu), are available in the first 10 metres. The volume corresponds to 46% of the total value of the crown pillar. The above mentioned information was taken from a technical report dated June 2003, prepared by Mr. Jacques Marchand, a consulting engineer geologist.

**Courville-Maruska and Vauquelin:** For the moment they are at the exploration stage. Very little work is planned for both properties during the coming year and Management have not determined when exploration activities will take place.

### **Summary of quarterly activities**

During the third quarter, the company concentrated its activities on preparing the Rocmec 1 (Russian Kid) site and financing the work planned for the coming year. Principal activities included drifting, diamond drilling, thermal fragmentation and preparation of Block C for mineral extraction.

Approximately 40 metres of drifting were driven by one work team on levels 110 east, 110 west and 130 west in preparation for ore extraction of the mineralised structure by thermal fragmentation between levels 110 and 130.

Ore extraction by way of thermal fragmentation was conducted on Block C on the 70 metre level. The "spalling" effect caused by the heat generated from the burner recuperated the same amount of ore whether used up or down. In order to recuperate the maximum amount of ore from the Block C area, mining, with a very tight control on dilution was conducted on the 90 metre level. This will allow the ore to be extracted from between the 70 and 90 metre levels. Following which work will continue between the 45 and 70 metre levels. Rocmec plans on completing ore extraction on Block C during the fourth quarter.

During the third quarter, Rocmec started shipping ore to the Xstrara copper refinery. A total of 5,167 tonnes were shipped during the period, gross revenues totalled \$228,000. The ore shipped during the period was composed principally of ore extracted from development drifting.

The Company continued with its underground diamond drilling programme. Drilling was focussed towards the north from the decline and intercepted 2 mineralised structures north of the McDowell vein. The underground diamond drilling programme will continue over the following quarters.

Finally, a number of mine site visits took place and industry participants demonstrated a definite interest towards the new mining method. Preliminary discussions are now underway with some mining producers to introduce this new mining method within their mining sites.

**Summary of quarterly results**

|   | 4 <sup>th</sup> 2006 | 1 <sup>st</sup> 2007 | 2 <sup>nd</sup> 2007 | Quarter<br>3 <sup>rd</sup> 2007 |
|---|----------------------|----------------------|----------------------|---------------------------------|
| Revenues – management services                          | -                    | -                    | -                    | -                               |
| Stock based remuneration                                | 24,000               | 77,267               | 31,756               | 21,819                          |
| General and Administration expenses                     | 443,157              | 227,267              | 8,458                | 204,556                         |
| Amortisation  | (208)                | 975                  | 1,661                | 1,819                           |
| Income Tax from part XII.6                              | (2,089)              | -                    | -                    | -                               |
| Interest and bank charges                               | 199,795              | 323,259              | 280,229              | 344,805                         |
| Financing fees  | 406,461              | 157,989              | 29,091               | 2,553                           |
| Gain on evaluation of temporary investment              | -                    | (7)                  | (3,396)              | 1,450                           |
| Write off of mining properties                          | 336,205              | 1,800                | 96                   | -                               |
| Write-off of deferred exploration and development costs | 621,633              | 90                   | -                    | -                               |
| Future income taxes                                     | (43,912)             | (52,600)             | 22,467               | (415,113)                       |
| <b>Net loss</b>   | <b>1,985,042</b>     | <b>736,040</b>       | <b>370,362</b>       | <b>161,889</b>                  |
| Stock issuance expenses                                 | 78,359               | 301,742              | 374,618              | 903,568                         |
| Cash flow from operating activities                     | (227,908)            | (2,846,974)          | (1,373,507)          | (468,321)                       |
| Investment in fixed assets                              | 431,588              | 15,414               | 69,948               | 15,670                          |
| Investment in mining properties                         | 286                  | 1,351                | 1,393                | 1,675                           |
| Deferred exploration and development costs              | 1,486,317            | 1,456,936            | 944,708              | 1,802,820                       |
| Cash and cash equivalents                               | 16,553               | (16,183)             | 7,460                | (749,750)                       |
| Cash flow   | (2,622,603)          | (1,856,977)          | (817,162)            | (1,294,114)                     |
| Shareholder equity                                      | 6,075,155            | 6,413,221            | 8,246,838            | 10,343,986                      |
| Net loss per share                                      | 0,041                | 0.012                | 0.006                | 0.002                           |
| Weighted average outstanding shares                     | 46,379,541           | 58,180,296           | 61,474,358           | 66,249,991                      |
| Shares outstanding                                      | 56,574,758           | 61,248,835           | 72,697,881           | 86,970,167                      |

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**Summary of quarterly results**

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|   | 4 <sup>th</sup> 2005 | 1 <sup>st</sup> 2006 | 2 <sup>nd</sup> 2006 | Quarter<br>3 <sup>rd</sup> 2006 |
|---|----------------------|----------------------|----------------------|---------------------------------|
| Revenues – management services                          | (9)                  | -                    | 164                  | -                               |
| Stock based remuneration                                | 14,300               | -                    | 13,000               | -                               |
| General and Administration expenses                     | 143,609              | 260,467              | 137,276              | 228,211                         |
| Amortisation  | 1,578                | 1,241                | 1,241                | 1,241                           |
| Income Tax from part XII.6                              | 14,048               | -                    | -                    | -                               |
| Interest and bank charges                               | 64,036               | 25,486               | 54,999               | 62,606                          |
| Financing fees  | 15,000               | 35,050               | 7,007                | 17,558                          |
| Write-off of deferred exploration and development costs | 133,066              | 345,693              | (314,582)            | 60,849                          |
| Future income taxes                                     | (137,637)            | (111,939)            | (89,704)             | (42,654)                        |
| <b>Net loss</b>   | <b>248,009</b>       | <b>555,998</b>       | <b>(190,927)</b>     | <b>327,811</b>                  |
| Stock issuance expenses                                 | 277,219              | 281,751              | 246,974              | 303,601                         |
| Cash flow from operating activities                     | (138,480)            | (519,242)            | (928,044)            | 317,997                         |
| Investment in fixed assets                              | 14,383               | 11,750               | 2,400                | 967,279                         |
| Investment in mining properties                         | 2,012                | 84,000               | 1,182                | 72,172                          |
| Deferred exploration and development costs              | (219,347)            | 266,735              | 780,170              | 966,328                         |
| Cash and cash equivalents                               | 8,017                | 41,753               | 379,064              | 350,161                         |
| Cash flow   | (1,467,290)          | (1,632,657)          | (92,055)             | (816,451)                       |
| Shareholder equity                                      | 3,855,008            | 4,175,176            | 6,630,358            | 6,586,645                       |
| Net loss per share                                      | 0,01                 | 0.015                | (0,005)              | 0,007                           |
| Weighted average outstanding shares                     | 29,840,741           | 36,754,410           | 40,075,243           | 43,870,872                      |
| Shares outstanding                                      | 35,411,728           | 41,742,927           | 50,633,836           | 53,059,701                      |

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## **Financial Aspects**

The preparation of financial statements requires the usage of estimates and the formulation of assumptions that effect reported amounts of revenues and expenses and also the amounts of assets and liabilities. Elements reported in the financial statements that require accrued usage of estimates include the calculation of the useful life of assets, amortisation calculations, calculations pertaining to maintenance obligations for out of service assets and those related to income taxes on profits and future mining income taxes. Consequently, actual results could differ from these estimates.

## **Summary of financial results for the third quarter of 2007**

### **General and administration expenses**

Expenses related to administrative salaries, professional fees, legal expenses, communications and other office expenses. The remaining expenses for the third quarter are comparable to the preceding quarters. Details of G & A expenses are listed in the interim financial statements filed with Sedar.

### **Interest and bank charges**

Interest on debentures and the gold loan contracted during the past quarters represent an important portion of the interest expenses.

### **Financing Fees**

Financing fees represent costs relating to financing activities on loans, debentures and equity financing. During the third quarter, financing fees totalled \$2,553 compared to \$17,558 for the same quarter last year.

### **Write-off of deferred exploration and development costs**

The write-off of deferred exploration and development costs represent costs expended on properties that the company has no intention of conducting further exploration activities.

### **Results of operations**

For the quarter ended June 30<sup>th</sup>, 2007, operating expenses totalled \$577,002 compared to \$370,465, an increase of \$206,537 over the same period last year.

For the third quarter, the company had a net loss of \$161,889 or \$0.002 per share.

The net loss per share was calculated based on 66,249,991 common shares representing the weighted average outstanding common shares as of June 30<sup>th</sup>, 2007, compared to 43,870,872 shares representing the weighted average outstanding common shares as of June 30<sup>th</sup>, 2006.

**Data on capital stock**

|  | <b>June 30 2007</b> |                   | <b>September 30 2006</b> |                   | <b>September 30 2005</b> |                  |
|--|---------------------|-------------------|--------------------------|-------------------|--------------------------|------------------|
|  | Number              | Amount            | Number                   | Amount            | Number                   | Amount           |
| <b>Outstanding at beginning</b>                                  | <b>56,574,758</b>   | <b>12,997,688</b> | <b>35,411,728</b>        | <b>8,117,588</b>  | <b>21,960,022</b>        | <b>5,015,294</b> |
| Issuance of shares for cash                                      | 15,045,953          | 2,687,267         | 3,466,276                | 415,479           | 8,484,000                | 1,613,994        |
| Issuance of shares under flow-through agreements                 | 14,363,168          | 2,801,918         | 9,804,709                | 2,511,600         | 2,607,706                | 942,000          |
| Issuance of shares for acquisition of mining properties          | -                   | -                 | 875,000                  | 136,628           | 2,360,000                | 546,300          |
| Issuance of shares on the exercise of stock options and warrants | 650,000             | 132,757           | 150,000                  | 34,800            | -                        | -                |
| Issuance of shares for settlement of debt                        | 286,288             | 62,000            | 6,867,045                | 1,781,593         | -                        | -                |
| Exercise of share purchase options                               | 50,000              | 15,955            | -                        | -                 | -                        | -                |
| <b>Outstanding at end</b>  | <b>86,970,167</b>   | <b>18,697,585</b> | <b>56,574,758</b>        | <b>12,997,688</b> | <b>35,411,728</b>        | <b>8,117,588</b> |

**Liquidity and financial condition**

**Liquidity**

At June 30<sup>th</sup>, 2007, the company has a bank overdraft position of \$749,750 plus a cash position of \$1,373,999 that was set aside for development and exploration expenditures, compared to a cash or cash equivalent position \$350,161 and \$112,527 at the same period last year.

**Tax credit receivable**

Tax credit receivables total \$1,805,315, compared to \$399,767 for the same period last year. At June 30<sup>th</sup>, 2007, the amount includes a mining rights tax credit for 2005 and 2006 of \$221,257, an estimated reimbursable tax credit relating to mineral resources of \$1,295,375 and a mining rights tax credit of \$288,683 accumulated over the current period.

**Fixed assets**

During the quarter, the company acquired equipment, composed mostly of equipment for operations, totalling \$15,670 compared to \$697,279 for the same quarter last year.

**Mining properties**

During the third quarter, the company invested \$1,802,820 in deferred exploration and development costs compared to \$966,328 for the same quarter last year. The majority of the investments were on the Rocmec 1 (Russian Kid) property and the company plans on continuing to invest in the property over the next quarters.

**Intangible assets**

During the previous period, the company filed, in the name of Rocmec International Inc, patent requests covering 7 countries including Canada, the related costs of \$1,973 were capitalised as intangible assets.

**Assets**

As at June 30<sup>th</sup>, 2007, the company's assets totalled \$18,004,513, an increase of \$6,816,079 compared to June 30<sup>th</sup>, 2006. The increase is due to the various financing that were completed during the period.

#### **Cash flow insufficiency**

As of June 30<sup>th</sup>, 2007, the company faces a cash flow insufficiency. In order to rectify the situation a series of financing were completed after the end of the quarter.

#### **Loans**

During the previous period, the company contracted loans totalling \$2,000,000 with companies and individuals unrelated to the company. The loans, qualified as gold loans, bear a 1% monthly interest rate, payable quarterly, beginning November 30<sup>th</sup>, 2006. Reimbursement will be in gold ounces. As of June 30<sup>th</sup>, 2007, the balance remaining is \$500,000.

#### **Income taxes on profits and future income taxes**

Note that the income taxes on profits and future income taxes have been accounted for as both assets and liabilities, the reason being is that the amounts originate from different tax levels such as: federal, provincial and mining income taxes.

#### **Off-balance sheet arrangements**

The company has no off-balance sheet arrangements.

#### **Related party transactions**

During the year the company had no related party transactions.

#### **New accounting standards**

As at October 1st, 2006, the Company adopted the provisions of Sections 1530 and 3855 published by the Canadian Institute of Chartered Accountants (CICA), entitled "Comprehensive Income" and "Financial Instruments – Recognition and Measurement." Comprehensive income (Section 1530) represents the change in the Company's net assets coming from transactions from sources other than the Company's shareholders and includes elements that ordinarily would not be included in the calculation of net earnings, such as unrealized gains or losses on investments available for sale. Financial instruments – recognition and measurement (Section 3855) requires that all financial assets, except those that are classified as being held to maturity as well as derivative financial instruments, be measured at their fair value. Financial liabilities must be measured at their fair value when they are classified as held for trading; otherwise, they are measured at cost. The adoption of Sections 1530 and 3855 had no effect on the balance of cumulative comprehensive income as at October 1st, 2006. During the quarter ended June 30<sup>th</sup>, 2007, a loss of \$1,450 as recorded on assets held for trading.

#### **Risks and uncertainties**

##### **Financial Risks**

An important part of the company's activities may be considered as exploration. In order to continue its exploration and development activities, the company must obtain financing either through existing financial resources or through additional equity or quasi-equity financing. However, even though the company has been successful in the past in raising the required funds there can be no assurance that the company will be able to raise such additional equity.

All of the company's properties are at the exploration and development stage. The long-term profitability of the company's operations will be in part directly related to the cost and success of its exploration and subsequent development programmes, which may be affected by a number of factors. These include the quantity and quality of the ore, the cost to develop infrastructure for production, the financing costs, as well as the market price of gold.

##### **Environmental risks**

The company is subject to different environmental incidents that may occur during exploration or development work. Management has implemented programs to manage the risks involved, which include various plans and operational practices.

##### **Flow-through shares**

The company is partly financed by the issuance of flow-through shares. However, there is no guarantee that the funds expended by the company will qualify as Canadian exploration charges, even if the company has taken all the necessary measures for this purpose.

**Dividend policy**

Since the date of incorporation, the company has not declared nor paid a dividend on its common shares. All decisions pertaining to the payment of dividends to holders of common shares shall be the responsibility of the Board of Directors and will be based on the financial situation of the company, its funding requirements to insure future growth and any other pertinent factor given the circumstances.

**Evaluation and effectiveness of disclosure controls and procedures**

The Company has established and maintains disclosure controls and procedures over financial reporting. The certifying officers have evaluated the effectiveness of the issuer's disclosure controls and procedures as of June 30<sup>th</sup>, 2007 and have concluded that such procedures are adequate and effective to ensure accurate and complete disclosures in annual filings.

**Forward-looking statements**

This Management's Discussion and Analysis contains forward-looking statements that include risks and uncertainties. When used in this Report, the words "estimate," "project," "anticipate," "expect," "intend," "believe," "hope," "may" and similar expressions, as well as "will," "shall" and other indications of future tense, are intended to identify forward-looking statements. The forward-looking statements are based on current expectations and apply only as of the date on which they were made. These forward-looking statements involve risks, uncertainties and other factors that in some cases have affected our historical results and could cause actual results in the future to differ significantly from the results anticipated in forward-looking statements made in this Report. Important factors that could cause such a difference are discussed in this Report, particularly in the sections entitled "Risks and uncertainties". You are cautioned not to place undue reliance on the forward-looking statements.

The factors that could cause actual results to differ materially from those indicated in such forward-looking statements include the grade of ore mined and unforeseen difficulties in mining operations that could affect revenues and production costs. Other factors, such as uncertainties regarding government regulations, could also affect the results. We undertake no obligation to update or revise our forward-looking statements, whether as a result of new information, future events or otherwise.

**Other information**

The discussion and analysis of the interim financial results as of June 30<sup>th</sup>, 2007 should be read in conjunction with the company's annual audited financial statements for the period ended September 30<sup>th</sup>, 2006 and 2005. Additional information may be obtained from the company filings on [www.sedar.com](http://www.sedar.com)

On Behalf of the Board  
Dated August 23<sup>rd</sup>, 2007

Donald Brisebois (s)

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Donald Brisebois  
President and CEO

Daniel Gilbert (s)

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Daniel Gilbert c.a.  
Vice-President and CFO