

RX Exploration Inc.
MANAGEMENT'S DISCUSSION AND ANALYSIS
Three month and Nine month Period Ending
March 31, 2009 and March 31, 2008

1.1 Date

This MD&A refers to material information regarding the nine month financial period of RX Exploration Inc. (hereinafter called the "Company" or "RX") ended March 31, 2009 and was prepared on May 26, 2009.

The Company's reporting currency is the Canadian dollar and all amounts in this MD&A are expressed in Canadian dollars.

The following information should be read in conjunction with the unaudited financial statements for the nine month financial period ended March 31, 2009 and related notes attached thereto, which are prepared in accordance with Canadian generally accepted accounting principles.

Forward-Looking Statements

Certain statements contained in this document constitute "forward-looking statements". When used in this document, the words "may", "would", "could", "will", "intend", "plan", "propose", "anticipate", "believe", "forecast", "estimate", "expect" and similar expressions used by any of the Company's management, are intended to identify forward-looking statements. Such statements reflect the Company's internal projections, expectations, future growth, performance and business prospects and opportunities and are based on information currently available to the Company. Since they relate to the Company's current views with respect to future events, they are subject to certain risks, uncertainties and assumptions. Many factors could cause the Company's actual results, performance or achievements to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements. Given these risks and uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements. The Company does not intend, and does not assume any obligation, to update any such factors or to publicly announce the result of any revisions to any of the forward-looking statements contained herein to reflect future results, events or developments.

1.2 Overall Performance

Description of Business

The Company is engaged in mineral exploration in northern Ontario and Montana. At this time the Company does not own or operate any revenue producing mineral properties and, accordingly, does not have any cash flow from operations. The Company raises funds for exploration and general overhead and other expenses through the issuance of shares from treasury.

The Company intends to continue raising funds for future exploration and on-going overhead and other working capital expenses through the continued issuance of shares from treasury. In general, based on the current circumstances, management of the Company believes that there will be sufficient interest from participants in the capital markets and other mineral exploration and mining companies willing to fund exploration programs to continue to meet the Company's ongoing overhead and exploration expenses. The Company does recognize that in the current difficult market conditions, fund raising activities may be more challenging than in the past.

**Veekay Lake Mining Claims
(referred to as Thunder Bay Claims, ON in the Financial Statements)**

The Company entered into an option agreement dated October 21, 2005 with Wabassi River Resources Inc. ("Wabassi"), an arm's length company, to acquire an undivided 50% interest in eight (8) unpatented mining claims (totalling 108 claim units) in the Thunder Bay Mining Division, in the Province of Ontario (the "Claims").

In order to maintain the option in good standing, the Company paid Wabassi the sum of \$5,500 and is required to incur first year mining expenditures of not less than \$150,000 (of which it has expended \$99,500 to date), incur further mining expenditures of not less than \$200,000. Thereafter, the Company may elect to earn its 50% interest by paying Wabassi the sum of \$150,000 and incurring further mining expenditures of not less than \$1,150,000. In the alternative, the Company may elect to convert its interest to 10% of the shares of a new company to be created to explore and develop the Claims.

The Claims are subject to a royalty interest equal to a two percent (2%) NSR royalty. The Company may, at any time, repurchase a one percent (1%) NSR for the purchase price of \$1,500,000.

The Company is prepared to commence exploration on the Veekay Lake Project. In order to accomplish its business objectives, which are to acquire, explore and develop prospective natural resource properties, the Company commissioned a program of line-cutting in preparation for an IP survey on the Veekay Lake Project. The Company has not been able to meet its requirements under this arrangement as access to the mining claims and Zulapa interest have not yet been granted by the First Nations band however, the Company will continue to proceed with this exploration once permission has been granted. In the meantime, assessment work requirements have been held in abeyance.

The Company commissioned a technical report in accordance with the standards set out in National Instrument 43-101. The report is published and filed on the SEDAR website at www.sedar.com.

**Drumlummon Mine – Montana
(referred to as Hard Rock Claims, MT in the Financial Statements)**

The Company entered into an agreement with private arm's length owners to option from them 100% of their interest in patented mining claims (the "Hard Rock Claims") situated in Lewis and Clark County in the State of Montana consisting of 23 claims comprising

approximately 200 – 300 acres (3 of the claims consist of less than 100% interest). The claims include the past producing Drumlummon Gold and Silver Mine.

In order to maintain the Drumlummon option in good standing, the Company has paid the sum of US\$750,000 to date to the Optionors. The Company must pay a further US\$480,000 in two equal annual payments of US\$240,000. As additional consideration, the Company has paid to the Optionors 200,000 common shares in the capital of the Company. A two percent (2%) Net Smelter Return (“NSR”) royalty on the Drumlummon Claims has been reserved to the Optionors.

The Company has staked two further claims blocks of 68 and 50 claims respectively, adjacent to the Drumlummon Claims.

The Company completed an updated technical report in accordance with the standards set out in National Instrument 43-101. The report was prepared by Timothy J. Beesley, P.Eng., of T.J. Beesley Geological Services Inc., a “qualified person” within the meaning of National Instrument 43-101. The report was publicly filed on SEDAR website at www.sedar.com on November 27, 2008.

Mr. Beesley has calculated initial inferred resources of 155,518 tons containing 70,703 oz. of gold and 1,915,560 oz. of silver as summarized below:

400E Vein	Estimated Tonnage	Grade Au (oz/ton)	Ounces of Gold	Grade Ag (oz/ton)	Ounces of Silver
A	67,284	0.39	26,192	12.2	820,166
B	39,740	0.53	21,097	7.3	291,053
C	48,494	0.48	23,414	16.6	804,341
Total	155,518		70,703		1,915,560

This significant zone (the “New Discovery”) was discovered in virgin rock 400 feet into the hanging wall of the Drumlummon vein between Shafts No. 1 and 2 during underground diamond drill testing of the tonnage and grade potential of the unmined “D” Block identified by prior mine operators. Resource estimates for the Drumlummon Mine have been presented by prior operators which are not in compliance with the current requirements found in NI 43-101 and accordingly cannot be reported at this time. The New Discovery is in addition to any resource anticipated by the Company based on such estimates. The area covered by these calculations has only been partially drill tested and may be increased and upgraded by further drilling, including infill drilling as required. Mr. Beesley’s report dated November 21, 2008 can be viewed in its entirety on the Company’s website (www.rxexploration.com) or on the Company’s information on the CNSX website (www.cnsx.ca) or SEDAR (www.sedar.com).

Following are the latest significant assay results:

Hole	From (ft)	To (ft)	Intersection Length (ft)	Gold Au oz/ton	Silver Ag oz/ton
09-72	19	51	32	0.350	9.38

	incl.	45	51	6	1.526	46.65
	incl.	45	47	2	3.246	134.1
09-74		44	61.5	17.5	0.254	1.36
09-75		72	102	30	0.208	0.57
	and	124	132	8	0.431	1.01
09-76		14	16	2	0.158	0.87
	and	22	26	4	0.106	0.81
	and	36	39	3	0.162	3.32
09-77		18	19	1	3.032	9.11
09-78		14	16	2	0.180	22.08
	and	18	19	1	5.200	2.84
09-80		14	20	6	0.645	5.017
	incl.	16	18	2	1.550	11.55
09-81		14	16	2	1.364	2.37
09-82		14	16	2	1.130	1.44
09-83		41	43.5	2.5	0.244	4.81
09-85		40	44	4	0.117	5.58
	and	68	74	6	0.272	1.14
	incl.	70	72	2	0.580	0.91
	and	80	82	2	0.234	0.50
09-86		46	48	2	0.580	16.83
	and	56	58	3	1.060	51.38
	incl.	57	58	1	2.976	146.29
09-87		29	31	2	0.692	6.12
	and	66	86	20	0.513	4.23
	incl.	72	74	2	1.186	4.53
	incl.	80	82	2	1.706	28.47
09-88		34	36	2	2.248	7.23
	and	52	54	2	2.356	7.72
	and	66	88	22	0.487	2.63
	incl.	66	82	16	0.624	3.28

The results indicate that substantial mineralized material remains on the walls of the old workings and clearly confirms the potential for developing very significant tonnage of high grade gold and silver over large widths in this “bonanza”- type epithermal deposit, in the vicinity of all of the old workings as well as totally undeveloped areas of the mine.

In addition to the underground drilling program, the Company has drilled 12 surface holes in unmined “A” and “B” blocks identified by prior operators. Drill results have been encouraging to date and more drill holes are planned in that area. The Company expects to complete and report the results of its NI 43-101 compliant resource calculations for those blocks when the drilling is complete and full assays results are returned.

In response to this discovery, during September and October, the Company staked an additional 50 mining claims, contiguous to their existing patented and unpatented mining claim land package, to cover both virgin ground in the hanging wall and possible extensions along strike of known veins.

The Company operates the Drumlummon Mine project through its 100% owned subsidiary, Drumlummon Gold Mine, LLC, organized under the laws of Montana.

**Drumlummon Mine (Montana) – Placer Claims
(referred to as the Placer Claims in the Financial Statements)**

The Company has entered into an agreement with Spruce Ridge Resources Ltd. (“Spruce Ridge”) whereby a joint venture company was formed to acquire about 350 to 400 acres of patented mining claims covering an overall length of about 5 miles (the “JV Property”) which are adjacent to the Drumlummon Mine.

The JV Property contains tailings from the Drumlummon Mine which, according to historical information, contain substantial recoverable amounts of gold and silver. Historical resource estimates cannot be given as they are not in compliance with current NI 43-101 standards and accordingly cannot be relied upon. In addition, the JV Property contains the concrete foundations of a previous 1,000 ton per day mill. The foundations are in excellent condition and may be appropriate for use in the reconstruction of a mill should a production decision be supported by a feasibility study for the JV Property and/or the Drumlummon Mine.

Pursuant to the Joint Venture Agreement, Spruce Ridge earned its 50% working interest in the Joint Venture Property by subscribing to a private placement of the Company in the amount of CDN \$3,000,000 consisting of a total of 7,500,000 units at a price of CDN \$0.40 per unit. Each unit consisted of one common share and one share purchase warrant. Each warrant entitles the holder to purchase one additional common share at CDN \$0.60 per share until June 30, 2010. The Company was responsible for payment of all cash and share payments required to acquire the JV Property with the exception of all reserved royalties on the tailings and placers. Each party will pay its proportionate share of future exploration and development costs. If either party elects not to participate in a program of expenditures, a standard dilution clause will apply, provided that Spruce Ridge shall not be subject to cash calls until after June 30, 2009.

The Company and Spruce Ridge have formed Marysville Mining and Milling LLC (“MMM”) to own the Placer Claims. By completing the \$3,000,000 private placement into the Company, Spruce Ridge earned its 50% working interest in the JV Property and 50% ownership of MMM which completed the purchase of the JV Property. RX purchased outright the JV Property from the arm’s length vendors in July 2008 for the sum of US \$625,000 plus 350,000 common shares of the Company which will be subject to a hold period expiring July 2, 2009 and transferred the property to the JV. The vendors, who are the same principals from whom the Company acquired the Drumlummon Mine, will retain a 2% NSR on tailings and 3% gross royalty on placer mineralization. The JV Property includes all appurtenant water rights.

Spruce Ridge and the Company have entered into an agreement regarding the management and operation of MMM which was reduced to writing as an operating agreement under Montana law.

By further judgment of the Montana First Judicial District Court, Lewis and Clark County, except with respect to a right-of-way of the Burlington Northern Santa Fe Railway Company (“BNSF”), the Company secured a judicial order quieting title to the JV Property. The Company through its Montana legal counsel is continuing its discussions with BNSF to enable BNSF to determine the extent, if any, of BNSF’s right-of-way over the JV Property. The Company does not believe the right-of-way, if it has not lapsed, would have any negative impact on the Company’s operations.

**Sill Lake silver-lead deposit –Sault Ste. Marie, Ontario
(referred to as Van Koughnet Township Claims, ON in the Financial Statements)**

The Company entered into two option agreements to acquire an undivided 50% working interest in the past producing Sill Lake silver-lead project in the Township of Van Koughnet, near Sault Ste. Marie, Ontario.

In 1996, prior to the closure of the mine, the workings were visited by James Bates, P.Eng. While it is not possible to present mineral resources and mineral reserves in compliance with National Instrument 43-101 (Standards of Disclosure for Mineral Projects), his preliminary review at that time, based on sampling of the floor of the 800 foot ramp driven in ore, reported a “resource of 350,000 tons with an average grade of 13-14% lead and 13 oz/ton silver over a 4 foot mining width.” The technical information contained in this report with respect to the Sill Lake silver-lead project has been provided by John A. Rae, P. Geo., who is a qualified person within the meaning of National Instrument 43-101. Mr. Rae had recent discussions with Mr. Bates concerning his resource estimates and advised that, based on those discussions, they were considered to be currently relevant, valid and reliable.

The Company has completed IP geophysical surveys and has completed a first phase diamond drilling program to confirm the validity of historic data regarding grades and tonnage of potential resources. Exploration efforts will focus on testing the remaining resources accessible by the existing mine workings and potential extensions to the resource along strike and at depth. The existing ramp has been dewatered and rehabilitation efforts were completed in support of an underground sampling program. The Company is awaiting further information from its joint venture partners.

Property Agreements

Under one agreement, in order to earn a 50% undivided working interest, the Company paid the sum of \$25,000 and 100,000 common shares of the Company on closing and must pay annual advance royalty payments of \$12,000 thereafter. The Company has paid the March 10, 2009 royalty payment of \$12,000. The Company must incur \$1,500,000 in expenditures on mining operations within two years, of which \$500,000 must be completed within six months. The Company has paid \$1,082,000 towards the commitment as of March 31, 2009. The Company has issued a further 60,000 shares on March 10, 2009, the first anniversary of closing and must issue a further 60,000 common shares of the Company on the date of exercise of the option. The property is subject to a 2% NSR royalty, one-half of which can be repurchased for \$600,000. After the Company earns its interest, both parties will contribute equally to further development. There will be a standard dilution clause if either party fails to pay its proportionate share of further expenditures. If either party is diluted to less than 10%, its interest will be converted to a 2% NSR. This does not apply to one claim which already contains an underlying 1% NSR. In that case, the residual NSR will be a 1% NSR for a total NSR of 2% on that claim.

Under the second agreement, in order to earn a 50% undivided working interest, the Company must incur \$1,500,000 in expenditures on mining operations within two years. After the Company earns its interest, both parties will contribute equally to further development. There will be a standard dilution clause if either party fails to pay its proportionate share of further expenditures. If either party is diluted to less than 10%, its interest will be converted to a 2% NSR.

1.3 Selected Financial Information

3 months ended (Mar 31)	Total Revenue	Income or (loss) before discontinued operations & extraordinary items \$	Net income or (loss) per share Basic & diluted \$	Total Assets \$	Long-term Liabilities	Cash Dividends declared per share
2009	Nil	(317,134)	(0.0062)	10,295,154	77,410	Nil
2008	Nil	(673,714)	(0.0207)	8,118,722	Nil	Nil

9 months ended (Mar 31)	Total Revenue	Income or (loss) before discontinued operations & extraordinary items \$	Net income or (loss) per share Basic & diluted \$	Total Assets \$	Long-term Liabilities	Cash Dividends declared per share
2009	Nil	(418,678)	(0.0088)	10,295,154	77,410	Nil
2008	Nil	(729,077)	(0.0278)	8,118,722	Nil	Nil

1.4 Results of Operations

The Company has no sales and has never earned revenues or had earnings with the exception of short term GIC interest revenue in the amount of \$6,917 (2008 – \$12,496). Raising capital through sales of its common shares funds the Company's mining exploration operations.

Three months ended Mar 31, 2009 Compared to Three Months Ended Mar 31, 2008

Total expenses for the three months ended Mar 31, 2009 amounted to \$450,624 (including \$268,725 in stock-based compensation) compared to \$686,210 (including \$594,638 in stock-based compensation) for the three months ended Mar 31, 2008.

The Company incurred a loss of \$317,134 for the 3 months ended Mar 31, 2009 as opposed to a loss of \$673,714 for the 3 months ended Mar 31, 2008. The expenses consist of office and general expenses of \$340,164 (\$658,016 - 2008), and professional and consulting fees of \$110,460 (\$28,194 - 2008) consistent with the Company's business and regulatory activities. The Company had no income for the 3 months ended March 31, 2009 (\$12,496 – 2008). The Company had a recovery of future income tax of \$133,490 (\$nil – 2008).

During the three months ended Mar 31, 2009 the Company sustained a loss of \$0.0062 per share compared to a loss of \$0.0207 for the three months ended Mar 31, 2008.

Nine months ended Mar 31, 2009 Compared to Nine Months Ended Mar 31, 2008

Total expenses for the nine months ended Mar 31, 2009 amounted to \$602,085 compared to \$741,573 for the nine months ended Mar 31, 2008.

The Company incurred a loss of \$418,678 for the 9 months ended Mar 31, 2009 as opposed to a loss of \$729,077 for the 9 months ended Mar 31, 2008. The expenses consist of office and general expenses of \$390,706 (\$699,319 - 2008), and professional and consulting fees of \$211,379 (\$42,254 - 2009) consistent with the Company's business and regulatory activities. The company earned interest of \$6,917 for the 9 months ended March 31, 2009 (2008 - \$12,496). The Company had a recovery of future income tax of \$176,490 (\$nil – 2008).

During the nine months ended Mar 31, 2009 the Company sustained a loss of \$0.0088 per share compared to a loss of \$0.0278 for the nine months ended Mar 31, 2008.

Deferred Development Costs

As of Mar 31, 2009, the Company had \$8,985,667 in mining claims and deferred expenditures compared with \$3,103,655 as of June 30, 2008. Of the \$5,882,012 attributable to the nine months ended Mar 31, 2009, \$4,368,171 was attributable to the extensive underground rehabilitation and diamond drilling program at the Drumlummon Mine in Montana, while \$1,130,537 (Sill Lake Lead-Silver Property) and \$383,304 (Goulais River Copper Property) respectively were attributable to the Company's two joint venture properties in Township of Van Koughnet, near Sault Ste. Marie, Ontario.

Following is a breakdown of components of capitalized expenditures related to the Drumlummon Mine:

Categories	Fiscal Year Ended June 30, 2008 \$	9 Months Ended Mar 31, 2009 \$
Legal	91,892.03	32,594.97
Purchase & Options	422,595.41	709,302.00
Assessment	3,551.95	5,453.00
Electrical	153,144.55	7,012.62
Engineering & Project Supervision	582,931.22	611,597.96
Geological	30,651.90	88,906.80
Rehabilitation	194,291.42	1,740,459.81
Drilling	667,514.11	1,116,687.47
Supplies	31,777.44	21,689.11
Insurance	12,743.17	4,811.97
Contract Labour	-	15,570.57
General	23,033.82	14,084.66

General and Administration Expenses

Following is a breakdown of components of expenses for the three months ended Mar 31, 2009 and 2008:

Expenses	2009 - \$	2008 - \$	Change - \$
Interest and Finance Charges	142	172	(31)
Office, Administrative & Other Expenses	17,436	10,216	7,221
Legal	44,160	15,394	28,766
Professional Services	66,300	12,800	53,500
Travel	7,402	14,791	(7,389)
Filing and Regulatory	26,725	13,133	13,592
Foreign Exchange (gain) loss	12,430	774	11,656
Interest and Other Income	Nil	(12,496)	12,496
Part XII.6 tax	7,307	20,988	(13,682)
Future Tax recovery	(133,490)	Nil	(133,490)
Web site	Nil	3,334	(3,334)

Following is a breakdown of components of expenses for the nine months ended Mar 31, 2009 and 2008:

Expenses	2009 - \$	2008 - \$	Change - \$
Interest and Finance Charges	655	343	312
Office, Administrative & Other Expenses	48,379	28,999	19,380
Legal	96,626	16,644	79,982
Professional Services	114,753	25,610	89,143
Travel	18,342	14,791	3,551
Filing and Regulatory	46,045	29,281	16,764
Foreign Exchange (gain) loss	(37,644)	6,975	(44,619)
Interest and Other Income	(6,917)	(12,496)	5,580
Part XII.6 tax	43,579	20,998	22,590
Future Tax recovery	(176,490)	Nil	(176,490)
Web site	2,625	3,334	(709)

Included in Office and General are printing, trade shows, news releases, courier, delivery, postage, rent, office supplies, office equipment repairs & maintenance, telephone and reflected the significant increase in activities of the Company.

Increases in Professional Services are primarily the result of the increased business and financial activities of the Company.

The increase in Travel represents the necessity to travel to the Company's Montana property and travel required in relation to the Company's substantial fund raising efforts to finance its exploration activities as well as its corporate directors and shareholder meetings

Legal fees were \$28,766 higher for the first 3 months in 2009 than in 2008 and \$79,982 higher for the first 9 months in fiscal 2009 than in fiscal 2008 due to the substantial increase in the activities of the Company including several private placements, regulatory and permitting issues, service contracts, securities regulatory filings and all other related activities. In addition, in fiscal 2008, the entire year's legal fees were accrued at the year end. In fiscal 2009, the legal fees are being accrued quarterly.

1.5 Summary of Quarterly Results to March 31, 2009

Quarter Ended	Sales/Revenue - \$	Income/(Loss) - \$	Net Income/(Loss) per Share - Basic and Diluted - \$
Mar 31/09	Nil	(317,134)	(0.0062)
Dec 31/08	Nil	(37,205)	(0.001)
Sept 30/08	Nil	(64,339)	(0.001)
Jun 30/08	Nil	(36,617)	(0.027)
Mar 31/08	Nil	(673,714)	(0.0207)
Dec 31/07	Nil	(35,189)	(0.001)
Sep 30/07	Nil	(20,174)	(0.001)
Jun 30/07	Nil	(228,287)	(0.015)
Mar 31/07	Nil	(24,652)	(0.0017)
Dec 31/06	Nil	(20,104)	(0.002)
Sep 30/06	Nil	(5,686)	(0.0005)

Total assets as at the end of the quarter ended March 31, 2009 were \$10,295,154 and consisted of cash of \$1,265,080, prepaid expenses and sundry assets of \$28,107, mining claims and deferred exploration costs of \$8,985,667 and reclamation bonds in the amount of \$16,300 which were posted in relation to the Drumlummon Mine exploration program.

As at March 31, 2009, the Company had long term financial liabilities of \$77,410 consisting of Restoration Liability of \$16,300 which has been secured by restoration bonds posted by the Company and Future Income Taxes of \$61,110. Such future tax liability arose from the renunciation of Canadian Exploration Expenditures to subscribers of flow-through shares. This liability is a result of timing differences and is not a current income tax liability. No cash dividends have been paid by the Company.

As at March 31, 2009 there were 58,584,078 shares (\$4,917,924) issued and outstanding.

1.6 Liquidity

As at Mar 31, 2009 the Company had a working capital surplus (current assets less current liabilities) of \$113,453.

As at Mar 31, 2009 the Company had no contractual commitments or lease agreements other than as disclosed herein or in relation to its ongoing obligations to geological consultants and contractors employed in its ongoing underground operations in the Drumlummon Mine in Montana and the Van Koughnet Township of projects in Sault Ste. Marie, Ontario.

1.7 Capital Resources

The only resources available to the Company to raise exploration funds are the equity markets and joint venture arrangements with other mineral resource companies. The Company's primary capital assets are interests in mineral projects, which are discussed in detail in the section, Overview of Performance. The Company has entered into several

agreements, which provide for further expenditures, option payments and exploration expenses to be incurred. Some of these commitments relate to option agreements and the Company is not committed to completing these expenditures.

The Company anticipates that it will require capital of approximately \$1,640,000 over the next 12 months for the following:

- Optional, exploration, development and feasibility expenditures to further our Van Koughnet projects of approximately \$150,000.
- Optional exploration, development and feasibility expenditures to further the Drumlummon Mine project in the amount of \$1,000,000;
- option payment of US\$240,000 with respect to the Drumlummon Mine;
- general and administrative expenses of approximately \$250,000.

The Company currently has on hand the sum of US \$14,118 and CDN \$201,794 in cash. The Company in the past has relied upon private placement subscriptions to satisfy its funding requirements and will continue to do so in the future. There are no assurances that capital requirements will be met by this means in the future and the Company is mindful of the current challenges in the capital markets and with commodity prices and the economy in general.

Commitments and Contingencies

Pursuant to the flow-through share issuance during the year the Company renounced to its investors certain expenditures in accordance with the look-back rules under the *Income Tax Act* (the "Act"). As a result, the Company is committed to incurring approximately \$1,861,000 of Canadian Exploration Expenditures prior to December 31, 2008. As of Dec 31, 2008, the Company had spent approximately \$1,775,086 towards this commitment. This is a shortage of \$85,914. Because the remainder of these expenditures were not incurred within the set timeline, the Company may be liable to reimburse the investors for any resulting tax liability which may arise upon reassessment by the Canada Revenue Agency.

1.8 Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

1.9 Transactions with Related Parties

Transactions with related parties are incurred in the normal course of business and are measured at the exchange amount, which is the consideration established and agreed to by the respective parties. Related party transactions not disclosed elsewhere are summarized below:

Included in mining claims and deferred exploration expenditures are for Jan-Mar 09 \$5,978 (2007-\$nil) and for July 08-Mar 09 \$39,008 (2007 - \$nil) of fees paid to the Company's legal counsel who is a significant shareholder and director of the Company.

Included in accounts payable and accrued liabilities is \$157,777 (2008 - \$Nil) due to the Company's legal counsel who is a significant shareholder and director of the Company.

Included in professional and consulting fees are for Jan-Mar 08 \$44,160 (2008-\$15,394) and for July 08-Mar 09 \$96,626 (2008 - \$15,394) of fees paid to the Company's legal counsel who is a significant shareholder and director of the Company. Included in office and general are for Jan-Mar 09 \$10,700 (2008 - \$9,948) and for July 08-Mar 09 \$30,033 (2008 - \$25,958) in payments to a company controlled by a significant shareholder, related to rent and reimbursements.

1.10 Fourth Quarter

This item is not applicable.

1.11 Proposed transactions

There are no proposed transactions other than described herein.

1.12 Critical Accounting Estimates

This item is not applicable as the Company is a venture issuer.

1.13 Changes in Accounting Policies including Initial Adoption

During the year, the Company adopted the following new accounting standard issued by the Canadian Institute of Chartered Accountants:

Effective July 1, 2008, the Company adopted the recommendations of The Canadian Institute of Chartered Accountants' ("CICA") Handbook Section 1535, Capital Disclosures ("Section 1535"). The new standard requires an entity to disclose information to enable users of its financial statements to evaluate the entity's objectives, policies and processes for managing capital. Disclosure requirements pertaining to Section 1535 are contained in Note 7 to the Interim Financial Statements for the 3 and 9 months ended Mar 31, 2009.

Effective July 1, 2008, the Company adopted the recommendations of CICA Handbook Section 3862, Financial Instruments – Disclosures ("Section 3862"). Section 3862 provides standards for disclosures about financial instruments, including disclosures about fair value and the credit, liquidity and market risks associated with the financial instruments. Disclosure requirements pertaining to Section 3862 are contained in Note 8 to the Interim Financial Statements for the 3 and 9 months ended Mar 31, 2009.

Effective July 1, 2008, the Company adopted the recommendations of CICA Handbook Section 3863, Financial Instruments – Presentation ("Section 3863"). Section 3863 provides standards for presentation of financial instruments and non-financial derivatives. Adoption of this standard had no impact on the Company's financial instrument related presentation disclosures.

Effective July 1, 2008, the Company adopted the recommendations of CICA Handbook Section 1400, General Standards of Financial Statement Presentation, to change the guidance related to management's responsibility to assess the ability of the entity to continue as a going concern. Management is required to make an assessment of an entity's ability to continue as a going concern and should take into account all available information about the future, which is at least, but is not limited to, 12 months from the balance sheet dates. Disclosure is required of material

uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern.

Recent Accounting Pronouncements Issued and Not Yet Applied

In 2008, the CICA issued Handbook Section 3064, Goodwill and Intangible Assets ("CICA 3064"). CICA 3064, which replaces Section 3062, Goodwill and Intangible Assets, and Section 3450, Research and Development Costs, establishes standards for the recognition, measurement and disclosure of goodwill and intangible assets. This new standard is effective for the Company's interim and annual financial statements for periods commencing July 1, 2009. The Company is assessing the impact of the new standard on its financial statements.

The CICA plans to converge Canadian Generally Accepted Accounting Principles with International Financial Reporting Standards ("IFRS") over a transition period expected to end in 2011, when IFRS will be fully adopted. The impact of the transition to IFRS on the Company's financial statements is not yet determinable.

1.14 Financial Instruments and Other Instruments

The carrying values of cash and cash equivalents, accounts payable and accrued liabilities approximate fair values due to the relatively short term maturities of these instruments.

The Company is exposed to credit risk with respect to its cash and cash equivalents, however this is minimized as cash and cash equivalents are placed with major Canadian financial institutions.

The recommendations in CICA Handbook Section 3855 establish standards for recognizing and measuring financial instruments, which include financial assets, financial liabilities, derivatives and embedded derivatives. Under these recommendations, all financial instruments are to be recorded initially at fair value. In subsequent periods, all financial instruments are re measured based on the classification adopted for the financial instrument: held to maturity, loans and receivables, held for trading, available for sale or other liability.

Financial assets

Held for trading

Financial assets that are held with the intention of generating profits in the near term and derivative contracts that are financial assets, except for a derivative that is a designated and effective hedging instrument, are classified as held for trading. In addition, any other financial assets can be designated by the Company upon initial recognition as held for trading. These instruments are subsequently re measured at fair value with the change in the fair value recognized in net income during the period.

Held to maturity

Financial assets that have a fixed maturity date and which the Company has a positive intention and the ability to hold to maturity are classified as held to maturity, which are subsequently re measured at amortized cost using the effective interest rate method.

Loans and receivables

Loans and receivables are non derivative financial assets resulting from the delivery of cash or other assets in return for a promise to repay on a specified date, or on demand, usually with interest. Loans and receivables are subsequently re measured at amortized cost using the effective interest rate method.

Available for sale

Available for sale assets are non derivative financial assets that are either designated in this category or not classified in any of the other categories. Financial assets classified as available for sale are subsequently re measured at fair value with the changes in fair value recorded in other comprehensive income.

Financial liabilities

Held for trading

Financial liabilities that are held with the intention of generating profits in the near term, and derivative contracts that are financial liabilities, except for a derivative that is a designated and effective hedging instrument, are classified as held for trading. In addition, any other financial liabilities can be designated by the Company upon initial recognition as held for trading. These instruments are subsequently re measured at fair value with the change in the fair value recognized in net income during the period.

Other liabilities

Non derivative financial liabilities that have not been designated as held for trading are classified as other liabilities, which are subsequently re-measured at amortized cost using the effective interest rate method.

CICA Handbook Section 3865, Hedges, replaces CICA Handbook Accounting Guideline 13, Hedging Relationships, which establishes standards for when and how hedge accounting may be applied. Consistent with financial instruments, it requires that all derivatives, including those designated as hedges, be measured at fair value. Changes in the fair value of a derivative which hedges the Company's exposure to changes in the fair value of an asset or liability, a fair value hedge, are recognized in net income together with those of the respective offsetting hedged item. Changes in the fair value of a derivative which effectively hedges the Company's exposure to changing cash flows, a cash flow hedge, are accumulated in other comprehensive income until the transaction being hedged affects net income.

CICA Handbook Section 1530, Comprehensive Income, establishes new measurements of earnings in the financial statements. Other comprehensive income consists of changes to

unrealized gains and losses on available for sale financial assets, changes to unrealized gains and losses on the effective portion of cash flow hedges and changes to foreign currency translation adjustments of self sustaining foreign operations during the period. Comprehensive income measures net earnings for the period plus other comprehensive income. Amounts reported as other comprehensive income are accumulated in a separate component of shareholders' equity as Accumulated Other Comprehensive Income. To date there has not been any other comprehensive income and accordingly, a statement of comprehensive income has not been presented.

The Company has classified its financial instruments as follows:

<u>Financial Instrument</u>	<u>Classification</u>
Accounts payable and accrued liabilities	Other liabilities

1.15 Controls and Procedures

Management is responsible for the design of internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements in accordance with accounting principles generally accepted in Canada. Based on a review of its internal control procedures at the end of the period covered by this MD&A, management believes its internal controls and procedures, for the nature and size of the entity, are effective in providing reasonable assurance that financial information is recorded, processed, summarized and reported in a timely manner.

Management is also responsible for the design and effectiveness of disclosure controls and procedures to provide reasonable assurance that material information related to the Company, is made known to the Company's certifying officers. Management has evaluated the effectiveness of the Company's disclosure controls and procedures and have concluded that these controls and procedures are effective, for the nature and size of the entity, in providing reasonable assurance that material information relating to the Company is made known to them by others within the Company.

1.16 Other MD&A Requirements

During the 6 months ended Dec 31, 2008, and the subsequent period to date, management of the Company focused its efforts, along with its joint venture partners, on the exploration of its Claims as described above and raising further capital through private placements. Subject to management's continuing ability to raise equity capital, the Company expects to conduct further exploration programs on the Claims. (See: "Capital Resources").

Share Data: 59,809,078 issued at May 26, 2009. Additional information relating to the Company is available on SEDAR @ www.sedar.com.