FRANCONIA MINERALS CORPORATION
Management Discussion and Analysis
for the three months ended December 31, 2008

This management discussion and analysis (MD&A) of results of operations and financial condition of Franconia Minerals Corporation (an exploration stage company) ("Franconia" or "the Company") describes the operating and financial results of the Company for the three months ended December 31, 2008 (compared with results for the three months ended December 31, 2007). The MD&A supplements, but does not form part of the financial statements of the Company and should be read in conjunction with Franconia's unaudited consolidated financial statements and related notes for the three month period ended December 31, 2008 as well as with Franconia's audited consolidated financial statements and related notes for the fiscal year ended September 30, 2008. The Company prepares and files its financial statements in accordance with Canadian generally accepted accounting principles.

All amounts herein are in U.S. dollars unless otherwise indicated.

Forward-looking Statements

Certain statements and information in this MD&A, including all statements that are not historical facts, contain forward-looking statements and forward-looking information within the meaning of applicable Canadian securities laws. Such forward-looking statements or information include, but are not limited to, statements or information with respect to the Company's plans at its Birch Lake project, the future price of platinum group metals, copper, nickel, estimation of mineral reserves and resources, exploration and development capital requirements, and our goals and strategies. Often, these statements include words such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate" or "believes" or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved.

In making the forward-looking statements and providing the forward-looking information included in this MD&A, we have made numerous assumptions. These assumptions include among other things, assumptions about the price of platinum group metals, copper, and nickel, the estimation of mineral resources and reserves, anticipated costs and expenditures, future production and recovery, that the supply and demand for platinum group metals, copper and nickel develop as expected, that there is no unanticipated fluctuation in interest rates and foreign exchange rates, that there is no further material deterioration in general economic conditions, the potential of the Company's properties, and the ability to obtain the financing required to continue to develop the Birch Lake Project. Although our management believes that the assumptions made and the expectations represented by such statements or information are reasonable, there can be no assurance that the forward-looking statements will prove to be accurate. By their nature, forward-looking statements and information are based on assumptions and involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements, or industry results, to be materially different from future results, performance or achievements expressed or implied by such forward-looking information. Such risks, uncertainties and other factors include among other things the following: availability of financing to continue to develop the Birch Lake Project, and to finance day-to-day operations and planned growth and development, lack of cash flow and dependence on third party financing, declines in the price of platinum group metals, copper and nickel, capital and operating cost increases, changes in general economic and business conditions, including changes in interest rates and the demand for metals platinum group metals, copper and nickel, risks and uncertainties relating to the interpretation of drill results, the geology, grade and continuity of any mineral deposits that may be located, the possibility that future exploration, development or mining results will not be consistent with the Company's expectations, discrepancies between actual and estimated mineral resources and reserves, operational and development risk; the speculative nature of mineral exploration and regulatory risks.

Date of MD&A

This MD&A was prepared as of February 13, 2009.

Overview

Franconia was incorporated on August 7, 1998 pursuant to the *Business Corporations Act* (Alberta). Commencing on November 19, 2007 the Company was listed on the Toronto Stock Exchange ("TSX"). Prior to November 19, 2007 Franconia was listed on the TSX Venture Exchange having initially been listed thereon on January 12, 2005.

The Company's head office is 111 East Magnesium Road, Suite A, Spokane, Washington, 99208 and our principal business address is 71 South Drive, Babbitt, Minnesota, 55706. The registered and records office and address for service is 7415B 35th Ave. N.W., Calgary, Alberta, T3B 1T4 Canada.

The Company is an exploration stage company, which devotes substantially all of its efforts to exploring mineral properties. Commercial operations have not commenced. Most of the Company's efforts are related to activities such as raising capital for the purpose of acquiring and exploring mineral properties.

The Corporation's principal project is the Birch Lake Project in Minnesota which is an advanced-stage exploration project with indicated and inferred mineral resources. (Please see the Company's Annual Information Form, dated December 22, 2008, for the year ended December 31, 2008 for further information) The Birch Lake Project consists of three main deposits: the Birch Lake deposit, the Spruce Road deposit and the Maturi deposit. The Company currently has interests in mineral lands covering approximately 6,070 hectares ("ha") (15,000 acres) in Minnesota. The land interests comprise an earn-in and joint venture agreement, exploration and mining agreements and direct interests through the Corporation's filings for unpatented claims, state mineral leases and federal prospecting permits.

On June 18, 2008 the Company's 60% interest in the Birch Lake Project in the Duluth Complex of Minnesota vested and the Company has, through its wholly owned subsidiary, Franconia Minerals Corporation (US) Inc. (FMCUS), signed the Birch Lake Joint Venture Agreement (Birch Lake JV Agreement) with Beaver Bay Joint Venture (BBJV) which holds the properties and/or property interests that constitute the Birch Lake Project.

In accordance with the terms of the Birch Lake Option Agreement dated November 12, 2002, and subsequently amended, (Birch Lake Option) the Company reached this milestone by spending $10 million in exploration on the property, and by paying $4 million in cash to BBJV ($3.25 million of which was paid on June 18, 2008) and $2.0 million in the Corporation's common shares to BBJV (of which 731,006 common shares were issued to BBJV on June 18, 2008 based on the previous month's average closing share price of Cdn$1.71). FMCUS will continue as the project operator and will also take over primary responsibility for managing the approximately 15,000 acres of lands held in the Birch Lake Project.

The Birch Lake JV Agreement replaces the amended Birch Lake Option. Under the terms of the Birch Lake JV Agreement, FMCUS has contributed its 60% undivided interest in the Birch Lake Project and BBJV has contributed its 40% undivided interest in the Birch Lake Project, to the joint venture. FMCUS has been granted the option to advance its ownership interest in the joint venture to 70% by spending an additional $10 million (of which at December 31, 2008 $2.9 million had been expended) on exploration and acquisition at Birch Lake Project on or before June 18, 2013 and making an additional cash payment of $1 million to BBJV within 90 days after making or incurring such expenditures (the "First Option"). If FMCUS does not exercise the First Option, FMCUS will thereafter be responsible for funding its 60% interest in the joint venture and in addition, a 20% carried interest of BBJV. FMCUS, will recoup the costs associated with this carried interest of BBJV plus interest from 70% of the cash flow from commercial production attributable to the BBJV carried interest.

Additionally, FMCUS has been granted the further option to earn, after its exercise of the First Option, up to an 82% interest in the joint venture by funding in addition to its 70% interest in the joint venture, a 30% carried interest of BBJV to commercial production (the "Second Option"). FMCUS, will recoup the costs associated with this carried interest of BBJV plus interest from 60% of the cash flow from commercial production attributable to the BBJV carried interest.

If FMCUS does not notify BBJV of its intention to exercise the Second Option within 180 days after exercising the First Option or terminates or allows the Second Option to lapse, then FMCUS will thereafter be responsible for funding its 70% interest in the joint venture and in addition, a 15% carried interest of BBJV. FMCUS, will recoup the costs associated with this carried interest of BBJV plus interest from 70% of the cash flow from commercial production attributable to the BBJV carried interest.

The properties and property interests constituting the Birch Lake Project are currently held by Lehmann Exploration Management, Inc. (a wholly owned subsidiary of Ernest K. Lehmann & Associates Inc. which in turn is wholly owned by Mr. Ernest K. Lehmann) and by BBJV, in both cases, in trust for and on behalf of FMCUS and BBJV in proportion to their respective interests in the joint venture, pursuant to separate trust agreements (the "Trust Agreements") and are to be transferred to FMCUS, as operator of the Birch Lake Project, upon demand.

Ernest K. Lehmann is a director, and founding shareholder of the Company and a controlling shareholder of North Central Mineral Ventures Inc., which holds a 70% interest in the BBJV. The other participants in BBJV are Powell Canyon Production Company, as to 25%, and Connor Management Corporation, as to 5%.
During the quarter, on October 3, 2008, the Company completed its barge drilling program and the successful collection of a sufficient material sample (approximately 60 tonnes) for bulk testing at the Birch Lake deposit, the final portions of a program initiated in June 2006.

Project Performance

With the value erosion spread across global financial markets in the past several months, the Company is exercising prudence in its decisions to overcome market challenges. During the quarter, in response to economic factors, the Company was able, having completed the overwhelming majority of its planned work, to curtail its drilling and bulk sample collection at the Birch Lake Project at a logical point in the development of the project. Although the Company may elect to engage in limited additional drilling at Birch Lake in the future, as at December 31, 2008, the present drill programs are considered to be complete and sufficient material has been collected for the bulk sampling program. In addition, further steps have been taken during the period to conserve working capital. Accordingly, during the quarter ended December 31, 2008, the Company's main operational priority was the continued evaluation of data gathered through the Birch Lake Project drilling.

Despite negative short term market trends, the Company believes in the long term potential opportunity inherent in the base metal and platinum group metals sector. Driven by continued economic development and increased environmental awareness, demand for these metals should continue to increase, particularly in India, China and Eastern Europe over the medium to long term. Consequently, the Company expects to see a firming trend in the prices of these metals as demand continues to outstrip supply. The Company should benefit also from the low political risk associated with the location of its Birch Lake Project in Minnesota, a state with a long history of mining and a well developed mining infrastructure.

Results of Operations

Three Months ended December 31, 2008 compared to December 31, 2007

Franconia's operations in the three months to December 31, 2008 were focused on exploration on the Birch Lake Project and on its financing activities. The Company did not generate any operating revenue. The Company's net loss decreased to $311,179 for the quarter ended December 31, 2008 from a net loss of $332,897 for the quarter ended December 31, 2007. Acquisition and exploration costs for the quarter ended December 31, 2008 were $659,543, compared to $1,854,721 for the quarter ended December 31, 2007. General administrative expenses for the quarter were $315,707 compared to $482,302 for the quarter ending December 31, 2007. These decreases were primarily attributable to the Company's overall decrease in operational activity.

Contractual costs associated with the drilling at the Birch Lake Project decreased from $463,230 in the quarter ended December 31, 2007 to $252,321 for the quarter ended December 31, 2008. Offsetting this, other income decreased from $173,821 to $4,528 for the quarters ended December 31, 2007 and December 31, 2008, respectively. Other income is made up primarily of interest income on investments held by the Company.

The Birch Lake Project is the company's only active project at December 31, 2008. Drilling was discontinued at Birch Lake as a large enough sample for bulk testing has been collected. Now that sufficient metallurgical sample is in hand, it is likely that any future drilling at Birch Lake will utilize smaller diameter, more economical core drilling.

Following the planned resource estimate update, a Preliminary Assessment will examine the viability of a 20,000 tonnes-per-day, 20 year-plus mine-life Birch Lake underground operation. This assessment is expected to be followed by a more comprehensive and detailed pre-feasibility study.

Summary of Quarterly Results
The following tables, prepared in accordance with Canadian GAAP, set out financial performance highlights for the last eight quarters:

	December 31, 2008	September 30, 2008	June 30, 2008	March 31, 2008
Operating loss for Period	$ 315,707	$ 3,543,894	$ 341,408	$ 428,053
Total loss for for Period	$ 311,179	$ 3,527,842	$ 254,778	$ 277,242
Loss per share	$ 0.01	$ 0.06	$ 0.00	$ 0.00
	December 31, 2007	**September 30, 2007**	**June 30, 2007**	**March 31, 2007**
Operating loss for Period	$ 506,718	$ 1,419,350	$ 512,407	$ 158,674
Total loss for for Period	$ 332,898	$ 1,146,334	$ 512,407	$ 158,674
Loss per share	$ 0.01	$ 0.02	$ 0.01	$ 0.00

The Company's quarterly Operating Loss began a gradual decline in the quarter ended June 30, 2007 as exploration activities began to decrease. The losses for the quarter ending September 30, 2007 and September 30, 2008 were higher due to Share Issue Costs and the Red Knoll Project write-offs respectively.

Liquidity and Capital Resources

The Company has no operations that generate cash flow and its long-term financial success is dependent on management's ability to discover commercially viable quantities of ore. The exploration process can take many years and are subject to factors that are beyond the Company's control. Many factors influence the Company's ability to raise funds, including but not limited to, the strength of the mineral resource market, the exploration investment climate, and the experience and calibre of the Company's management.

The Company's capital management objective are to maximise potential investment returns to its equity stakeholders within the context of the relevant opportunities and risks associated with the Company's operating segment. The inherent nature of mineral exploration involves a high degree of "discovery" risk. Consequently there is substantial uncertainty as to whether any particular project will generate positive cash flows in the future. Therefore, management funds its exploration activity primarily by issuing share capital, rather than using other capital sources that require fixed repayments of principal and interest. It considers both share capital and working capital as components of its capital base. The Company is not subject to any externally imposed capital requirements. The timing and extent of both program implementation and financing are determined by management's evaluation of economic factors at the time, such as commodity prices, interest rates and foreign exchange, and non-economic factors such as expected impact that completion of a given program may have on the cost of capital.

At December 31, 2008, the Company had working capital of $980,855 ($1,943,781 at September 30, 2008). Cash and equivalents were $1,454,328 at December 31, 2008 compared with $261,219 at September 30, 2008. The reduced working capital is mainly attributable to continued drilling and exploration activities. The Company places its cash and cash equivalents with major financial institutions.

On September 29, 2006 the Company signed a loan agreement (the Loan Agreement) with the State of Minnesota, through its economic development entity, Office of the Commissioner of Iron Range Resources and Rehabilitation (IRR), to provide a loan of up to $2.5 million towards the development of the Birch Lake Project. Under the original terms of the loan, the Company agreed to expend funds on the Birch Lake Project and the IRR agreed to thereupon loan funds to the Company based on a one-to-four ratio, with $1.00 of loan funds advanced for every $4.00 of project expenditures incurred after May 1, 2006 (the maximum loan limit is $2.5 million). The $10 million total in Project expenditures is to be used for a two-phase technical development program aimed at advancing Birch Lake towards becoming a producing mine. In addition the Company was required to issue the lender warrants to purchase one share of common stock of the Company for each dollar advanced by the lender under the terms of the loan, at an exercise price of Cdn$1.13. The warrants had an expiry date of September 29, 2009.

Subsequent to the date of the original Loan Agreement, the government of Minnesota appropriated monies to be granted to fund mineral related projects in the region through certain counties in the state. A portion of those funds totalling $500,000 was allocated to the Company. As this funding is a grant as opposed to a loan it is not repayable by the Company. This $500,000 grant is not to be in addition to the $2,500,000 allocated under the loan, but in substitution for $500,000 of loan funds. As a result, a grant agreement, with an effective date of July 1, 2007 and executed by the Company on July 3, 2008 and the County of St. Louis on July 11, 2008 and July 16, 2008 (the Grant Agreement) was entered into which provides for the reimbursement of up to $500,000 for project expenditures incurred by the Company on the Birch Lake Project.

In connection with the execution of the Grant Agreement the Company and the IRR executed an amendment to the Loan Agreement with an effective date of December 15, 2008 (the Loan Amendment) to reduce the amount of the loan from $2,500,000 to $2,000,000. In addition, with respect to the warrants to be issued, IRR would receive one warrant for each dollar advanced under the loan and under the Grant Agreement. In addition, as the process with the loan amendment and the review of the documentation for the draw down of the full amount of the revised loan of $2,000,000 and the grant of $500,000 had taken a considerable amount of time the parties amended the terms of the warrants set forth in the Loan Agreement as follows: 1) the term of the warrants to be issued on each drawdown run from the date of the draw down for a period of three years and 3) that the exercise price of the warrants is reduced from Cdn$1.13 to Cdn$0.75. In addition, the Loan Amendment clarified that project expenditures would be matched on a four-to-one matching basis.

The Loan Agreement, as amended, provides that the loan amortization date is the close of financing for the commercial mining operation at the Birch Lake site, or on December 31, 2011, whichever date comes first (the Amortization Date). Interest on the loan disbursements will accrue at the Prime Rate and be capitalized on the Amortization Date. Monthly payments of interest only, at Prime +3%, will be required for a two-year period commencing on the Amortization Date. Regular monthly payments of principal and interest payments will commence after the two-year period of interest payments and will be in an amount to fully amortize the outstanding balance of the loan by December 31, 2016 (the Due Date). Monthly payments will be adjusted semi-annually to reflect any change in the effective interest rate. All payments of principal and interest will be due on the Due Date. The borrowings under the Loan Agreement, as amended, have been secured by one mineral lease held by the Company, guarantees by the Company, its subsidiary Franconia Minerals Corporation (US) Inc. and Lehmann Exploration Management, Inc., a promissory note, and a security agreement on intellectual property and data associated with the Birch Lake Project.

Subsequent to the period, on January 13, 2009, the Company received all funds from the State of Minnesota until its Loan Agreement, as amended, providing the Company with a total of $2.0 million in loans and $500,000 in the form of a non-repayable grant. The funds from the loan and the grant are to be used on a continuing technical development program aimed at advancing The Birch Lake Project towards a producing mine. In addition, the Company issued to the State of Minnesota, 2,500,000 common share purchase warrants (one warrant for each dollar advanced by the State of Minnesota under the loan and grant.) Each warrant entitles the State to acquire one common share of the Company at an exercise price of Cdn$0.75 until January 13, 2012.

The following table represents contractual obligations for the Company at December 31, 2008:

Contractual Obligations	Total	Less than 1 year	1 - 3 years	4 - 5 years	After 5 years
Operating Leases	$ 339,840	$ 26,700	$ 184,200	$ 128,940	$ -
Long Term Debt	$ 2,829,036	$ -	$ 181,050	$ 1,010,462	$ 1,637,524
Total Contractual Obligations	$ 3,168,876	$ 26,700	$ 365,250	$ 1,139,402	$ 1,637,524

The Company expects to renew existing short term operating leases for the next 5 years, but does not deem it reasonable to project unobligated lease payments beyond that point.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Transactions with Related Parties

Consulting contracts

The Company has entered into one-year consulting contracts, automatically renewable annually, with four (2007 - five) consultants who are also shareholders or directors of the Company. Each of these agreements provide for a consulting fee of $450 per day and reimbursement of expenses. If these agreements are terminated by the Company without cause the consultants will receive severance pay from the Company in amounts ranging from $50,000 to $100,000 to a maximum of $350,000 (2007 - $400,000) in total. In addition, the Company will cancel any previously issued share options held by the consultants that are not exercised within 30 days of termination by payment to the consultants of the amount equal to the difference between the exercise price of the options and the average closing price of the common shares on the relevant stock exchange or trading platform during the previous 30 days.

The Company had the following related party transactions occurring during the quarter:

(a) Transactions with a director and companies controlled by that director

The Company has entered into various agreements with a director and companies controlled by that director, regarding the Birch Lake properties, and geological consulting and administration services. This director holds certain mining claims and leases in respect of the Birch Lake properties in trust for the Company.

Transactions between the Company and the director and companies controlled by that director were as follows:

(i) Consulting fees charged during the three months to December 31, 2008 totalled $0 (Q1 2008 - $8,914). These fees were included in deferred acquisition and exploration costs.

(ii) Land costs reimbursed in respect of Birch Lake totalled $15,549 (Q1 2008 - $206,991).

(iii) Administrative costs reimbursed totalled $0 (Q1 2008 - $7,722).

Of the above amounts, a total of $15,549 (Q1 2008 - $0) is included in accounts payable at December 31, 2008.

(iv) Through the Birch Lake JV Agreement, (see “Overview” for further detail) the Company is earning an interest in lands held by a joint venture in which the director holds a 70% share.

(b) Other transactions

(i) Legal fees paid to a director's law firm totalled $17,575 during the three months ended December 31, 2008 (Q1 2008 - $11,864). These fees are included in general administration costs.
(ii) Consulting fees paid to an officer totalled $16,950 during the quarter (Q1 2008 - $16,950).
(iii) Monetary contribution of $20,000 to a non-profit mining industry association, which shares a common director (Q1 2007 - $20,000).
(iv) Consulting fees paid to the Company's president totalled $18,750 during the quarter (Q1 2007 - $18,750). These costs have been included in general administration

These transactions are in the normal course of operations and have been recorded at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Subsequent Events

Subsequent to the period, on January 15, 2009, Franconia received all funds from the State of Minnesota related to its Loan Agreement, as amended, providing the Company with a total of $2.0 million in loans and $500,000 in the form of a non-repayable grant, and issued 2,500,000 common share purchase warrants. (See “Liquidity and Capital Resources” for further details)

Under the terms of the Loan Agreement, as amended, Franconia was required to contribute matching funds on a one-to-four basis. Thus, in order to draw down the full $2.0 million dollars, Franconia had to expend at least $10 million on a continuing technical development program aimed at advancing Birch Lake towards becoming a producing mine. To date, Franconia has spent more than $15 million on this program. Franconia reached the $10 million benchmark in October 2007 with the finalization of extensive drilling and other development work at Birch Lake. In addition, the Company expended $500,000 on the Birch Lake Project to receive the $500,000 grant (See “Liquidity and Capital Resources”).

Pursuant to the Loan Agreement, as amended, the Company has issued to the State of Minnesota, 2,500,000 common share purchase warrants (one warrant for each dollar advanced by the State of Minnesota under the loan and grant.) Each warrant entitles the State to acquire one common share of the Company at an exercise price of Cdn$0.75 until January 13, 2012. The terms of the warrants were amended from the original Loan Agreement to reduce the exercise price from Cdn$1.13 to Cdn$0.75; to change the expiry date from September 29, 2009 to three years from the drawdown date; and to include the funds advanced under the US$500,000.

Proposed Transactions

There were no proposed transactions at December 31, 2008.

Critical Accounting Estimates

Franconia’s business of exploring for mineral resources involves a variety of operational, financial and regulatory risks that are typical in the natural resource industry. The Company continues to develop and explore its mineral properties and has not yet determined whether these properties contain mineral resources that are economically recoverable. The recoverability of amounts shown for mineral properties is dependent upon the existence of economically recoverable reserves, securing and maintaining title and beneficial interest in the properties, the ability of the Company to obtain necessary financing to complete the development, and upon future profitable production of proceeds from disposition of the mineral properties. There are no guarantees that such conditions will be met. The amounts shown as mineral properties represent net costs to date, less amounts written off and do not necessarily represent present or future values.

Changes in Accounting Policies Including Initial Adoption

Financial instruments

Effective October 1, 2007, the Company adopted the Canadian Institute of Chartered Accountants’ (“CICA”) Handbook Section 3855, “Financial Instruments, Recognition and Measurement”. This new standard requires the Company to account for certain financial assets and liabilities at fair value and revalue them at fair value on the date of implementation. Financial instruments must be classified into one of these five categories: held-for-trading, held-to-maturity, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments are measured in the balance sheet at fair value except for loans and receivables, held-to-maturity investments and other financial liabilities, which are measured at amortized cost. Subsequent measurement and changes in fair value will depend on their initial classification as follows: held-for-trading financial assets are measured at fair value and changes in fair value are recognized in net income; available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income until the investment is no longer recognized or impaired, at which time the amounts would be recorded in net income. Transaction costs other than those related to financial instruments classified as held-for-trading or available-for-sale, which are expensed as incurred, are added to the fair value of the financial asset or financial liability on initial recognition and amortized using the effective interest method.

The Company has implemented the following classifications:

• Cash and cash equivalents	Held-for-trading
• Auction Rate Securities settlement	Loans and receivables
• Accounts payable and accrued liabilities	Other financial liabilities
• Auction Rate Securities loan	Other financial liabilities.

International Financial Reporting Standards

In February 2008, the Accounting Standards Board of Canada announced that 2011 is the transition date for publicly listed companies to use IFRS, replacing Canadian GAAP. Implementation is set for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the quarter ended December 31, 2010. While we have begun assessing the adoption of IFRS, the financial reporting impact of the transition to IFRS cannot be reasonably be estimated at this time.

Financial and Other Instruments

The Company's financial instruments consist of cash and cash equivalents, Auction Rate Securities and accounts payable. Unless otherwise noted, it is management's opinion that the company is not exposed to significant interest rate nor credit risks arising from its financial instruments.

Going-Concern Assumption

The Company's ability to continue as a going-concern is dependent on the Company being able to satisfy its liabilities as they become due and to obtain the necessary financing to complete the exploration and development of its mineral interests, the attainment of profitable mining operations, and, or the receipt of proceeds from the disposition of its mineral property interests. These consolidated financial statements have been prepared on a going-concern basis, which assumes the realization of assets and liquidation of liabilities in the normal course of business. These consolidated financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary, should the Company be unable to continue as a going-concern.

Disclosure Controls and Procedures

The Corporation's Chief Executive Office (CEO) and Chief Financial Officer (CFO) are responsible for establishing and maintaining disclosure controls and procedures and internal control over financial reporting.

The CEO and CFO have designed or caused to be designed internal control over financial reporting for the Corporation to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. There has been no change in the Corporation's internal control over financial reporting during the three months ended December 31, 2008 that has materially affected, or is reasonably likely to materially affect, the Corporation's internal control over financial reporting.

The CEO and CFO have designed or caused to be designed under their supervision, disclosure controls and procedures to provide reasonable assurance that material information related to the Corporation is made known to them by others particularly during the period to which this MD&A relates, and that material information required to be disclosed by the Corporation in annual filings, interim filings and other reports it files under securities legislation is recorded, processed, summarized and reported, within the appropriate time periods.

As at December 31, 2008, there is no material weakness relating to the design of the Corporation's internal control over financial reporting.

The Corporation's CEO and CFO believe that any disclosure controls and procedures or internal controls over financial reporting, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

Disclosure of Outstanding Share Data

The Company is a public company listed on the Toronto Stock Exchange.

As at February 16, 2009, the Company had 59,082,572 common shares issued, warrants to purchase 6,594,901 common shares at $1.75 - $1.92(Cdn) and options to purchase 4,216,500 common shares at $0.40 - $1.95(Cdn).

Additional Information

Additional information relating to the Company, including its annual information form, is available under our profile at www.sedar.com