

**FRANCONIA MINERALS CORPORATION**  
**Management Discussion and Analysis**  
**for the three month and nine month periods ended June 30, 2009**

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 month and nine month periods ended June 30, 2009 (compared with results for the three month and nine month periods ended June 30, 2008). 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 and nine month periods ended June 30, 2009 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 resources and reserves, 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 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 August 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 35<sup>th</sup> 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 Company's principal project is the Birch Lake Project in Minnesota which is an advanced-stage exploration project with indicated and inferred mineral resources. 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 Company'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 Company'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 June 30, 2009 approximately \$8.4 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%.

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 year, the Company is exercising prudence in its decisions to overcome market challenges. During recent quarters, in response to economic factors and having completed the overwhelming majority of its planned work, the Company has been able to curtail its drilling and bulk sample collection at the Birch Lake Project at a logical stage 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 June 30, 2009, the present drill programs are considered to be complete as 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 June 30, 2009, 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 relatively 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 month period ended June 30, 2009 compared to the three month period ended June 30, 2008**

Franconia's operations in the three months to June 30, 2009 were focused on evaluation of the Birch Lake project and on its financing activities. The Company did not generate any operating revenue during the quarter. The Company's net loss increased to \$238,793 for the quarter ended June 30, 2009 from \$329,339 for the quarter ended March 31, 2009 and a net loss of \$254,778 for the quarter ended June 30, 2008. Acquisition and exploration expenditures for the quarter ended June 30, 2009 totalled \$556,383 compared with \$304,552 for the quarter ended March 31, 2009 and with \$7,925,728 for the quarter ended June 30, 2008. General administrative expenses for the quarter were \$227,306 compared with \$326,728 for the quarter ended March 31, 2009 and with \$336,368 for the quarter ended June 30, 2008.

Contractual costs associated with the drilling at the Birch Lake Project for the quarter ended June 30, 2009 were \$123,288, compared with \$248,554 for the quarter ended March 31, 2009 and with \$1,186,386 for the quarter ended June 30, 2008. Also, other income (expense) was \$4,719 for this quarter compared with \$(8,549) for the quarter ended March 31, 2009 and with \$89,015 and \$4,946 in other income for the quarters ended June 30, 2008 and December 31, 2008, respectively. Other expense (in brackets) or income is made up of interest income on investments held by the Company, netted against bank fees and interest charges, which were recognized this quarter on the \$2 million loan from the State of Minnesota.

The Birch Lake Project is the company's only active project at June 30, 2009. Drilling was discontinued at Birch Lake during the previous quarter 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 Economic 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:

	<b>June 30, 2009</b>	<b>March 31, 2009</b>	<b>December 31, 2008</b>	<b>September 30, 2008</b>
Operating loss for period	\$ 227,306	\$ 320,790	\$ 315,707	\$ 3,543,894
Total loss for period	\$ 238,793	\$ 329,339	\$ 311,179	\$ 3,527,842
Loss per share	\$ 0.00	\$ 0.01	\$ 0.01	\$ 0.06

  

	<b>June 30, 2008</b>	<b>March 31, 2008</b>	<b>December 31, 2007</b>	<b>September 30, 2007</b>
Operating loss for period	\$ 341,408	\$ 428,053	\$ 506,718	\$ 1,419,350
Total loss for period	\$ 254,778	\$ 277,242	\$ 332,898	\$ 1,146,334
Loss per share	\$ 0.00	\$ 0.00	\$ 0.01	\$ 0.02

The Company's quarterly operating losses began a gradual decline in the quarter ended June 30, 2007 as exploration activities began to decrease. The losses for the quarter ended September 30, 2007 and September 30, 2008 were higher due to share issue costs and the Red Knoll Project write-off, respectively.

### Nine month period ended June 30, 2009 compared to the nine month period ended June 30, 2008

Franconia's operations in the nine months to June 30, 2009 were focused on exploration (primarily on the Birch Lake Project) and on its financing activities. The Company did not generate any operating revenue in the period in either 2008 or 2009. The Company's net loss for the nine month period this year was \$879,311, and for the same period in 2008 the net loss was \$864,918.

### Summary of Results

The following tables, prepared in accordance with Canadian GAAP, set out financial performance highlights for the nine month periods ended June 30, 2009 and 2008:

	<b>June 30, 2009</b>	<b>June 30, 2008</b>
General administration expenses	\$ 883,386	\$ 1,224,072
General exploration expenses	-	36,150
Total net loss for the period	\$ 879,311	\$ 864,918

### 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 is 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 is 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 June 30, 2009, the Company had working capital of \$2,231,707 (September 30, 2008 - \$1,943,781). Cash and equivalents were \$2,432,162 at June 30, 2009 compared with \$261,219 at September 30, 2008 (at which date the Company still had \$3,250,000 owed under Auction Rate Securities settlement). The increased cash and working capital in this nine month period is attributable to the \$2,000,000 loan and \$500,000 grant received from the State of Minnesota. The Company places its cash and cash equivalents with large, reputable 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 of loan funds advanced for every \$4 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 agreed 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.

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 plus 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 this two-year period 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.

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.

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 \$16 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 following table represents contractual obligations for the Company at June 30, 2009:

Contractual Obligations	Total	Less than 1 year	1 – 3 years	4 – 5 years	After 5 years
Operating Leases	\$ 206,340	\$ -	\$ 130,800	\$ 75,540	\$ -
Long Term Debt	\$ 2,829,036	\$ -	\$ 181,050	\$ 1,010,462	\$ 1,637,524
Total Contractual Obligations	\$ 3,035,376	\$ -	\$ 311,850	\$ 1,086,002	\$ 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 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 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 quarter totalled \$11,194 (2008 - \$23,546). For the nine month periods ended June 30, 2009 and June 30, 2008 fees charged were \$11,194 and \$70,500, respectively. These fees have been included in deferred acquisition and exploration costs.
- (ii) Land costs reimbursed in respect of Birch Lake during the quarter totalled \$14,217 (2008 - \$105,948), and \$27,501 and \$544,299 for the nine month periods ended June 30, 2009 and June 30, 2008, respectively.
- (iii) Administrative costs reimbursed for the quarter totalled \$7,589 (2008 - \$7,500). Administrative costs reimbursed totaled \$9,855 for the nine month period ended June 30, 2009, and \$31,269 for the nine month period ended June 30, 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 a director holds a 70% share.

#### (b) Other transactions

- (i) Legal fees paid to a director's law firm totalled \$16,945 during the three months ended June 30, 2009 (2008 - \$17,783). For the nine month periods fees paid were \$52,507 and \$47,049, respectively. These fees are included in general administration costs.
- (ii) Consulting fees paid to an officer totalled \$16,950 during the quarter (2008 - \$16,950). For the nine month periods ended June 30, 2009 and June 30, 2008 these consulting fees were \$50,850.
- (iii) Monetary contribution of \$15,000 for the quarter to a non-profit mining industry association, which shares a common director (2008 - \$20,000). For the nine months ending June 30, 2009 and 2008 respectively the amounts were \$50,000 and \$60,000.
- (iv) Consulting fees paid to the Company's president totalled \$37,500 during the quarter (2008 - \$37,500) and \$112,500 for the nine months ended June 30 in both years. 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**

There were no material events subsequent to the period.

#### **Proposed Transactions**

There were no proposed transactions at June 30, 2009.

#### **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 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 Company'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 Company 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 Company's internal control over financial reporting during the three month and six month periods ended March 31, 2009 that has materially affected, or is reasonably likely to materially affect, the Company'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 Company 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 Company 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 June 30, 2009, there are no material weaknesses relating to the design of the Company's internal control over financial reporting.

The Company'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 July 24, 2009, the Company had 59,082,572 common shares issued, warrants to purchase 8,042,626 common shares at Cdn\$.75 - \$1.92 and options to purchase 4,216,500 common shares at Cdn\$0.40 - \$1.95.

### **Additional Information**

Additional information relating to the Company, including its annual information form, is available under our profile at [www.sedar.com](http://www.sedar.com)