

# AMERICAN COPPER CORPORATION

## MANAGEMENT DISCUSSION & ANALYSIS

For the period ended March 31, 2008

Directors and Officers as at May 26, 2008

Directors:

Robert Eadie  
Gary Arca  
Peter Barnes  
Herb Duerr  
Gary Hawthorn  
Richard Kern

Officers:

President & Chief Executive Officer – Robert Eadie  
Chief Financial Officer – Gary Arca

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TSX Venture Exchange Symbol:	AJ

Form 51-102-F1

# AMERICAN COPPER CORPORATION

## MANAGEMENT DISCUSSION & ANALYSIS

For the Period Ended March 31, 2008

### 1.1 Date of This Report

This Management Discussion and Analysis (“MD&A”) should be read in conjunction with the unaudited consolidated financial statements of American Copper Corporation (“American Copper”, or the “Company”) for the period ended March 31, 2008. All dollar amounts herein are expressed in Canadian Dollars unless stated otherwise.

This MD&A is prepared as of May 26, 2008.

*This MD&A includes certain statements that may be deemed “forward-looking statements”. All statements in this discussion, other than statements of historical facts, that address exploration drilling, exploitation activities and events or developments that the Company expects are forward-looking statements. Although the Company believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance and actual results or developments may differ materially from those in the forward-looking statements. Factors that could cause actual results to differ materially from those in forward-looking statements include market prices, exploitation and exploration successes, continued availability of capital and financing and general economic, market or business conditions. Investors are cautioned that any such statements are not guarantees of future performance and actual results or developments may differ materially from those projected in the forward-looking statements.*

### 1.2 Overall Performance

#### *Description of Business*

The Company was incorporated pursuant to the British Columbia Business Corporations Act on January 27, 2006. The Company has one active subsidiary, American Copper Nevada Inc., which was incorporated on May 16, 2006, in Nevada to carry out U.S. operations.

During the fourth quarter ended September 30, 2007, the Company’s prospectus (the “Prospectus”) was accepted in the provinces of British Columbia, Alberta and Ontario in connection with the Company’s initial public offering. The Prospectus qualified the distribution of 4,000,000 Units of the Company at a price of \$0.40 per unit for gross proceeds of \$1,600,000 pursuant to an Initial Public Offering (“IPO”). Each unit consisting of one common share and one-half of one common share purchase warrant, each whole warrant exercisable at \$0.75 for 24 months. The Company was listed for trade on the TSX Venture Exchange (“TSX-V”) on August 20<sup>th</sup>, 2007. Pursuant to the IPO, the Company paid a cash commission of \$128,000

(8% of the gross proceeds) and issued 125,000 shares of the Company as a Corporate finance fee to the agent. In addition, the agent received 800,000 Agent Warrants (20% of the shares issued) pursuant to the IPO which will entitle the agent to purchase additional shares of the Company at \$0.40 for two years. The Company paid an administrative fee of \$10,000 to the agent and \$15,670 for the agent's expenses. During the year ended September 30, 2007 the Company also paid \$35,145 in legal fees relating to the IPO.

The Company is engaged in the business of mineral exploration in the western United States with special emphasis on Arizona. The Company's objective is to locate and develop economic precious and base metal properties of merit. The Company's material property, as defined by National Instrument 43-101, is the option to acquire 100% of the Squaw Peak in Yavapai County, Arizona State. The Company intends to focus exploration efforts over the next 12 months on the exploration of the Squaw Peak Property. The Company has also entered into an option agreement to acquire 100% of the Copper Properties in Arizona, New Mexico and Nevada. (see Section 1.4.1).

### 1.3 Selected Annual Information

The highlights of financial data for the Company for year ended September 30, 2007 and for the period from incorporation on January 27, 2006 to September 30, 2006, being the end of the first financial year end of the Company, are as follows:

	September 30, 2007	September 30, 2006
(a) Net sales	Nil	Nil
(b) Loss before foreign exchange and investment income	(676,666)	(296,823)
(c) Net loss	(686,253)	(294,851)
(d) Loss per share – basic and diluted	(0.05)	(0.05)
(e) Total assets	2,170,504	778,902
(f) Total long-term liabilities	Nil	Nil
(g) Cash dividends declared per-share	Nil	Nil

### 1.4 Results of Operations

#### *Discussion of Acquisitions, Operations and Financial Condition*

The following should be read in conjunction with the financial statements of the Company and notes attached hereto.

#### 1.4.1 Property Activity

##### Resource Property – Squaw Peak

Pursuant to an option agreement with MinQuest Inc. ("MinQuest"), a company controlled by certain directors of the Company, dated June 10, 2006, the Company may acquire a 100% undivided interest, subject to a 3% net smelter royalty ("NSR"), in 40 mining claims located in Yavapai County, Arizona State, United States of America ("Squaw Peak"). The former mine workings are situated near the town of Camp Verde, 35 miles east of Prescott, Arizona and about 65 miles north-northeast of the Phoenix metropolitan area. Consideration for the acquisition is cash of US\$1,000,000, reimbursement of the

optionor's costs associated with the acquisition of the property, issuance of 500,000 common shares of the Company, and exploration expenditures of US\$4,500,000 on the property.

The Company may purchase up to one half of the NSR for US\$2,000,000 for each 1% of the royalty purchased (total of \$3,000,000 for the entire 1.5%). During the term of the Squaw Peak option agreement, the Company is responsible for maintaining the claims in good standing, including paying required taxes, fees and rentals, and completing necessary assessment work.

#### *Proposed Exploration Program*

The Company engaged OreQuest Consulting to prepare the technical report on the Squaw Peak Property. The complete text of this report is available under the Company's filings on [www.sedar.com](http://www.sedar.com). OreQuest recommended that the Company expend US\$560,000 on exploration of the property as set out below.

- Field inspection and detailed geologic mapping and sampling (if necessary) of outlying soil anomalies coupled with combined magnetic/soil anomaly associations for mineralization, alteration, pertinent lithologies and other depositional criteria indicating mineralization,
- Phase 1 drilling is designed to define resources near the Squaw Peak intrusion suitable for near-term exploitation and begin exploration of targets that will lead to discovery of highgrade breccia pipes and veins and deeper porphyry-type mineralization. Exploration will consider that the region around the Squaw Peak intrusion is potential ground for a larger mineralizing system as discussed in the "Deposit Types" section. The following are general targets that are currently being considered, additional drill sites will be permitted and prepared based on results:
  1. The program will include 5 to 10 angle core holes sited within the historic resource area near the Squaw Peak intrusion.
  2. Drilling will explore for extensions of porphyry mineralization and for larger high-grade zones of mineralization such as the one mined in the 1940s. To intersect these steeply dipping targets, the holes will be angled to cross them as close to right angles as possible.
  3. North of the historic resource area (not 43-101 compliant) borings will examine a possible extension mineralization within an area of anomalous low magnetic signature extending north from the intrusion. This area is largely without drill hole definition.
  4. Drilling would also be considered east of the intrusion where better grades can be projected from the southeast.
  5. A deep vertical hole sited about 1,000 feet north of the intrusion within the extension of the magnetic low will test for a deep intrusive source. This hole will be drilled to approximately 2,000 feet if possible.
  6. One or two angle holes south of the intrusion would penetrate the high grades east and southeast of the intrusion to explore for extensions of mineralized shoots.
  7. An angle hole sited north and east of DDH-3 should advance west to the margin of the Squaw Peak intrusion to test for the westward extension of the grades from sampling the drift.

*Activity to date*

In the summer of 2006 EDCON-PRJ of Lakewood, Colorado conducted an ultralight aeromagnetic survey for American Copper-MinQuest. The data was interpreted by Fritz Geophysics of Fairplay, Colorado (Fritz, 2006). The survey was flown along east-west lines at 100m spacing with north-south tie lines every 500m. The survey covers an area of approximately 7.8 square miles with the Squaw Peak intrusion and mine at the approximate center of the area.

In July-August of 2006 MinQuest collected soil samples from 373 locations that covered most of the Squaw Peak property including the area of present geologic interest. The samples were collected at 100 meter intervals along east-west lines with 100 meter spacing. The samples were analyzed by ALS Chemex of Reno, Nevada for copper by atomic absorption and the multi-element suite (28 elements including copper) by ICP.

During the quarter ended March 31, 2008, the Company initiated drilling at its Squaw Creek Project targeting high grade copper/molybdenum veins and stockworks last mined in the 1940's. The company plans to drill approximately 5,000 feet (1,524 m) in 10 to 15 holes.

Mining records from World War II era mining at Squaw Peak (which are not NI 43-101 compliant and should not be relied upon) indicate average grades of the veins mined were 1.2% copper, 0.45% molybdenum, 0.50 oz/ton (17 g/t) silver and 0.002 oz/ton (.07 g/t) gold. All of the workings are caved-in and, therefore, no underground sampling has been done by American Copper. Previous surface drilling of the property, the most recent being in 1974, was all vertical and failed to test the near vertical veins. The current drilling program will test the grades and extent of the veins and stockwork zones. Phase 1 drilling is expected to last until May, 2008. The first drilling results are expected within six weeks of delivery to the assay lab.

After testing the high-grade shallow targets, deeper drilling of a large magnetic low, located north of the current drilling is planned. This drilling will test for a large buried porphyry copper/molybdenum system similar to the recently discovered Resolution deposit near Superior.

*Resource Property – Copper Properties*

The Company optioned a land package comprised of five separate copper properties located in Arizona, New Mexico and Nevada (collectively, the "Properties"). The Properties are comprised of 630 claims covering a total of 19.6 square miles in Santa Cruz, Gila and Yavapai Counties (Arizona), Grant County, New Mexico, and Humboldt County, Nevada.

Under its Option Agreement with MinQuest Inc. of Reno, Nevada, the Company must reimburse MinQuest its acquisition costs which include filing fees, holding fees and staking fees made by MinQuest in relation to the Properties. MinQuest will retain a 3% net smelter royalty. The Company can earn a 100% interest in the Properties or any portion thereof (subject to the 3% NSR) by expending an aggregate amount of US\$25,000,000 on one or any combination of claims forming the Properties, and issuing 3,650,000 shares, over a period of ten years and seven years, respectively. The Company has the right to purchase up to one half of the royalty in each of the five properties on the basis of \$2 million per each 1% of the royalty.

The Properties lie within major mineralized trends as follows:

Copper Springs – 102 claims cover an area of about three square miles within the prolific Miami-Globe mining district in Arizona. This area is the site of significant past and present production as well as intense exploration for new ore deposits of copper and molybdenum. Historic drilling at Copper Springs has discovered near surface indications of copper mineralization.

Patagonia – 350 claims cover an area of over 11 square miles within the Patagonia mining district of Santa Cruz County, Arizona. Several historic resources (not NI 43-101 compliant) of copper, molybdenum, zinc and silver are reported to occur within the property. The USGS reports that the mineralization is hosted in porphyry intrusive, breccia pipes, and in skarn within the company's claim block.

Cobre – 45 claims cover an area of approximately 1.4 square miles within the Tyrone mining district of Grant County, New Mexico. Phelps Dodge (now Freeport-McMoRan) continues to produce from the nearby Tyrone copper mine. The mineralization is hosted in intrusive rocks similar to the Tyrone mine. Although no known resources are present within the Company's property boundary, surface indications of oxide copper are common.

CB Claim Group – 82 claims cover approximately 2.6 square miles within Yavapai County, Arizona. Historic work on this property indicates low grade copper-molybdenum-silver mineralization occurs within the boundary of the Company's claim group. A central core of higher grade mineralization has been recognized, but poorly defined to date.

Gregg Canyon – 51 claims cover approximately 1.6 square miles within the Adelaide mining district in Humboldt County, Nevada. Historic drilling on this project has defined molybdenum mineralization hosted within granite. Numerous areas of surface mineralization have been identified, but remain untested by drilling.

Richard Kern and Herb Duerr, both directors of the Company, each hold a 50% interest in MinQuest, and accordingly the transaction is deemed to be a related party transaction under TSX Venture Exchange policies. Mr. Kern's and Mr. Duerr's shareholdings in the Company will change over ten years as a result of this transaction. The option agreement was reviewed and approved by the board of directors, with both Mr. Kern and Mr. Duerr abstaining from voting on the resolution. The Company did not obtain a formal valuation of the Properties, as the same are of indeterminate value, and will be assessed over the life of the option to determine if in fact the option price is warranted. The Company received minority shareholder approval and the approval of the TSX Venture Exchange on February 25, 2008. The board of directors is of the view that the terms of the option agreement are favorable to the Company, present limited risk to the Company, and it is reasonable to proceed with the option agreement upon receipt of TSX Venture Exchange approval.

During the term of the Copper Properties option agreement, the Company will be responsible for all applicable reclamation statutes, regulations and ordinances relating to such work, maintaining the interests in these properties in good standing, payment of taxes and rentals and all other actions necessary to keep the claims free and clear of all liens and other charges so as to not jeopardize property title.

#### *Proposed Exploration Program*

The Company announced on May 5, 2008 that it has initiated a core drilling program at its Copper Springs Project targeting near surface copper mineralization. The Company plans to drill approximately 4,200 feet (1,280 m) in 14 holes.

Historic drilling on the property by Exxon, Kerr-McGee and others (which are not NI 43-101 compliant and should not be relied upon) indicate two near surface target areas which contain chalcocite and copper oxides oriented in apparent open-pit configuration. Drilling has been prioritized from recent mapping and an IP geophysical survey completed by the Company over the western target. The previous drill programs on the property, the most recent being in 1973, were wide spaced and failed to test large areas of the project.

The current drilling program will test the grades and extent of known mineralization in the western target area. The program is designed to test both geologic and geophysical targets. The Company's ultimate goal is to define an open pit copper ore body amenable to low cost SXEW technology. The first drilling results are expected within six weeks of delivery to the assay lab.

**Property Expenditures Summary**

The Company is a venture issuer that has not had significant revenue from operations in either of its last three financial periods. The Company has capitalized all expenditures relating to the exploration of its mineral property. Details of deferred expenditures for the properties are as follows:

	<b>Cumulative March 31, 2008</b>	<b>Cumulative September 30, 2007</b>
<b><u>Squaw Peak - Actual Expenditures</u></b>		
Acquisition costs	\$ 47,882	\$ 47,882
Claim maintenance fees	65,289	65,289
Claim staking costs	99,889	99,889
Drilling	57,954	-
Geological consulting	150,116	113,382
Geophysics	50,757	50,757
Legal consulting	7,464	7,464
Mapping & reports	80,226	74,820
Sampling	34,984	32,320
Site visits & accommodation	24,480	14,444
Surveys	3,012	-
	<b>\$ 622,053</b>	<b>\$ 506,247</b>

	<b>Cumulative March 31, 2008</b>	<b>Cumulative September 30, 2007</b>
<b><u>Copper Properties – Actual Expenditures</u></b>		
Acquisition costs	\$ 531,546	\$ 116,463
Geological consulting	3,100	-
Sampling	2,550	-
Site visits & accommodation	5,649	-
	<b>542,845</b>	<b>116,463</b>
<b>Total Properties</b>	<b>\$ 1,164,898</b>	<b>\$ 622,710</b>

#### 1.4.2 **Results of Operations**

The loss for the period ended March 31, 2008 was \$265,653. Amounts for the period ended March 31, 2007 are provided for comparative purposes. The details of the expenses are as follows:

	<b>Six months ended March 31,</b>	
	<b>2008</b>	<b>2007</b>
Accounting and audit fees	\$ 12,422	\$ 13,855
Amortization	2,658	2,463
Bank charges and interest	641	493
Consulting fees	27,050	49,525
Corporate and administration fees	31,750	8,250
Filing fees	20,484	11,063
Insurance	3,975	-
Legal fees	3,483	289
Management fees	30,000	30,000
Office and miscellaneous	23,792	11,838
Property investigation	1,819	33,767
Rent	12,570	6,995
Shareholder communications	84,587	831
Share based compensation	109,009	347,000
Travel	19,415	8,858
Foreign exchange loss (gain)	4,637	(3,130)
Interest and investment income	(13,630)	(5,355)
<b>Net loss for the period</b>	<b>(374,662)</b>	<b>(516,742)</b>

The Company completed its IPO in the previous year ended September 30, 2007 and has fully commenced exploration activity. The Company was in the start up phase during the comparative period ended March 31, 2007 and as a result, expenditures for that period vary from the current period ended March 31, 2008 when normal exploration activity and operations commenced. Current activity includes accounting and audit fees of \$12,422, consulting fees of \$27,050, management fees of \$30,000, shareholder communications and travel of \$84,587 and \$19,415 respectively, and office costs of \$23,792. Filing fees of \$20,484 include initial fees relating to the Company's registration with the TSX Venture Exchange. Interest income also increased over the comparative period to \$13,630 resulting from capital raised through the IPO and from private placements. The most significant expense for the period ended March 31, 2008, was the Stock based compensation expense of \$109,009 which was the fair value calculated of the stock options granted and vested during the period. This compares to an expense of \$347,000 reported for the comparative period ended March 31, 2007 on 1,150,000 options granted in that period. The Company uses the Black-Scholes option valuation model to calculate the fair value of share purchase options at the date of grant and the expense will vary depending on the subjective variables which affect this calculation, including expected annual volatility and risk-free interest rate.

The current period ended March 31, 2008 also includes administration related to exploration activity on Squaw Peak and the Copper Properties.

*Investor Relations Activities*

During the period ended March 31, 2008, the Company responded to investor inquiries. There were no formal investor relations agreements in place.

*Financings, Principal Purposes & Milestones*

The Company completed a private placement in November, 2006 and issued 1,680,000 shares of the Company at a price of \$0.25 per share, for gross proceeds of \$420,000. In May, 2007, the Company received \$24,000 from Directors for issuance of 96,000 common shares at \$0.25 per share. During the fourth quarter ended September 30, 2007 the Company completed an IPO and distributed 4,000,000 units comprised of one share and one-half of one share purchase warrant at a price of \$0.40 per unit – see section 1.2 above.

**1.5 Summary of Quarterly Results**

The following is a summary of the Company's financial results for the six most recently completed quarters for which financial information is available:

	Q2 31-Mar-07	Q1 31-Dec-07	Q4 30-Sept-07	Q3 30-Jun-07	Q2 31-Mar-07	Q1 31-Dec-06
Net Loss:						
Total	\$(263,416)	\$(111,246)	\$(118,372)	\$(92,139)	\$(399,954)	\$(75,788)
Per share						
- basic and diluted	\$(0.02)	\$(0.01)	\$(0.01)	\$(0.01)	\$(0.03)	\$(0.01)

### *Discussion*

For the discussion on the period ended March 31, 2008, please refer to Section 1.4 Results of Operations.

## **1.6 Liquidity**

In management's view, given the nature of the operations, which currently consist of agreements covering resource properties, the most relevant financial information relates primarily to current liquidity, solvency and planned expenditures. The Company's financial success will be dependent upon the extent to which it can determine whether its resource properties contain reserves, which are economically recoverable.

Such development may take years to complete and the amount of resulting income, if any, is difficult to determine. The Company does not expect to receive significant income in the foreseeable future.

As at March 31, 2008, the Company had working capital of \$619,344 which management believes is adequate to meet the Company's working capital needs over the next 12 months or more. Historical capital needs have been met by equity subscriptions. The Company may require additional financing to fund future acquisitions and explorations. If required, Company anticipates funding any property investigations, proposed exploration programs and anticipated administrative and overhead expenses through additional equity subscriptions, such as private placements or through the exercise of warrants. In light of the continually changing financial markets, there is no assurance that funding by equity subscriptions will be possible at the times required or desired. (*see 1.4 – Financings, Principal Purpose and Milestones*).

Subsequent to March 31, 2008, the Company completed a Private placement consisting of 2,000,000 units ("Units") at a price of \$0.20 per Unit for gross proceeds of \$400,000 (*see section 1.15.1 - Disclosure of Outstanding Share Capital as at March 31, 2008*).

## **1.7 Capital Resources**

The only capital resource of the Company are the Resource properties, with historical costs of \$1,164,898 as at March 31, 2008. The Company is committed to further expenditures on the properties, as detailed in Section 1.4 Results of Operations.

## **1.8 Off Balance Sheet Arrangements**

There are no off-balance sheet arrangements to which the Company is committed. The Company has optioned its mineral properties from a private company controlled by two directors of the Company.

## 1.9 Transactions with Related Parties

The Company incurred the following costs with directors and companies controlled by directors of the Company:

	<b>Six months ended March 31,</b>	
	<b>2008</b>	<b>2007</b>
Consulting fees	\$ 15,000	\$ 15,000
Management fees	30,000	15,000
Property investigation	1,819	-
Resource properties - deferred expenses	36,975	35,400
- acquisition expenses	6,525	-
	<b>\$ 90,319</b>	<b>\$ 65,400</b>

These expenditures were measured by the exchange amount, which are the amounts agreed upon by the transacting parties.

Included in prepaid expenses at March 31, 2008 is a \$2,500 (September 30, 2007 – \$2,500) deposit to a company with a common director.

Included in accounts payable at March 31, 2008 is \$Nil (September 30, 2007 – \$3,730) due to a company with a common director for unpaid expenses.

During the period ended March 31, 2008, the Company issued 275,000 common shares to a company with a director in common pursuant to the Squaw Peak option agreement.

## 1.10 Second Quarter

The second quarter results differ significantly from other quarters due to the IPO costs and commencement of normal operations. See Section 1.4 for discussion of variances.

## 1.11 Proposed Transactions

N/A

## 1.12 Critical Accounting Estimates

### Resource Properties

The Company defers the cost of acquiring, maintaining its interest, exploring and developing mineral properties until such time as the properties are placed into production, abandoned, sold or considered to be impaired in value. Costs of producing properties will be amortized on a unit of production basis and costs of abandoned properties are written-off. Proceeds received on the sale of interests in mineral properties are credited to the carrying value of the mineral properties, with any excess included in operations. Write-downs due to impairment in value are charged to operations.

The Company is in the process of exploring and developing its mineral properties and has not yet determined the amount of reserves available. Management reviews the carrying value of mineral properties on an annual basis and will recognize impairment in value based upon current exploration results, the prospect of further work being carried out by the Company, the assessment of future probability of profitable revenues from the property or from the sale of the property. Amounts shown for properties represent costs incurred net of write-downs and recoveries, and are not intended to represent present or future values.

Environmental expenditures that relate to current operations are expensed or capitalized as appropriate. Expenditures that relate to an existing condition caused by past operations and which do not contribute to current or future revenue generation are expensed. Liabilities are recorded when environmental assessments and/or remedial efforts are probable, and the costs can be reasonably estimated. Generally, the timing of these accruals coincides with the earlier of completion of a feasibility study or the Company's commitment to a plan of action based on the then known facts.

#### Impairment of Long-lived Assets

Canadian generally accepted accounting principles require that long-lived assets and intangibles to be held and used by the Company be reviewed for possible impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If changes in circumstances indicate that the carrying amount of an asset that an entity expects to hold and use may not be recoverable, future cash flows expected to result from the use of the asset and its disposition must be estimated. If the undiscounted value of the future cash flows is less than the carrying amount of the asset, impairment is recognized. Management believes there has been no impairment of the Company's long-lived assets as at March 31, 2008.

#### Stock-Based Compensation

The Company has a stock-based compensation plan, whereby stock options are granted in accordance with the policies of regulatory authorities. The fair value of all share purchase options granted are expensed over their vesting period with a corresponding increase to contributed surplus. Upon exercise of share purchase options, the consideration paid by the option holder, together with the amount previously recognized in contributed surplus, is recorded as an increase to share capital.

The Company uses the Black-Scholes valuation model to determine the fair value of share purchase options at the date of grant. Option pricing models require the input of highly subjective assumptions, including the expected price volatility. Changes in these assumptions can materially affect the fair value estimated and therefore, the existing models do not necessarily provide a reliable single measure of the fair value of the Company's share purchase options.

### **1.13 Changes in Accounting Policies Including Initial Adoption**

The Company has not changed or adopted any new accounting policies during the period ended March 31, 2008.

#### **1.14 Financial and Other Instruments**

The carrying value of the Company's financial instruments, consisting of cash, deposits and accounts payable and accrued liabilities approximate their fair value due to the short-term maturity of such instruments. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments.

The economic recoverability of the properties' reserves has yet to be determined. The recoverability of amounts from the properties will be dependent upon the discovery of economically recoverable reserves, confirmation of the Company's interest in the underlying properties, the ability of the Company to obtain necessary financing to satisfy the expenditure requirements under the property agreement and to complete the development of the properties and upon future profitable production or proceeds from the sale thereof. The outcome of these matters cannot be predicted with any certainty at this time.

#### **1.15 Other**

##### **1.15.1 Disclosure of Outstanding Share Capital as at March 31, 2008:**

	Number	Book Value
Common Shares	16,936,001	2,435,185
Contributed Surplus	-	824,009

The Company approved a share option plan which allows for options to be granted of up to 10% of the outstanding shares. The options will be exercisable for a maximum of 5 years from the date of grant. As of March 31, 2008, 1,690,000 share purchase options exercisable at \$0.25 - \$0.40 per share had been granted to directors, key employees and consultants. The options are exercisable for a period of five years from date of grant.

The Company has 2,000,000 share purchase warrants outstanding entitling the holder to acquire an additional common share at \$0.75 per share and 800,000 agent warrants outstanding entitling the agents to acquire a common share at \$0.40 per share, until August 20, 2009.

Subsequent to March 31, 2008, the Company:

- a) closed a non-brokered private placement consisting of 2,000,000 Units at a price of \$0.20 per Unit for gross proceeds of \$400,000. Each unit consists of one common share and one-half share purchase warrant. Each whole warrant entitles the holder to purchase on additional common share at a price of \$0.40 for a period of one year. The warrants include an early expiry feature which may trigger should the common shares of the Company close above \$0.40 for a minimum period of ten trading days.

The Company paid a cash commission of \$27,200 and issued 204,000 warrants to the agent. The agents' warrants are exercisable at \$0.20 per share until April 25, 2009 and include the same early expiry feature described above.

- b) granted 200,000 incentive stock options to directors, officers and consultants of the Company exercisable at a price of \$0.20 per share until May 1, 2013 subject to the requirements of the TSX.V.

### **1.15.2 Disclosure Controls and Procedures**

The Company has disclosure controls and procedures in place to provide reasonable assurance that any information required to be disclosed by the Company under securities legislation is recorded, processed, summarized and reported within the applicable time periods and to ensure that required information is gathered and communicated to the Company's management so that decisions can be made about timely disclosure of that information. The Company's Chief Executive Officer and Chief Financial Officer evaluated the Company's disclosure controls and procedures for the period ended December 31, 2007 and have found those disclosure controls and procedures to be adequate for the above purposes.

There have been no significant changes in the Company's disclosure controls or in other factors that could significantly affect disclosure controls subsequent to the date the Company carried out its evaluation.

During the Company's most recently completed period ended March 31, 2008, there were no changes in the Company's internal control over financial reporting that have materially affected, or are reasonably likely to affect, its internal control over financial reporting.

### **1.15.3 Internal Controls Over Financial Reporting**

The Chief Executive Officer and the Chief Financial Officer of the Company are responsible for designing a system of internal controls over financial reporting, or causing them to be designed under their supervision, in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with Canadian generally accepted accounting principles. We have designed and implemented a system of internal controls over financial reporting which we believe is effective for a company of our size. During the review of the design of the Company's control system over financial reporting it was noted that due to the limited number of staff, there is an inherent weakness in the system of internal controls due to our inability to achieve appropriate segregation of duties. The limited number of staff may also result in identifying weaknesses with respect to accounting for complex and non-routine transactions due to a lack of technical resources, and a lack of controls governing our computer systems and applications within the Company. While management of the Company has put in place certain procedures to mitigate the risk of material misstatement in the Company's financial reporting, it is not possible to provide absolute assurance that this risk can be eliminated.