

**FORM 51-102F1**  
**Management Discussion and Analysis**

**Boxxer Gold Corp.**  
**For the six months ended June 30, 2008**

**Date: August 28, 2008**

The following Management's Discussion and Analysis ("MD&A") is provided by the management of Boxxer Gold Corp. ("Boxxer" or the "Company") for the six month period ended June 30, 2008 and is based on information available August 25, 2008. This discussion and analysis focuses on the operating and financial results and should be read in conjunction with the Company's audited consolidated financial statements including notes for the year ended December 31, 2007 and 2006. Additional information relating to the Company is available on SEDAR at [www.sedar.com](http://www.sedar.com) or the Company's website at [www.bosxergold.com](http://www.bosxergold.com).

**Cautionary Statement**

This MD&A contains "forward looking statements" that reflect Boxxer Gold Corp.'s current expectations and projections about its future results. When used in this MD&A, words such as "estimate", "intend", "expect", "anticipate" and similar expressions are intended to identify forward-looking statements, which are, by their very nature, not guarantees of Boxxer Gold Corp.'s future operational or financial performance, and are subject to risks and uncertainties and other factors that could cause Boxxer Gold Corp.'s actual results, performance, prospects, or opportunities to differ materially from those expressed in, or implied by, these forward-looking statements. These risks, uncertainties and factors may include, but are not limited to: unavailability of financing, fluctuations in the market valuation for gold and other metal commodities, difficulties in obtaining required approvals for the development of either of the Boss or Gordon Lake projects and other factors.

Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this MD&A or as of the date otherwise specifically indicated herein. Due to risks and uncertainties, including the risks and uncertainties identified above and elsewhere in this MD&A, actual events may differ materially from current expectations. Boxxer Gold Corp. disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

**Overall Performance**

The Company is in the exploration stage on each of the North American projects which the Company has an interest, namely the Boss property, the Buena Vista property and the Boyer Ranch property all located in Nevada, and the Gordon Lake property in the Northwest Territories. The projects in Nevada and in Canada do not have a defined mineral resource; however, based on either current or previous exploration programs completed on these properties, further exploration work is warranted based on recommendations contained in National Instrument #43-101 compliant technical reports prepared by independent Qualified Persons.

These consolidated financial statements have been prepared by management on the basis of accounting principles applicable to a going concern, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its obligations in the normal course of operations.

At June 30, 2008, the Company had working capital deficit of \$171,261, had incurred a net loss of \$640,818 and had an accumulated deficit of \$4,335,597. The application of the going concern concept is dependent upon the Company's ability to generate future profitable operations and to obtain additional financing. The ability of the Company to generate future profitable operations is primarily dependent upon achieving successful exploration and profitable development of its mineral properties.

**Boss Property – Nevada**

The Boss property is Boxxer's primary exploration project. A skarn related porphyry model, similar to that which exists in the Robinson Mining District of Nevada, is being used to explore its 100% controlled Boss property located in the Goodsprings mining district, southern Nevada. During the quarter ended June 30, 2008, Boxxer completed detailed channel sampling on the Oro Amigo, the Southwest Adit and the Boss #3 zones, and reconnaissance exploration in the Boss Extension area. In addition, G&T Metallurgical services were contracted to complete preliminary metallurgical test work on the copper-gold (+/- platinum, palladium, silver) mineralization from the Boss and Oro Amigo zones. The technical information reported herein has been previously released by way of new releases made by the company.

*Oro Amigo:*

The mineralized zone in the Oro Amigo workings is estimated to have a true width of 35 meters (“m”) and a minimum vertical distance of 40 m. The strike length of the mineralized zone exposed in the underground workings is 35 m and is open to the northeast and to the southwest and at depth. The grade of all 57 channel samples collected on all levels from this zone average 1.32 % copper, 0.76 g/t gold, 0.19 g/t platinum, 0.19 g/t palladium and 3.68 g/t silver.

Twelve pits and trenches exposed on surface around (within an area that measures 150 m long by 75 m wide) the Upper and Lower Levels all exhibit oxide copper mineralization. Channel sampling of these pits and trenches have returned the following range of metal concentrations: copper; 0.15 to 2.92 %, gold; 0.01 to 0.23 g/t platinum; trace, palladium trace, and silver; 0.20 to 3.9 g/t. Oxide copper mineralization has now been traced on surface and in underground workings over a distance of 400 m on the Oro Amigo zone.

*Boss #2:*

The average grade of the 45 channel samples collected from this zone by Boxxer is 2.52 % copper, 0.67 g/t gold, 0.16 g/t platinum, 0.25 g/t palladium and 8.50 g/t silver. This mineralization in this zone is also characterized by high cobalt values that range from 61 parts per million (“ppm”) to a maximum of 1,320 ppm (0.13%). The minimum dimensions of the mineralization in the Boss # 2 workings are estimated to be 150 m long, 20 m wide and 90 m vertical height and are open in all directions.

*Platina:*

The Platina zone consists of two levels. The mineralization in the upper level is characterized by copper and silver with trace concentrations of gold. The lower level exhibits minor visible oxide copper mineralization but contains no significant mineralization. The mineralization in the upper level is exposed over an area that measures approximately 30 m by 40 m and is open at depth and along strike to the east. Due to the nature of the sampling, the average grades of the sampling completed has not been estimated. The Platina workings are located approximately 300 metres south of the Boss mine.

*Southwest Adit:*

A channel sample taken in an inclined adit (referred to as the SW adit) located approximately 300 metres southwest of the Upper and Lower adits returned the following results:

Level	Interval (m)	Copper (%)	Gold (g/t)	Platinum (g/t)	Palladium (g/t)	Silver (g/t)
SWadit	1.45	3.49	0.406	0.017	0.052	5.8

*Boss Extension:*

This area occurs between the former Boss Mine and the Boss # 2 mine. Previous work within this zone located 10 showings of copper-gold-platinum-palladium-silver mineralization. Detailed prospecting has located disseminated, streaks and veinlets of copper oxide mineralization in outcrop over an area that is approximately 600 m long by 250 m wide and minimum vertical distance of 100 m in altered limestone.

**Boss # 3:**

The zone consists of an upper level located at the 1,250 m elevation and the lower level located at the 1,100 m elevation. This zone occurs approximately 150 metres above and 300 m southwest of the Boss # 2 zone within a circular positive magnetic feature that measures approximately 500 m X 500 m that is interpreted to represent an intrusive stock. A channel sample across the interpreted dip of the mineralization in the Upper level returned the following:

Level	Interval (m)	Copper (%)	Gold (g/t)	Platinum (g/t)	Palladium (g/t)	Silver (g/t)	Lead (%)	Zinc (%)
Upper	1.70	0.47	0.32	tr.	0.03	75.80	5.43	4.24

Subsequent to the end of the quarter, Boxxer has completed systematic channel sampling of the Boss #3 zone.

*Metallurgical Test Work:*

During the quarter, Boxxer retained G & T Metallurgical Services Ltd. located in Kamloops, British Columbia have been retained to complete the preliminary metallurgical test work on representative samples of the various style of mineralization from the Boss property.

Total additions to deferred exploration expenditures on the Boss property during the three months ended June 30, 2008 was \$105,521. Expenditures consisted mainly of ongoing exploration work totaling \$80,592 and lease payments to the patented claim owners totaling \$11,489. Total deferred exploration expenditures on the Boss property as of June 30, 2008 totals \$1,670,350. Subsequent to the end of the quarter the Company made filing fees to the BLM and state county to hold 131 unpatented lode mining claims in the Boss area. The Company has lease agreements with patented claim owners on an additional 14 claims. The Company's current land position covers an area of approximately 3,000 acres (~1214 hectares).

### **Buena Vista IOCG Property**

On January 26, 2006 Boxxer signed a letter of intent to earn an 80% interest in the Buena Vista property (the "**Buena Vista Property**") which is located approximately 30 kms. southeast of Lovelock, in central Nevada. The Buena Vista property consists of 155 unpatented lode claims, one optioned unpatented lode claim (Copper Kettle) and a lease agreement with Nevada Lands and Resources that controls over 3,100 acres. Boxxer can earn an 80% interest in the property by making expenditures of U.S. \$1,000,000 over a period of three years, assume the lease option payment of U.S. \$1,000 annually on one unpatented claim known as Copper Kettle, and making three bonus payments over a period of three years totalling U.S. \$60,000. The final US\$30,000 payment due in the first quarter is being re-negotiated with the property holder. Subsequent to the end of the three month period ending June 30, 2008, Boxxer signed an amended agreement whereby the term of the exploration period was extended three years, until January 26, 2011. The final US\$30,000 payment was also amended to three equal annual payments of US\$10,000 over the three year extension.

The Buena Vista Property consists of a contiguous block that covers approximately 1,261 hectares (3,118 acres). The southern part of the claims extends into the federal Stillwater wilderness study area. The wilderness area has been designated by the BLM as "non-suitable" for wilderness status although some restrictions on exploration still apply. Holding costs (assuming all claims are held) for the Buena Vista Property for the upcoming assessment year 2008 total approximately U.S. \$20,963. Subsequent to the end of the quarter the annual filing fees were made to the BLM and state county to hold these unpatented claims.

A total of \$4,021 was spent in deferred expenditures on this project in the three month period ended June 30, 2008. Total deferred exploration expenditures on the Buena Vista property as of June 30, 2008 totals \$1,059,466.

Diamond drilling on the Buena Vista property began in early June 2007 and continued through July. A total of 1,849 feet of drilling in two HQ-size holes was completed and 224 sawed core samples collected for assay. The exploration program was designed to further test a moderate to strong (8 to 23ms) down-hole IP anomaly identified in the "feeder zone" area of the property. A coincident surface IP anomaly previously defined was partially tested at shallower depths by BV07-2, BV07-1 and to some extent BV07-4, all of which intersected Cu-bearing pyritic stock work sulfide zones. The results of the second drill hole program indicated that a disseminated high-grade manto-style core at depth within the sulfide halo remains a reasonable target in the feeder zone area. This interpretation is based on the results in drill hole BV07-5 which included a 15 foot interval from 829.2 feet to 844.2 feet which assayed 0.22% copper and 0.016 ppm gold and follow up borehole source and surface IP surveys. These data suggest that mineralized intersected in drill hole BV07-5 is open down dip to the east and along strike with sulfide mineralization increasing to the southeast. Additional deep drilling is warranted to test further the mineralized unit.

### **Boyer Ranch**

On February 19, 2007 the Company announced that it had executed with an arms' length third party an option to purchase eleven (11) patented mineral claims covering 227 acres (the "Property") located in the Table Mountain Mining District, Churchill County, Nevada. Boxxer has acquired a two-year option to purchase 100% of the Property. If Boxxer exercises its option to purchase on or before December 31, 2008, it would be required to make cash payment of US\$500,000.

The geology of the Property consists of gently dipping Tertiary bedded quartz crystal tuff and tuffaceous sediments that overlie strongly altered (chlorite-albite-hematite) basalt, basaltic andesite flows and interflow sediments of Jurassic age. Copper occurrences and associated alteration identified on the property are hosted in the Jurassic volcanic section and considered to be iron-oxide-copper-gold (IOCG) style mineralization. Recent sampling by Boxxer indicates mineralized outcrop are scattered over and area of at least 700 feet x 300 feet on Treasure Box Hill. The mineralized area is immediately covered to the northwest by thin ( $\leq$  100 feet) Tertiary volcanic units.

Boxxer also located 62 unpatented lode claims surrounding the above mentioned patented mineral claims. The addition of these unpatented mineral claims provide more than two kilometers ("kms") of coverage along strike of the known zones of copper mineralization. Subsequent to the end of the quarter the annual filing fees to hold the claims were made to the BLM and state county.

The first phase of exploration on the property commenced during the third quarter ending September 30, 2007. A total of 600 feet in 12 trenches were completed and 116 channel samples were collected. Detailed geologic mapping within the trenches and surrounding area resulted in expanding the known copper showings on the property (Upper Zone) and discovery of a new zone (Lower Zone) of copper mineralization located approximately 850 feet to the northeast.

Highlights of this program are as follows:

- a) This zone has a weighted average grade of 1.63% copper and 5.49 ppm silver over a minimum estimated true thickness of 10 feet. The maximum copper grade in this zone is 5.68% over three feet in Trench # 3.
- b) Where exposed by trenching this zone has a weighted average grade of 3.53% copper and 10 ppm silver over a minimum estimated true thickness of 13 feet. The maximum copper grade in this zone is 8.18% over five feet.
- c) Outcrop sampling in the Lower Zone has yielded a high grade zone that averaged 7.01% copper over an interval of 15 feet.

A total of \$Nil was spent in deferred expenditures on this project in the three month period ended June 30, 2008. Total deferred exploration expenditures on the Boyer Ranch property as at June 30, 2008 totals \$227,246.

#### **Gordon Lake**

There was no additional exploration work completed on the Gordon Lake property during the three months ending June 30, 2008. The total cumulative expenditures on the Gordon Lake project are \$572,649. The total acres under control is 6,023.

On December 21, 2007 the Company received written confirmation of a Notice of Lapsing from Indian and Northern Affairs advising that the Company is in default of the terms and conditions on certain claims on the Gordon Lake property. As of January 15, 2008, the Company filed a Certificate of Extension on these claims, which was accepted, extending the period within which to make the appropriate expenditures on the property until November 20, 2008. The Company anticipates that it will file the required work expenditures with Indian and Northern Affairs prior to the November 20, 2008 deadline.

#### **Nalesbitan Gold Project - Philippines**

On June 28, 2007 the Company executed an option agreement with EIDore Mining Corporation Limited ("EDM"), an arm's length party to purchase a 28% direct equity interest in a property in the Philippines. Pursuant to the option agreement, the Company was required to incur approximately US \$6.0 million of expenditures to earn its investment in the property. Further, the Company may have acquired an additional 37% by incurring an additional U.S. \$7.0 million of expenditure on the property.

The Company determined that the property was impaired resulting in the write-off of costs totaling \$2,037,689. On April 23, 2008, the Company and its partners signed a Release and Quitclaim and terminated the option agreement.

## **Liquidity and Capital Resources**

The Company's working capital deficit as at the end of the six month period ended June 30, 2008 was \$171,261 compared to working capital of \$818,340 at the end of the six month period ended June 30, 2007. The Company continues to use the proceeds from the financing completed during the fourth quarter of 2007, in order to advance the Company's projects, but it is anticipated that additional capital will be required in order to continue with further exploration throughout the balance of the year.

Deferred exploration expenditures during the six month period ended June 30, 2008 before asset write off totaled \$377,392 compared to \$943,787 for the comparable period ended June 30, 2007. Administrative expenditures for the six month period ended June 30, 2008 before asset write off totaled \$321,845 compared to \$317,353 for the comparable period ended June 30, 2007. The Company does not have any long term contractual obligations other than the property lease payments to the patented claim owners of the Boss and Buena Vista properties in Nevada. The Boss property obligations total US\$2,250 per month on the Boss and Oro Amigo leases, and annual lease payments totaling US\$16,000 on the Hogle and Robbins leases. The reduced, amended lease payment on the Oro Amigo lease signed in August 2005 expired in August 2007; however, the Company is currently in the process of re-negotiating the lease payments with the landowner and anticipates that an acceptable agreement will be reached soon. Subsequent to the end of the three month period ending June 30, 2008, the Company successfully signed an amended agreement whereby the monthly lease payment will remain at US\$750 per month through the remaining term of the Lease Agreement.

The Buena Vista obligations include an annual lease payment of US\$1,000 on the Copper Kettle lease and US\$16,000 for 2008 on the lease with Nevada Lands and Resources. The Company is dependent upon additional financings from the equity markets to continue further exploration and development activities on the properties.

## **Results of Operations and Cash Flows**

Cash operating expenditures during the three month period ended June 30, 2008 totaled \$236,630 which consisted of exploration related expenditures of \$141,002, and general and administrative expenses of \$95,628 net of non-cash items of \$7,225, versus cash operating expenditures during the three month period ended June 30, 2007 totaling 427,256, consisting of exploration related expenditures of \$321,160 and general and administrative expenses of \$106,096, net of non-cash items of 123,556. To the end of the six month period ended June 30, 2008, the Company incurred a net loss of \$640,818 compared to a net loss in the six month period ending June 30, 2007 of \$317,353.

## **Transactions with Related Parties**

During the six months period ended June 30, 2008, the Company paid \$84,000 in management fees of which 75% was capitalized to the Companies exploration properties, to Elmer Stewart, who is a director and also acts as the President and CEO of the Company compared to \$39,000 paid to Colin Christensen who is a director and also acted as the President and CEO of the Company during the six month period ended June 30, 2007. Elmer Stewart was appointed President and CEO of the Company on January 1, 2008. During the six months ended June 30, 2008, the company paid \$46,500 in management fees to Colin Christensen who is a director and Vice President of the company.

**Summary of Quarterly Information, December 31, 2007**

	<b>March 31 2006</b>	<b>June 30 2006</b>	<b>September 2006</b>	<b>December 2006</b>	<b>YTD 2006</b>
Total assets	\$ 1,671,610	\$ 3,185,615	\$ 2,995,286	\$ 2,957,821	\$ 2,957,821
Share capital	2,159,744	3,400,739	3,430,874	3,420,781	3,420,781
Net loss	143,079	86,721	109,887	128,081	467,768
Loss per share	\$ (0.01)	\$ -	\$ -	\$ -	\$ (0.01)
Common shares outstanding	26,237,680	34,862,180	35,037,180	35,037,180	35,037,180

  

	<b>March 31 2007</b>	<b>June 30 2007</b>	<b>September 2007</b>	<b>December 2007</b>	<b>YTD 2007</b>
Total assets	\$ 3,114,772	\$ 4,354,504	\$ 4,742,067	\$ 4,547,086	\$ 4,547,086
Share capital	3,542,593	4,649,501	4,648,969	6,124,969	6,124,969
Net loss	87,701	229,652	123,292	1,997,397	2,438,042
Loss per share	\$ -	\$ (0.01)	\$ -	\$ (0.04)	\$ (0.05)
Common shares outstanding	35,887,180	51,007,180	51,007,180	71,007,180	71,007,180

  

	<b>March 31 2008</b>	<b>June 30 2008</b>	<b>September 2008</b>	<b>December 2008</b>	<b>YTD 2008</b>
Total assets	\$ 4,126,592	\$ 3,705,850	\$ -	\$ -	\$ 3,705,850
Share capital	6,298,690	6,417,098	-	-	6,417,098
Net loss	381,945	258,843	-	-	640,818
Loss per share	\$ (0.01)	\$ -	\$ -	\$ -	\$ (0.01)
Common shares outstanding	72,844,680	75,344,680	-	-	75,344,680

**Additional Disclosure for Venture Issuers without Significant Revenues**

Expenses for the three months ended June 30, 2008 and 2007:

	<b>2008</b>	<b>2007</b>
Accounting	\$ 21,120	\$ 5,475
Advertizing and Promotion	540	5,930
Investor Relations	22,982	28,470
Listing and Transfer Agent	5,201	1,926
Audit and Tax	-	27,360
Legal Fees	15,113	15,294
Management Fees	3,000	19,500
Consulting Fees	(4,256)	-
News Releases	2,957	1,797
Rent and Office Expense	24,864	4,638
(Gain)Loss Foreign Exchange	318	(16,314)
Travel	4,913	8,376
Investor Information	-	3,845
Stock Based Compensation	6,091	123,355
<b>Total</b>	<b>\$ 102,843</b>	<b>\$ 229,652</b>

Deferred Exploration Expenditures for the period ended June 30, 2008:

Expenditure by property:

	Balance at December 31, 2007	Additions	Balance at June 30, 2008
<b>Gordon Lake (Canadian property):</b>			
Property acquisition	\$ 210,150	\$ -	\$ 210,150
Geophysical Services	84,892	4,237	89,129
Drilling	252,379	-	252,379
Geological services	20,990	-	20,990
	<u>568,411</u>	<u>4,237</u>	<u>572,648</u>
<b>Indin Lake (Canadian property):</b>			
Property acquisition	-	60,000	60,000
Asset Impairment	-	(60,000)	(60,000)
	<u>-</u>	<u>-</u>	<u>-</u>
<b>Buena Vista (United States property):</b>			
Property acquisition	35,771	-	35,771
Lease payments	34,180	17,021	51,201
Geological Services	350,620	7,052	357,672
Assay Analysis	23,798	-	23,798
Drilling	467,953	-	467,953
Staking and filing fees	121,882	1,190	123,072
	<u>1,034,204</u>	<u>25,263</u>	<u>1,059,467</u>
<b>Boyer Ranch (United States Property):</b>			
Property Acquisition	172,767	1,798	133,345
Staking and filing fees	8,919	-	8,919
Assay Analysis	43,762	-	43,762
	<u>225,448</u>	<u>1,798</u>	<u>227,246</u>
<b>Cortez Hills (United States Project):</b>			
Data Acquisition	96,000	-	96,000
Asset Impairment	-	(96,000)	(96,000)
	<u>96,000</u>	<u>(96,000)</u>	<u>-</u>
<b>Boss (United States property):</b>			
Staking and filing fees	181,727	-	181,727
Lease payments	269,824	22,788	292,612
Geological services	655,933	94,123	750,056
Geophysical services	42,143	-	42,143
Drilling	280,737	-	280,737
Assay analysis	116,865	6,210	123,075
	<u>1,547,229</u>	<u>123,121</u>	<u>1,670,350</u>
<b>Nalesbitan (Philippine property):</b>			
Project Due Diligence	228,085	-	228,085
Project development	1,228,547	162,973	1,228,547
Geological Services	418,084	-	418,084
Asset impairment	(1,874,716)	(162,973)	(1,874,716)
	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total</b>	<b>\$ 3,471,292</b>	<b>\$ 58,419</b>	<b>\$ 3,529,711</b>

## Outstanding Share Capital

	Type of Security	Type of Issue	Total Number
<b>Balance, December 31, 2007</b>	<b>Common</b>		<b>71,007,180</b>
<b>Balance, June 30, 2008</b>	<b>Common</b>		<b>75,344,680</b>
<b>Balance, August, 2008</b>			<b>75,344,680</b>

The Company has authorized share capital of an unlimited number of Common Shares and an unlimited number of Preferred shares outstanding. As at June 30, 2008 the Company has outstanding: a) 72,844,680 common shares, b) 18,250,000 warrants to purchase common shares at \$0.20 per share, c) 2,500,000 warrants to purchase common shares at \$0.12 per share.

## Summary of Options Issued Under the Company's Stock Option Plan

On May 11, 2007 the Company announced that, under the terms of the Company's existing 10% rolling Stock Option Plan. During the first quarter of 2008, the Company granted 500,000 options at a price of \$0.14 to an officer and director of the Company. The Company currently has 3,555,000 options outstanding.

In addition the Company has 2,582,000 options outstanding issued to agents as part of the commission paid for private placements during 2007.

## Officers and Directors

<u>Individual</u>	<u>Office Held</u>
Gerald L. Roe	Director
Colin B. Christensen	Director, Vice President
Elmer B. Stewart	Director, President and CEO
William T. Kilbourne	Director
Brian C. Harder	CFO and Vice-President Finance

## Risks and Uncertainties

The securities of the Company must be considered speculative, generally because of the nature of the business and its stage of development. In addition, a prospective investor should carefully consider the following factors:

a) Mineral Exploration and Development

Mineral exploration and development involves a high degree of risk and few properties which are explored are ultimately developed into producing mines. There are no assurances that even if a body of commercial ore is discovered on the properties, a mine will be brought into commercial production.

b) Metal Prices

The Company's future revenues, if any, are expected to be derived in large part from the sale of gold and base metals. The prices of those commodities fluctuates widely and are affected by numerous factors beyond the Company's control including international economic and political conditions, expectations of inflation, international currency exchange rates, interest rates, global and regional consumption patterns, speculative activities, levels of supply and demand, increased production due to new mine developments and improved mining methods, etc. The effect of these factors on the price of base and precious metals, and therefore the economic viability of the Company's operations cannot be accurately predicted.

c) Additional Financing

The Company does not currently have sufficient financial resources to undertake by itself all of its

planned exploration and possible development programs. The exploration and development of the properties may therefore depend on the Company's ability to obtain additional required financing. There is no assurance that additional funding will be available to allow the Company to fulfill its obligations on the properties.

d) Government Regulation

Exploration and development of the properties will be affected to varying degrees by: i) government regulations relating to such matters as environmental protection, health, safety, and labour; ii) mining law; iii) restrictions on production; price controls; tax increases; iv) maintenance of claims; v) tenure; and vi) expropriation of property. There is no assurance that future changes in such regulations, if any, will not adversely affect the Company's operations;

### **Changes in Accounting Policies**

On January 1, 2007, the Company adopted the new or revised Canadian accounting standards for financial instruments – recognition and measurement, financial instruments – presentation and disclosures, comprehensive income and accounting changes. The adoption of these standards had no impact on these financial statements.

*Accounting changes:*

(a) Financial instruments – recognition and measurement

This new standard requires all financial instruments within the scope, including all derivatives, to be recognized on the balance sheet initially at fair value. All financial assets and liabilities except those held-for-trading and available for sale are subsequently measured at amortized cost determined using effective interest rate method. Held-for-trading financial assets are measured at fair value with changes in fair value recognized in earnings. Available-for-sale financial assets are measured at fair value with changes in fair value recognized in comprehensive income and reclassified to earnings when derecognized or impaired.

(b) Derivative instruments

Derivative instruments, including embedded derivatives, are recorded on the balance sheet at fair value. Changes in the fair values of derivative instruments are recognized in net loss with the exception of derivatives designed as cash flow hedges. The Company did not identify any derivatives which require separate recognition and measurement.

(c) Comprehensive income

Comprehensive income is the change in shareholders' equity during a period from transactions and other events and circumstances from non-owner sources and includes unrealized gains and losses on financial assets classified as available-for-sale. As the Company currently has no comprehensive income items requiring disclosure, the statement of comprehensive income is not required as comprehensive income is equal to net income.

(d) Accounting changes

Voluntary changes in accounting policies are permitted only if they result in financial statements which provide more reliable and relevant information. Accounting policy changes are applied retrospectively unless it is impracticable to determine the period or cumulative impact of the change. Corrections of prior period errors are applied retrospectively and change in accounting estimates are applied prospectively by including the effect of the change in earnings.

(e) Pending changes:

a. Financial Instruments - Disclosures

Effective January 1, 2008, the Company will be required to expand its disclosures with respect to the nature and extent of risk arising from financial instruments and how the Company manages those risks.

(f) Pending changes:

a. Capital Disclosures

Effective January 1, 2008, the Company will be required to provide enhanced disclosure on its

capital and how it is managed. This new requirements for disclosure only and will not impact the financial results of the Company

### **Contractual Obligations**

Other than the property commitments previously discussed, the Company has also entered into a five year lease agreement for office space commencing December 1, 2007. The Company's minimum lease payments for the next three years are \$93,425 annually, with a provision to terminate the lease by either party at that time. If it is determined to continue to lease the office space the lease payment for years four and five is \$99,337.

### **Critical Accounting Estimates**

The significant accounting policies used by the Company are disclosed in note 2 of the audited financial statements for the year ended December 31, 2007 and the period ended December 31, 2006. Certain accounting policies are identified as critical accounting policies because they require management to make judgements and estimates based on conditions and assumptions that are inherently uncertain.

These accounting policies could result in materially different results should the underlying assumptions or conditions change. Management's assumptions are based on factors that, in management's opinion, are relevant and appropriate. Management assumptions may change over time as operating conditions change.

### **Financial Instruments**

#### *Fair Value of Financial Instruments:*

The Company's financial instruments consist of cash, accounts receivable and accounts payable and accrued liabilities, all of which are current in nature and whose carrying amount approximate their fair values.

#### *Currency risk:*

The Company is exposed to foreign currency exchange rate risk. To date, financial instruments have not been utilized to mitigate this risk.

#### *Credit Risk:*

Portions of the Company's accounts receivable are with joint interest partners and are subject to normal industry credit risks.

### **Off-Balance Sheet Arrangements**

The Company does not have any special purpose entities nor is it a party to any transactions or arrangements that would be excluded from the balance sheet.

### **Disclosure Controls and Procedures**

Disclosure controls and procedures have been designed to ensure that information required to be disclosed by the Company is accumulated and communicated to our management as appropriate to allow timely decisions regarding required disclosure. The Company's Chief Executive Officer and Chief Financial Officer have concluded, based on their evaluation as of December 31, 2007, that the material information related to the Company, is made known to them by others within the Company. It should be noted that while the Company's Chief Executive Officer and Chief Financial Officer believe that our disclosure controls and procedures provide a reasonable level of assurance and that they are effective, they do not expect that the disclosure controls and procedures will prevent all errors and fraud. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.