

TSX-V: **HGC**

**INTERIM FINANCIAL STATEMENTS**  
(Unaudited and Prepared by Management)  
**NINE MONTHS ENDING AUGUST 31, 2007**



**HAWTHORNE GOLD CORP.**

The accompanying unaudited interim financial statements of Hawthorne Gold Corp. for the nine months ended August 31, 2007 have been prepared by management and approved by the Company's Board of Directors and Audit Committee. These statements have not been reviewed by the Company's external auditor.

## Hawthorne Gold Corp.

### Interim Balance Sheets

(Unaudited and prepared by management)

	August 31, 2007	November 30, 2006
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 4,986,154	\$ 128,429
Accounts receivable	109,815	10,651
Prepaid expenses	280,287	-
	5,376,256	139,080
Plant and equipment (Note 3)	1,124,413	8,190
Mineral properties (Note 4)	1,366,435	169,848
	\$ 7,867,104	\$ 317,118
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	\$ 148,136	\$ 18,683
Due to related parties (Note 7)	6,130	460
Capital lease obligation - current (Note 6)	164,368	-
	318,634	19,143
<b>Capital lease obligation</b> (Note 6)	316,677	-
	635,311	19,143
<b>SHAREHOLDERS' EQUITY</b>		
<b>Share capital</b> (Note 5 (b))	5,652,937	300,000
<b>Contributed surplus</b> (Note 5 (f))	1,899,365	-
<b>Deficit</b>	(320,509)	(2,025)
	7,231,793	297,975
	\$ 7,867,104	\$ 317,118

**Nature of continuance of operations** (Note 1)

**Commitments** (Note 11)

**Subsequent events** (Note 12)

The accompanying notes are an integral part of these financial statements.

Approved by the Board:

"Richard Barclay"  
Director

"Harvey Brooks"  
Director

## Hawthorne Gold Corp.

### Interim Statements of Operations and Deficit

(Unaudited and prepared by management)

	Three months ended August 31, 2007	Three months ended August 31, 2006	Nine months ended August 31, 2007	Period from Jan 18, 2006 to August 31, 2006
<b>Administrative expenses</b>				
Bank charges and interest	\$ 18,260	\$ 203	\$ 19,144	\$ 252
Depreciation	196	-	2,516	-
Filing fees and transfer agent	4,721	-	24,280	-
Investor relations	23,195	-	33,750	-
Professional fees	16,075	-	34,703	2,103
Rent and office expenses	16,951	-	44,300	325
Shareholder relations	6,566	-	17,584	-
Stock based compensation	149,138	-	192,799	-
Travel and entertainment	5,031	-	9,035	-
Wages and benefits	17,711	-	44,784	-
<b>Loss before other income and income taxes</b>	<b>(257,844)</b>	<b>(203)</b>	<b>(422,895)</b>	<b>(2,680)</b>
<b>Other income</b>				
Interest income	43,907	-	53,411	1,098
<b>Loss before income taxes</b>	<b>(213,937)</b>	<b>(203)</b>	<b>(369,484)</b>	<b>(1,582)</b>
Future income tax recovery (Note 5(b))	-	-	51,000	-
<b>Loss and comprehensive loss for the period</b>	<b>(213,937)</b>	<b>(203)</b>	<b>(318,484)</b>	<b>(1,582)</b>
<b>Deficit, beginning of the period</b>	<b>(106,572)</b>	<b>(1,379)</b>	<b>(2,025)</b>	<b>-</b>
<b>Deficit, end of the period</b>	<b>\$ (320,509)</b>	<b>\$ (1,582)</b>	<b>\$ (320,509)</b>	<b>\$ (1,582)</b>
<b>Basic and diluted loss per common share</b>	<b>\$ (0.02)</b>	<b>\$ (0.00)</b>	<b>\$ (0.03)</b>	<b>\$ (0.00)</b>
<b>Weighted average number of common shares outstanding</b>	<b>12,009,711</b>	<b>6,000,000</b>	<b>9,721,181</b>	<b>5,342,222</b>

The accompanying notes are an integral part of these financial statements.

**Interim Statements of Cash Flows**  
(Unaudited and prepared by management)

	Three months ended August 31, 2007	Three months ended August 31, 2006	Nine months ended August 31, 2007	Period from Jan 18, 2006 to August 31, 2006
<b>Cash provided by (used for)</b>				
<b>Operating activities</b>				
Loss for the period	\$ (213,937)	\$ (203)	\$ (318,484)	\$ (1,582)
Items not involving cash				
Depreciation	196	-	2,516	-
Stock based compensation	149,138	-	192,799	-
Future income tax recovery	-	-	(51,000)	-
Net changes in non-cash working capital				
Accounts receivable	(80,524)	(5,349)	(99,164)	(6,494)
Accounts payable and accrued liabilities	7,821	22,908	(11,131)	24,283
Prepaid expenses	(247,647)	-	(280,287)	-
Due to related party	6,130	-	5,670	-
	(378,823)	17,356	(559,081)	16,207
<b>Investing activities</b>				
Plant and equipment	(427,497)	-	(615,017)	-
Mineral properties	(735,913)	(120,162)	(980,745)	(120,162)
	(1,163,410)	(120,162)	(1,595,762)	(120,162)
<b>Financing activities</b>				
Shares issued, net of issuance costs	4,925,825	160,000	7,012,568	300,000
	4,925,825	160,000	7,012,568	300,000
<b>Net increase in cash</b>	3,383,592	57,194	4,857,725	196,045
<b>Cash, beginning of the period</b>	1,602,562	138,851	128,429	-
<b>Cash, end of the period</b>	\$ 4,986,154	\$ 196,045	\$ 4,986,154	\$ 196,045
<b>Interest paid</b>	\$ 17,676	\$ -	\$ 17,676	\$ -
<b>Income taxes paid</b>	-	-	-	-

The accompanying notes are an integral part of these financial statements.

Supplemental disclosure with respect to cash flows (Note 8)

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**Hawthorne Gold Corp.**  
**Notes to the Financial Statements**  
**For the nine months ended August 31, 2007**  
(Unaudited and prepared by management)

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**1. Nature and Continuance of Operations**

Hawthorne Gold Corp. (the "Company") was incorporated under the laws of British Columbia on January 18, 2006. The Company's principal business activities include the acquisition, exploration and development of resource properties. The Company is listed on the TSX Venture Exchange.

These financial statements have been prepared by management in accordance with accounting principles generally accepted in Canada for interim financial statements. The financial information herein is unaudited. Except for the changes in accounting policies described in Note 2, these interim financial statements follow the same accounting policies and methods of application as the most recent annual financial statements dated November 30, 2006. These interim financial statements should be read in conjunction with the Company's November 30, 2006 audited annual financial statements.

As at August 31, 2007, the Company has no source of operating cash flows and has not yet achieved profitable operations, has accumulated losses since its inception, and expects to incur further losses in the development of its business, all of which casts substantial doubt about the Company's ability to continue as a going concern. The Company's ability to continue as a going concern is dependent upon its ability to generate future profitable operations and/or obtain the necessary financing to meet its obligations and repay its liabilities arising from normal business operations as they come due.

**2. Changes in Accounting Policy**

Effective December 1, 2006, the Company has adopted two new accounting standards related to financial instruments that were issued by the Canadian Institute of Chartered Accountants ("CICA") in 2005. These accounting policy changes were adopted on a prospective basis with no restatement of prior period financial statements. The new standards and accounting policy changes are as follows:

*Financial Instruments – Recognition and Measurement (CICA Handbook Section 3855)*

In accordance with this new standard the Company now classifies all financial instruments as either held-to-maturity, available-for-sale, held for trading or loans and receivables. Financial assets held to maturity, loans and receivables and financial liabilities other than those held for trading, are measured at amortized cost. Available-for-sale instruments are measured at fair value with unrealized gains and losses recognized in other comprehensive income. Instruments classified as held for trading are measured at fair value with unrealized gains and losses recognized on the statement of operations.

*Comprehensive Income (CICA Handbook Section 1530)*

Comprehensive income is the change in shareholders' equity during a period from transactions and other events and circumstances from non-owner sources. In accordance with this new standard, the Company now reports a statement of comprehensive loss and a new category, accumulated other comprehensive income, has been added to the shareholders' equity section of the balance sheet. The components of this new category will include unrealized gains and losses on financial assets classified as available-for-sale and the effective portion of cash flow hedges, if any. There were no such components to be recognized in comprehensive income for the Nine month period ended August 31, 2007.

As a result of the adoption of these new standards, the Company has classified its cash as held-for-trading. Receivables are classified as loans and receivables. Accounts payable and accrued liabilities as well as notes payable and capital leases are classified as other financial liabilities, all of which are measured at amortized costs.

No adjustments were required to opening equity as a result of the application of these new standards.

**Hawthorne Gold Corp.**  
**Notes to the Financial Statements**  
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**3. Plant and Equipment**

	Cost \$	Accumulated Depreciation \$	August 31, 2007 Net Book Value \$	November 30, 2006 Net Book Value \$
Office furniture	13,155	1,452	11,703	5,104
Computer equipment	19,207	2,176	17,031	3,086
Vehicles	98,590	7,394	91,196	-
Buildings	930,883	23,272	907,611	-
Site equipment	101,971	5,099	96,872	-
	1,163,806	39,393	1,124,413	8,190

Depreciation during the nine months ended August 31, 2007 amounted to \$38,281, which has been reflected in the financial statements as follows:

	Nine months ended August 31, 2007
Mineral properties – balance sheet	\$ 35,765
Depreciation – statement of operations and deficit	2,516
Total depreciation recognized, credited to accumulated depreciation	\$ 38,281

**4. Mineral Properties**

	Frasergold Property	Carruthers Property	Total
Total as at January 18, 2006 (incorporation)	\$ -	\$ -	\$ -
Acquisition/maintenance costs	25,000	2,604	27,604
Camp and expediting	-	62,492	62,492
Geochemical/metallurgical	-	5,159	5,159
Geological	6,457	68,136	74,593
Total as at November 30, 2006	31,457	138,391	169,848
Acquisition/maintenance costs	144,158	10,000	154,158
Camp and expediting	323,008	-	323,008
Depreciation	35,765	-	35,765
Drilling	9,286	-	9,286
Equipment	46,509	-	46,509
Geochemical/metallurgical	15,082	-	15,082
Geological and geophysics	230,971	2,800	233,771
Professional fees	16,141	-	16,141
Stock based compensation	81,935	-	81,935
Travel	54,525	-	54,525
Vehicle costs	12,628	-	12,628
Wages and benefits	213,779	-	213,779
Total as at August 31, 2007	\$ 1,215,244	\$ 151,191	\$ 1,366,435

**Hawthorne Gold Corp.**  
**Notes to the Financial Statements**  
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(Unaudited and prepared by management)

**4. Mineral Properties (Continued)**

**Frasergold Property, British Columbia**

At August 31, 2007, the Frasergold property is comprised of the following optioned mineral claims:

Eureka Resources Inc.

In October 2006, the Company entered into in an option agreement with Eureka Resources, Inc. ("Eureka") to earn up to a 60% interest in the Frasergold property by incurring the following:

	Cash payments	Minimum work commitments
On signing (paid)	\$ 25,000	\$ -
September 30, 2007 (expended)	-	500,000
October 31, 2007 (paid subsequent)	50,000	-
April 30, 2008	-	1,000,000
October 31, 2008	50,000	-
April 30, 2009	-	1,000,000
October 31, 2009	50,000	-
April 30, 2010	-	1,000,000
	<b>\$ 175,000</b>	<b>\$ 3,500,000</b>

In addition to the cash payments of \$175,000 and exploration expenditures of \$3,500,000, the Company must also complete a feasibility study by April 30, 2010 to earn its initial 51% interest. In the event the feasibility study cannot be completed by April 30, 2010, the Company can pay a cash penalty of \$100,000 per quarter to Eureka until January 31, 2012. The Company can earn an additional 9% interest by arranging third party financing for not less than 70% of the estimated capital costs required for commercial production of the property for Eureka on the same terms and conditions as the Company. If the Company fails to arrange third party financing for production, Eureka can arrange third party financing and earn an additional 2% interest from the Company.

Dajin Resources Corp.

In May 2007, the Company entered into in an option agreement with Dajin Resources Corp. ("Dajin") to earn up to a 70% interest in eighteen mineral claims by incurring the following:

	Cash payments	Minimum work commitments
On signing (paid)	\$ 100,000	\$ -
May 29, 2008	-	150,000
May 29, 2009	-	150,000
November 30, 2010	-	200,000
	<b>\$ 100,000</b>	<b>\$ 500,000</b>

On the exercise of the option, Dajin may elect to either remain a 30% working interest partner or, for no additional consideration, convert its 30% working interest into a 2% net smelter return.

**Hawthorne Gold Corp.**  
**Notes to the Financial Statements**  
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(Unaudited and prepared by management)

**4. Mineral Properties (Continued)**

**Frasergold Property, British Columbia** (continued)

Bourdon Property

In June 2007, the Company entered into an option agreement with a property vendor to earn a 100% interest in a mineral claim by incurring the following:

	Cash payments	Share Payments
On signing (paid and issued)	\$ 20,000	10,000
May 29, 2008	30,000	15,000
May 29, 2009	40,000	20,000
November 30, 2010	50,000	25,000
	<b>\$ 140,000</b>	<b>70,000</b>

In the event the Bourdon property is subject to a positive feasibility study, the Company will issue an additional 150,000 common shares. The property is subject to a two percent (2%) Net Smelter Return of which fifty percent (50%) may be purchased for the sum of \$1,000,000.

**Carruthers Property, British Columbia**

In May 2006, the Company entered into in an option agreement with Cariboo Rose Resources Ltd. ("Cariboo") (formerly Wildrose Resources Ltd.) to earn a 60% interest in the Carruthers property by incurring the following:

	Cash payments	Minimum work commitments
April 25, 2007 (paid)	\$ 10,000	\$ -
April 25, 2008 (work commitment fulfilled)	15,000	100,000
April 25, 2009	15,000	-
April 25, 2010	20,000	-
April 25, 2011	30,000	-
April 25, 2012	50,000	900,000
	<b>\$ 140,000</b>	<b>\$ 1,000,000</b>

The property is subject to back-in rights by the underlying claim owner, Phelps Dodge ("Phelps"), whereby Phelps can earn back a 60% interest in the property by incurring exploration expenditures that are 200% greater expenditures to date by Cariboo or \$1,500,000. The back-in election must be made the earlier of June 2009 or completion of 2,500 meters of drilling. Phelps may earn an additional 10% by completing a feasibility study within three years of earning its back-in rights. If Phelps elects not to exercise its back-in rights, it will be entitled to a 2.5% net smelter royalty, which can be reduced to 1% by payment of \$1,500,000.

**Hawthorne Gold Corp.**  
**Notes to the Financial Statements**  
**For the nine months ended August 31, 2007**  
(Unaudited and prepared by management)

**5. Share Capital**

a) Authorized

Unlimited Class A common shares, without par value

b) Issued

	Nine months ended August 31, 2007		Year ended November 30, 2006	
	Shares	Amount	Shares	Amount
<b>Common shares</b>				
Balance, beginning of period	6,800,000	\$ 300,000	-	\$ -
Private placement	3,964,375	3,917,270	6,800,000	300,000
Initial public offering	3,350,000	2,010,000	-	-
Mineral properties	10,000	16,000	-	-
Cost related to financings	284,500	(539,333)	-	-
Less tax benefits renounced to subscribers	-	(51,000)	-	-
<b>Balance, end of period</b>	<b>14,408,875</b>	<b>\$5,652,937</b>	<b>6,800,000</b>	<b>\$ 300,000</b>

In January 2007, the Company closed a private placement for 680,000 shares at \$0.25 per share for gross proceeds of \$170,000.

In April 2007, the Company closed its Initial Public Offering (the "IPO") of 3,350,000 common shares for gross proceeds of \$2,010,000. The Company paid the agents a commission of 7% of the gross proceeds of the IPO by issuing 234,500 common shares of the Company. In addition, the Company also issued 335,000 broker warrants exercisable at \$0.60 for two years and paid a corporate finance fee of \$12,500 by issuing 50,000 shares.

In July 2007, the Company closed a non-brokered private placement for gross proceeds of \$5,255,000. The private placement consisted of 3,284,375 units priced at \$1.60 per unit. Each unit consists of one common share and one-half warrant. Each whole warrant is exercisable for a period of two years from closing to acquire one common share at a price of \$1.75 per share. The warrants are subject to an accelerated expiry if the closing price of the common shares on the TSX-V is greater than or equal to \$2.25 for any 10 consecutive trading days. In which case, the Company can elect to accelerate the expiry of the warrants to 30 days following the date of such notice. The Company paid a cash commission of 6% or \$302,400 on funds sourced to eligible finders in respect of certain units placed under the financing. The fair value of warrants was estimated using the Black-Scholes option pricing model (assumptions include a risk free rate of 4.25%, estimated volatility of 111%, expected life of 2 years and expected dividend yield of 0%) and \$1,507,730 of the proceeds of the financing was credited to contributed surplus.

In accordance with the terms of offerings and certain provisions of the Income Tax Act (Canada), in December 2006, the Company renounced for income tax purposes, exploration expenditures of \$150,000 to subscribers of the flow through common shares in a private placement closed in July 2006, for which the Company incurred the eligible expenditures. The Company recorded \$51,000 for the future effect on income taxes related to flow through shares as a reduction of share capital and as a future income tax recovery in the statement of operations and deficit.

**Hawthorne Gold Corp.**  
**Notes to the Financial Statements**  
**For the nine months ended August 31, 2007**  
(Unaudited and prepared by management)

**5. Share Capital (continued)**

c) Warrants

The continuity of warrants is as follows:

	Number of common shares	Weighted average exercise price
Balance, November 30, 2006	-	\$ -
Issued	1,977,188	1.55
<b>Balance, August 31, 2007</b>	<b>1,977,188</b>	<b>\$ 1.55</b>

The fair value of the 335,000 broker warrants issued in connection with the initial public offering has been estimated using the Black-Scholes option pricing model with the following assumptions:

Nine months ended August 31,	2007	2006
Risk free interest rate	4.25%	-
Expected dividend yield	-%	-
Stock price volatility	110%	-
Expected life of warrants	2 years	-
Fair value of warrants	\$0.35	-

d) Options

The Company adopted a rolling stock option plan, whereby 10% of the Company's issued and outstanding share capital may be granted to officers, directors, employees and consultants of the Company.

The continuity of options is as follows:

	Number of common shares	Weighted Average exercise price
Balance, November 30, 2006	-	\$ -
Granted	1,275,000	0.76
<b>Balance, August 31, 2007</b>	<b>1,275,000</b>	<b>\$ 0.76</b>

The fair value of share options used has been estimated using the Black-Scholes option pricing model with the following assumptions:

Nine months ended August 31,	2007	2006
Risk free interest rate	4.25%	-
Expected dividend yield	-%	-
Stock price volatility	111%	-
Expected life of options	5 years	-
Fair value of options	\$0.61	-

**Hawthorne Gold Corp.**  
**Notes to the Financial Statements**  
**For the nine months ended August 31, 2007**  
(Unaudited and prepared by management)

**5. Share Capital (continued)**

d) Options (continued)

The exercise prices of all share purchase options granted were at the market price at the grant date. Using an option pricing model with the assumptions noted below, the estimated fair value of all options granted during the nine months ended August 31, 2007, which have been reflected in the financial statement as follows:

	Nine months ended August 31, 2007
Mineral properties – balance sheet	\$ 81,935
Stock based compensation – statement of operations and deficit	192,799
<b>Total compensation cost recognized, credited to contributed surplus</b>	<b>\$ 274,734</b>

e) Shares held in escrow

As at August 31, 2007, there were 4,122,000 common shares (2006 – nil) of the Company held in escrow. The escrowed shares are released every six months and the length of the agreement is three years.

f) Contributed surplus

	Nine months ended August 31, 2007	Year ended November 30, 2006
Balance, beginning of period	\$ -	\$ -
Stock based compensation for stock options	274,734	-
Stock based compensation for broker warrants	116,901	-
Stock based compensation for warrants	1,507,730	-
<b>Balance, end of period</b>	<b>\$ 1,899,365</b>	<b>\$ -</b>

**6. Capital Lease**

The Company is committed to a capital lease for its camp facilities as follows:

	Capital lease
2007	\$ 58,826
2008	176,479
2009	176,479
2010	168,826
<b>Total lease payments and buyout</b>	<b>580,610</b>
<b>Less: amount representing interest</b>	<b>99,565</b>
<b>Present value of minimum payments</b>	<b>\$ 481,045</b>

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**Hawthorne Gold Corp.**  
**Notes to the Financial Statements**  
**For the nine months ended August 31, 2007**  
(Unaudited and prepared by management)

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**7. Related Party Transactions**

- a) During the nine months ended August 31, 2007, the Company paid rent of \$24,000 (2006 - \$nil) to a company with common officers and directors.
- b) Included in accounts payable at August 31, 2007, was \$6,130 (November 30, 2006 - \$460) payable to related parties without interest.

**8. Supplemental Disclosure with Respect to Cash Flows**

The significant non-cash transaction for the nine months ended August 31, 2007 was the inclusion in accounts payable of \$82,142 (2006 - \$nil) in mineral property expenditures and \$58,442 (2006 - \$nil) in plant and equipment expenditures.

In conjunction with the Company's IPO in April 2007, the Company paid the agents a corporate finance fee of \$12,500 by issuing 50,000 shares at a deemed price of \$0.25.

**9. Financial Instruments**

The Company's financial instruments consist of cash, receivables, prepaids, accounts payable and accrued liabilities and due to related parties. It is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair values of these financial instruments approximate their carrying values, unless otherwise noted.

**10. Segmented Information**

The Company operates in one reportable operating segment, being the exploration and development of resource properties. All of the Company's properties and equipment are located in Canada.

**11. Commitments**

The Company is committed to certain cash payments and exploration expenditures as described in Note 4.

**12. Subsequent events**

Subsequent to the period ended August 31, 2007, the Company acquired four mineral claims located in the historic Cariboo Gold Mining District by issuing 50,000 shares. The property is subject to a two percent (2%) Net Smelter Return of which fifty percent (50%) may be purchased for the sum of \$1,000,000.

Subsequent to the period ended August 31, 2007, the Company granted 120,000 stock options at an average exercise price of \$1.78 per share expiring between two and five years from the date of grant.

This discussion and analysis of financial position and results of operations is prepared as at October 30, 2007 and should be read in conjunction with the unaudited financial statements for the nine months ended August 31, 2007 of Hawthorne Gold Corp. (the "Company") where necessary. Those financial statements have been prepared in accordance with Canadian generally accepted accounting principles. All dollar figures included therein and in the following management discussion and analysis ("MD&A") are quoted in Canadian dollars. Additional information relevant to the Company's activities can be found on SEDAR at [www.sedar.com](http://www.sedar.com).

### Overview

The Company is engaged in the exploration and development of mineral properties in British Columbia, Canada. The Company is currently listed on the TSX Ventures Exchange under the symbol "HGC".

### Mineral Property Interests

Hawthorne Gold currently has two projects located in British Columbia, Canada. The Frasergold project covers 11,290 hectares and the Carruthers Pass project covers 3,250 hectares. The Company has entered into agreements to acquire between 51% and 60% working interest in the projects.

#### Frasergold, British Columbia

The Frasergold Property is located in the historic Quesnel Trough area of central British Columbia and has a long history of continued exploration since the 1970's. Hawthorne's exploration program began in the summer of 2007, conducting surface and underground geological mapping, a property wide airborne geophysics program and approximately 350 meters of surface trenching. In September 2007, the Company commenced confirmatory and exploratory diamond drilling, underground channel sampling and the initial phases of an environmental baseline study. The Company plans to take a series of underground bulk samples before the end of 2007 for preliminary metallurgical testing and flowsheet development. The full extent of the mineralized zones remains to be tested along strike and at depth.

#### Carruthers Pass, British Columbia

The Carruthers Pass property, located in the Omineca Mining Division of north-central British Columbia, lies approximately 70 kilometers south of the Kemess gold-copper mine. Hawthorne completed an exploration program in August 2006 and results to date have indicated that massive sulphide mineralization occurs on the property within a favourable pyritic shale/siltstone stratigraphic unit. A second phase exploration program of mapping and sampling is planned for the 2008 field season to further delineate the massive sulphides and associated stratigraphy.

### Results of Operations

#### *Results of Operations for the three months ended August 31, 2007 and 2006*

#### Expenses

Total operating expenses were \$257,844 for the three months ended August 31, 2007, compared to \$203 for the comparative period, for an increase of \$257,641. The Company was active during the quarter with its ongoing work program at Frasergold and closed a \$5,255,000 private placement versus the prior period when the Company had just commenced operations.

**Management's Discussion and Analysis**

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During the current quarter, the Company incurred \$16,075 for professional fees as compared to no fees being incurred in the comparative period. The Company recorded stock based compensation charges of \$149,138 for the vesting of stock options granted to directors, officers, employees and consultants of the Company during the current period, as compared with no such charges in the comparative period when no stock options were outstanding.

**Net Loss**

The Company recorded a net loss of \$213,937 for the three months ended August 31, 2007, compared with a net loss of \$203 in the prior period.

**Results of Operations for the nine months ended August 31, 2007 and 2006**

**Expenses**

Total operating expenses were \$422,895 for the nine months ended August 31, 2007, compared to \$2,680 for the period from incorporation, January 18, 2006, to August 31, 2006, for an increase of \$420,215. The Company's expenses increased in all cost categories between the quarters as a result of the increased activity of the Company. During the nine months ended August 31, 2007, the Company incurred \$44,784 in wages and benefits related to the management and administration of the Company as compared to no such expense in the comparative period.

**Net Loss**

The Company recorded a net loss of \$318,484 for the nine months ended August 31, 2007, compared with a net loss of \$1,582 in the prior period. The net loss for the nine months ended August 31, 2007 is net of a future income tax recovery of \$51,000 related to the renouncement of the Company's \$150,000 flow through financing completed in July 2006.

**Summary of Quarterly Results**

	<b>Aug 31 2007</b>	<b>May 31 2007</b>	<b>Feb 28 2007</b>	<b>Nov 30 2006</b>	<b>Aug 31 2006</b>	<b>May 31 2006</b>	<b>Feb 28 2006</b>
	\$	\$	\$	\$	\$	\$	\$
Total revenues	-	-	-	-	-	-	-
Net loss	(213,937)	(100,316)	(4,231)	(439)	(203)	(297)	(1,082)
Net loss per share							
- basic and diluted	(0.02)	(0.01)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)

The Company's expenses and net losses have increased quarter over quarter as the Company advanced its business plan of acquiring exploration and development projects.

**Liquidity**

The Company's cash increased to \$4,986,154 at August 31, 2007 from \$128,429 at November 30, 2006. The Company's working capital was \$5,057,622 as at August 31, 2007, compared to working capital of \$119,937 as at November 30, 2006. The improvement in working capital was a result of the Company closing its initial public offering for gross proceeds of \$2,010,000 and a private placement for gross proceeds of \$5,255,000 during the current period.

**Management's Discussion and Analysis**

During the nine months ended August 31, 2007, the Company used \$980,745 of its cash on its mineral properties and \$615,017 of its cash on capital purchases as compared to no such expenditures in the prior period.

**Capital Resources**

As at the date of this MD&A, the Company has no other arrangement for sources of financing. During the three months ended August 31, 2007, the Company closed a non-brokered private placement for gross proceeds of \$5,255,000. The private placement consists of 3,284,375 units priced at \$1.60 per unit. Each unit consists of one common share and one-half warrant. Each whole warrant is exercisable for a period of two years from closing to acquire one common share at a price of \$1.75 per share.

To keep the Company's mineral claims in good standing, the Company is required to make cash payments and fulfill work program expenditures. During the nine months ended August 31, 2007, the Company entered into a capital lease for the purchase of a permanent camp for the Frasergold project with total commitments of \$580,610 by May 2010.

**Transactions with Related Parties**

During the nine months ended August 31, 2007, the Company paid rent of \$24,000 (2006 - \$nil) to a company with common officers and directors.

**Disclosure of Outstanding Share Data**

The following details the share capital structure as of the date of this MD&A.

	Expiry date	Exercise price	Number	Number
Common shares				14,462,875
Share purchase options	April 25, 2012	\$0.60	1,050,000	
	July 16, 2009	\$1.60	100,000	
	July 22, 2012	\$1.60	119,000	
	October 2, 2012	\$1.60	50,000	
	October 2, 2009	\$1.60	20,000	
	October 29, 2012	\$2.05	50,000	
Agent warrants	April 23, 2009	\$0.60	331,000	
Share purchase warrants	July 12, 2009	\$1.75	<u>1,642,188</u>	3,362,188

**Changes in Accounting Policies including Initial Adoption**

Effective December 1, 2006, the Company has adopted two new accounting standards related to financial instruments that were issued by the Canadian Institute of Chartered Accountants ("CICA") in 2005. These accounting policy changes were adopted on a prospective basis with no restatement of prior period financial statements. The new standards and accounting policy changes are as follows:

*Financial Instruments – Recognition and Measurement (CICA Handbook Section 3855)*

In accordance with this new standard the Company now classifies all financial instruments as either held-to-maturity, available-for-sale, held for trading or loans and receivables. Financial assets held to maturity, loans and receivables and financial liabilities other than those held for trading, are measured at amortized cost. Available-for-sale instruments are measured at fair value with unrealized gains and losses recognized in other comprehensive income. Instruments classified as held for trading are measured at fair value with unrealized gains and losses recognized on the statement of operations.

## Management's Discussion and Analysis

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### *Comprehensive Income (CICA Handbook Section 1530)*

Comprehensive income is the change in shareholders' equity during a period from transactions and other events and circumstances from non-owner sources. In accordance with this new standard, the Company now reports a statement of comprehensive loss and a new category, accumulated other comprehensive income, has been added to the shareholders' equity section of the balance sheet. The components of this new category will include unrealized gains and losses on financial assets classified as available-for-sale and the effective portion of cash flow hedges, if any. There were no such components to be recognized in comprehensive income for the nine month period ended August 31, 2007.

As a result of the adoption of these new standards, the Company has classified its cash as held-for-trading. Receivables are classified as loans and receivables. Accounts payable and accrued liabilities as well as notes payable and capital leases are classified as other financial liabilities, all of which are measured at amortized costs.

No adjustments were required to opening equity as a result of the application of these new standards.

### **Cautionary Statement**

This MD&A may contain "forward looking statements" that reflect the Company'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, by their very nature, are not guarantees of the Company's future operational or financial performance, and are subject to risks and uncertainties and other factors that could cause the Company'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, unfavourable studies regarding the Company's Projects, fluctuations in the market valuation for metal prices, difficulties in obtaining required approvals for the development of a mine 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. The Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.