



# MANAGEMENT DISCUSSION AND ANALYSIS

For the period ended September 30, 2007

## General

This Management's Discussion and Analysis ("MD&A") provides relevant information on the operations and financial condition of Solex Resources Corp. ("Solex" or the "Company") during the three months ended September 30, 2007. Management of the Company has prepared this MD&A as of November 22, 2007.

This MD&A is a complement and supplement to the interim consolidated financial statements for the three months ended September 30, 2007. It should be read in conjunction with the Company's interim consolidated financial statements for the three months ended September 30, 2007 and the audited annual consolidated financial statements for the years ended June 30, 2007; both can be found on SEDAR at [www.sedar.com](http://www.sedar.com).

## Forward-Looking Statements

Except for historical information, this MD&A includes forward-looking statements which are subject to risks and uncertainties that could cause actual results to differ materially from those in such forward-looking statements. The Company assumes no obligation to update its forward-looking statements to reflect results, changes in assumptions or changes in other factors affecting such statements.

## Overall Performance

### Exploration

At the time of writing, drilling of over 21,000 metres in 300+ holes on the Company's Macusani East joint ventured uranium properties have been completed by joint venture partner and operator, Frontier Pacific Mining Corporation ("Frontier Pacific").

While much more work is planned on the Macusani East project, with the first seven targets representing only a fraction of the current total of 53 targets, this initial drill program is aimed at establishing an initial NI43-101-compliant resource calculation at the project upon which all future drill programs will aim at expanding. The NI43-101 report is currently being compiled and is expected to be released sometime in the first half of 2008.

To date, results from five of the seven targets have been released. While initial progress has been slow due to delays experienced at assay facilities, drill results received so far have increased the joint venture's knowledge of the geological settings in the area and identified areas where follow up drilling is needed. Such knowledge is critical to improving the design, scope and pace of all future programs.

Reconnaissance and field work carried out concurrently with the drill program has identified 10 new targets.

At the beginning of the fiscal year, Frontier Pacific informed the Company that it had completed in excess of US \$4-million in exploration expenses as part of its earn-in obligations for the project, and that it wished to exercise its option to earn a 50% interest in the properties. Since receipt of this notice, the Company has been contributing its proportional share of the cost of operations at the project. Progress is currently being made to form a corporate entity in Peru within which the respective parties' 50% interests in the Macusani East joint ventured properties will be held.

On its wholly owned uranium properties, the Company has commenced two comprehensive exploration programs since the beginning of the fiscal year. The first program is a reconnaissance-level regional exploration program of the Macusani West uranium district which is designed to augment the Company's understanding of the region and allow for prioritization of target areas. A second, more focused, systematic program is underway to identify and refine potential drill targets on the Macusani South project.

These work programs are being carried out by two Peruvian geological consulting organizations, supervised by the Company's own operational management and geological team in Peru. Both consulting groups have extensive experience in international exploration with one having explored for uranium in the high altitude Andean region. Importantly, both have demonstrated sensitivity and success in working with the remote communities in the region.

# MANAGEMENT DISCUSSION AND ANALYSIS

September 30, 2007

The Pilunani lead-zinc and Princesa silver-lead-zinc properties have attracted considerable interest from potential joint venture partners. Numerous confidential agreements have been signed with a variety of organizations, including major international base metal producers.

Interested parties have been conducting extended field reviews with more scheduled for early 2008.

## Financial

As of September 30, 2007, the Company had \$9,240,047 in cash and cash equivalents. The Company raised \$94,000 through the conversion of options. As a result of the material amount of cash (and equivalents) on hand and higher interest rates, the Company generated a significant amount of interest income, \$111,406.

The Company has progressed from an exclusively grassroots exploration company into one with more advanced stage projects. Consequently, the mineral properties expenditures increased significantly. Resource properties accounted for \$1,529,906 in cash expenditures over three months (\$388,101 in 2006). Since the beginning of the new fiscal year, the Company has been carrying out a comprehensive regional exploration and reconnaissance program on its wholly owned Macusani West uranium properties. \$545,182 was spent on the exploration programs. In the meantime, on its Macusani East joint ventured properties, the Company has been contributing equally to the exploration costs. \$984,724 was spent on the drilling program through out the three month period.

As part of the Company's transformation, operations at the corporate headquarters and in Peru have been restructured for greater efficiency and cost-effectiveness. General and Administrative budgets have been reduced and tightened across all departments and the promotional activities have been redirected. As a result, the Company saw a 13% reduction in General and Administrative expenses for the three months ended September 30, 2007 compared to the comparative period last year.

The Company incurred a net loss of \$398,028 (\$0.01 per share). 19% of the loss is attributable to the Stock option compensation of \$74,150.

## Selected Interim Information

The following chart shows the financial results derived from the Company's financial statements for each of the three most recently completed three months ended September 30.

	September 30, 2007	September 30, 2006	September 30, 2005
Loss for the period	\$ 398,028	\$ 456,977	\$ 185,406
Loss per share	0.01	0.01	0.01
Total assets	17,360,223	5,756,255	1,172,236

# MANAGEMENT DISCUSSION AND ANALYSIS

September 30, 2007

---

## Results of Operations

During the first quarter, the Company has been directing its resources to the exploration and development of its uranium properties in the Macusani Uranium District of southeastern Peru. In addition to contributing financially to the operation being carried out by the operator on the Macusani East joint ventured uranium properties, the Company has advanced its wholly owned Macusani West projects. (Macusani South, Macusani South Central and Macusani West).

### Uranium Properties

#### ***Macusani East, Joint Ventured Uranium Project***

##### **Sayaña Central Target**

Subsequent to the period end, the Company and Frontier Pacific announced very encouraging initial drill results from the first 24 holes on the Sayaña Central near-surface uranium target.

The summary highlighted results are presented as follows:

- 9m @ 2.2 lbs/ton (0.108%) U3O8 (in drill hole SY07-19)
- 2m @ 5.9 lbs/ton (0.297%) U3O8 (in drill hole SY07-20)
- 5m @ 2.6 lbs/ton (0.129%) U3O8 (in drill hole SY07-14)
- 5m @ 2.1 lbs/ton (0.107%) U3O8 (in drill hole SY07-08)
- 3m @ 2.6 lbs/ton (0.127%) U3O8 (in drillhole SY07-06)

The drill results show excellent continuity of uranium grade within a sub-vertical structural corridor preferentially hosted within the ignimbrite flow. Mineralization is open to the south and at depth.

The first 24 drill holes targeted the north-south radiometric anomaly at Sayaña Central and confirmed a near-surface, flat-lying ignimbrite volcanic flow (type T2) containing a weighted average grade of 0.053% U3O8 (531 ppm U3O8) or 1.06 pounds per ton (U3O8) over a stratigraphic thickness of 3.5 metres over an area measuring 800 metres by 150 metres in plan view.

Uranium mineralization found in the drilling at Sayaña Central occurs as several mineralogical types, disseminated between tuffaceous fragments and within congealing fracture fillings related to cooling of the near-surface flows. In several locations the favourable uraniferous ignimbrite flows appear stacked one on top of the other and separated in most cases by barren or low-grade ignimbrites.

##### **Calvario I Target**

52-hole drill program at the Calvario I target was completed in the first quarter. The results from the remaining 29 holes show an increase in the weighted average grade of the anomaly to 0.041% U3O8 (0.82 lb per ton U3O8) over a stratigraphic thickness of 7 metres in an area measuring 350 metres by 325 metres and representing approximately 50 percent of the target in plan view. Uranium mineralization was intersected from surface to depths of approximately 30 metres below surface.

The venture participants have now classified the type of ignimbrite flow at the Calvario I target as a type "T2" unit, which contains both widely, disseminated low-grade uranium as well as numerous fractures coated with high-grade uranium. Mineralization is still open to the east with higher grade zones increasing to the east-south-east. A follow-up drill program will be needed to completely delineate the balance of this large anomaly.

##### **Sayaña West Target**

A total of 28 holes, totaling 1,645 metres were drilled on the Sayaña West target and results have established the presence of a weakly mineralized ignimbrite volcanic flow with a weighted average grade of 0.011% U3O8 (0.22 pounds per ton U3O8) over a stratigraphic thickness of two metres over an area measuring 500 metres by 200 metres and representing approximately 10 percent of the target area in plan view.

The ignimbrite flow at Sayaña West has been correlated to the type "T3" unit where mineralization is restricted to uraniferous coatings along widely-spaced fractures. This type "T3" unit stratigraphically overlies the uranium-hosted ignimbrite flow (T2) encountered at Calvario III, Calvario I, Puncopata and Calvario II.

No further work is planned over the Sayaña West target at the current time.

# MANAGEMENT DISCUSSION AND ANALYSIS

September 30, 2007

---

## **Agaton Target**

A total of 40 holes, totaling 1,903 metres were drilled on the Agaton target and results have confirmed the presence of a thin, weakly mineralized ignimbrite volcanic flow with a weighted average grade of 0.009% U<sub>3</sub>O<sub>8</sub> (0.19 pounds per ton U<sub>3</sub>O<sub>8</sub>) over a stratigraphic thickness of three metres covering an area of 800 metres by 200 metres and representing approximately 10 percent of the surface area in plan view.

The ignimbrite volcanic flow at the Agaton target has been correlated to the type "T4" unit, which occurs as a relatively thin, discontinuous uraniferous flow with mineralisation restricted to fracture coatings and weakly disseminated fillings between tuffaceous fragments.

Earlier drilling at Agaton (in 2006) had reported much higher grades within restricted areas of the T4 unit. Follow-up drilling this year has shown that the mineralization was restricted to the major fractures within the T4 and initial interpretation suggests poor continuity of uranium mineralization across the target area.

No further work is planned over the Agaton Prospect at the current time.

During the first quarter, a regional exploration program continued to identify possible additional drill targets throughout the concession area. The operator is now planning a new 20,000-metre drill program to begin during the first quarter of 2008. This program will include follow up drilling on existing targets as well as drilling of newly identified target areas.

## **Metallurgical Testing**

The Operator has contracted SGS Lakefield Research Limited under the direction of Melis Engineering of Saskatoon, Saskatchewan, to carry out column leach and yellowcake precipitation tests on ore from the Macusani joint venture project. 450 kgs of core have now been delivered to SGS Lakefield in Canada for this testwork.

The testing, scheduled to take up to 6 months, will be performed on various crush sizes of uranium ores from Calvario I, Calvario III and Sayana Central targets. The testing will provide further confirmation that the Macusani ores are ideal for the application of heap leaching techniques. Previous bottle roll tests in 2006 showed that up to 99.4% of the uranium was extracted over a period of 16 days using a mild acid solution. Confirmation of the ability to heap leach the Macusani ores will greatly assist in evaluating the capital and operating costs of mining and processing the uranium within the Macusani district. Typically, costs for bulk mining and processing heap leachable ores are at the very low end of production cash and capital costs throughout the mining business.

## ***Macusani West Projects, 100% Owned Uranium Project***

### **Macusani South**

Located at relatively lower altitudes and close to the Town of Macusani, the Macusani South concessions are the most accessible of the Macusani West projects. The company began exploring this area in 2006, identifying a number of general areas of interest with potential drill targets. Currently, a focused reconnaissance and systematic exploration program is underway (including mapping, geological and geophysical surveys) to systematically identify and define drill targets for a possible drill program in 2008. Work is being carried out by a Peruvian geological consulting group with international experience in uranium exploration, closely supervised by the Company's own technical team in Peru.

### **Macusani South Central**

Similar to the Macusani South project, the Macusani South Central concessions were also briefly explored by the Company in 2006 with the identification of several general areas of interest. A more focused exploration program consisting of geological mapping and geophysical work is also underway with the aim of identifying drill targets for a possible drill program in 2008.

### **West Macusani**

Due to higher altitudes and fewer access routes, the West Macusani concessions are the least explored. A reconnaissance exploration program is underway beginning from the southeastern-most concessions in order to identify priority target areas for further systematic exploration.

The first stage of the program has been completed and includes:

- Identification of road access, water supply and transport routes;
- Production of satellite imagery and topographic maps;
- Identification of social, environmental and land ownership issues; and
- Initiation of community relations activities.

The ultimate goal of the program is to identify drill targets for a possible future drill program.

Currently, the Company has three teams of seven people each deployed at the Macusani West projects. Two teams are carrying out scintilometer surveys and one team is carrying out geological mapping, including the collection of rock chip samples for analysis.

# MANAGEMENT DISCUSSION AND ANALYSIS

September 30, 2007

## *Picotani, 100% Owned Uranium Project*

The Picotani uranium property consists of two claims totaling 1,706 hectares and is grassroots in nature. Little is known of the area and a program of regional exploration is currently underway to better understand the region and its potential for more detailed uranium exploration.

## Precious/Base Metal Properties

### *Princesa, 100% Owned Silver-Lead-Zinc Project*

During the quarter, the Company released the remaining results obtained from the second phase drill program. The latest results have increased the strike length to over 1.7 kilometres. A highlight was hole PRIN-53, located in a newly identified anomalous zone, which returned 273.2 g/t Ag, 1.18% Pb and 0.48% Zn over 24.1 metres, including a high-grade intersection of 1,482.5 g/t Ag, 1.65% Pb and 0.78% Zn over three metres.

Potential joint venture partners have been visiting the field on a regular basis during the quarter.

### *Pilunani, 100% Owned Zinc-Lead Project*

Subsequent to the period end, results from the completed second phase drill program were released. The latest results have increased the strike length of the lead-zinc anomaly from 200 metres to over 900 metres along strike. A significant highlight from the program was hole PIL-14 which intersected five independent mineralized zones over 44.8 metres, with an interval returning 5.35% lead and 9.84% zinc over three metres. Mineralization still remained open to the northwest and to depth.

Potential joint venture partners have been visiting the field on a regular basis during the quarter.

### *Cullquimayo, 100% Owned Silver-Gold-Copper Project*

The Company completed a limited geological review of the initial 100%-owned claim block of the Cullquimayo polymetallic project. Property payments have been made to keep the claims in good standing and further geological work is contemplated in the medium term.

## Resource Property Expenditures

	Pilunani- Princesa Belt	Cullquimayo	Macusani East	Macusani West	Macusani South	Picotani	Totals
<b>Balances, June 30, 2007</b>	\$ 4,181,897	\$ 331,079	\$ -	\$ 510,035	-	\$ 177,527	\$ 5,200,538
Acquisition costs	2,105	-	31,269	-	-	169	33,543
<b>Deferred Exploration Costs</b>							
Assaying	62	-	45,808	-	495	955	47,320
Geology/Engineering	63,679	-	56,436	75,347	137,582	16,379	349,423
Geophysics	-	-	120,221	-	-	-	120,221
Drilling	-	-	770,052	-	-	-	770,052
Field works	3,331	56	43,002	2,048	12,618	4,910	69,965
Logistics	183,264	-	125,147	6,502	16,263	9,722	340,898
Consulting	8,069	-	37,652	7,402	3,420	6,098	62,641
Travel and accommodation	2,840	-	14,509	19,720	3,213	1,694	41,976
<b>Total Spending</b>	263,350	56	1,244,096	111,019	173,591	39,927	1,832,039
<b>Balances, September 30, 2007</b>	\$ 4,445,247	\$ 331,135	\$ 1,244,096	\$ 621,054	\$ 173,591	\$ 217,454	\$ 7,032,577

# MANAGEMENT DISCUSSION AND ANALYSIS

September 30, 2007

## Financial

### The three months ended September 30, 2007 compared to September 30, 2006

As the Company progressed into an advanced stage exploration, the mineral property expenditures increased almost four fold this year compared to the same period last year. While contributing equally to the drilling program on Macusani East joint venture uranium properties, the Company also launched an extensive regional program on its wholly owned Macusani West uranium properties. Over the three month period, the Company spent \$1,529,906 (\$388,101 in 2006) on the ground.

The Company had a net loss of \$ 398,028 (\$456,977 in 2006). 19% of this loss is attributable to the Stock option compensation of \$74,150 (\$70,242 in 2006). As a result of the tightened budget, the Company saw a significant reduction in many General and Administrative functions, such as Investor relations \$43,542 (\$79,507 in 2006), Travel and entertainment \$3,990 (\$28,647), Office, rent and miscellaneous \$43,404 (\$57,373 in 2006), and Filing and transfer agent fees \$5,357 (\$18,176 in 2006).

Due to restructuring of the field office and the test procedures performed on the joint venture partner's earned in expenditures of US \$4,000,000, professional fees and consulting fees both went up to \$76,346 and \$149,593 respectively (\$16,183 and \$58,428 respectively in 2006). As a result of additional fixed assets, amortization expenses also went up significantly, \$13,608 in current period compared to \$6,360 last year.

### Three months ended September 30, 2007 compared to June 30, 2007

Compared to the last fiscal quarter, 51% decrease in General and administrative expenses is worthy to note. While \$3,780 higher interest income helped reduce the loss, the significant lower expenses in many administrative areas contributed the most to the reduction in costs. Changes in administrative expenses in the current period versus the comparative period include: a decrease in Investor relations from \$125,315 to \$43,542; a decrease in Travel and entertainment from \$50,025 to \$3,990, and a decrease in Office, rent and miscellaneous from \$79,685 to \$43,404.

At the same time, the Professional and Consulting fees increased substantially, \$66,006 and \$19,714 higher respectively in the current quarter compared to the last quarter.

As the exploration programs are expanding, the mineral property expenditures increased by 30% to \$1,529,906 in this quarter compared to \$1,181,402 in last quarter.

## Summary of Quarterly Results

	September 30, 2007	June 30, 2007	March 31, 2007	December 31, 2006	September 30, 2006	June 30, 2006	March 31, 2006	December 31, 2005
Operating loss for period	\$ 509,434	\$ 741,258	\$ 2,628,786	\$ 527,270	\$ 473,078	\$ 496,018	\$ 589,218	\$ 682,482
Total loss for period	398,028	816,839	2,576,139	503,084	456,977	325,350	594,601	745,296
Loss per share	\$0.01	\$0.02	\$0.05	\$0.01	\$0.01	\$0.01	\$0.02	\$0.03

## Liquidity

The Company had cash and cash equivalents on hand \$9,240,047 as of September 30, 2007 (June 30, 2007 - \$11,285,983). The Company currently has sufficient cash resources to meet its ongoing obligations as they become due.

	September 30, 2007	June 30, 2007
Working Capital	\$ 9,309,244	\$ 11,363,164
Deficit	7,451,386	7,053,358

# MANAGEMENT DISCUSSION AND ANALYSIS

September 30, 2007

---

## Corporate Activities

The Company appointed Tony Wood, current Chief Financial Officer as the Chief Operating Officer.

Subsequent to the period end, the Company elected Robert Boaz, Jonathan Challis, Gary German, Etienne Walter and Antony Wood as directors at its annual and special meeting of shareholders held on November 21, 2007.

## Capital Resources

The Company has no operations that generate cash flow and its long-term financial success is dependant on management's ability to discover economically viable quantities of ore. The exploration process can take many years and is subject to factors that are beyond the Company's control.

In order to finance the Company's exploration programs and to cover administrative and overhead expenses, the Company raises money through equity sales and from the exercise of convertible securities. Many factors influence the Company's ability to raise funds, including the health of the resource market, the climate for exploration investment, the Company's track record and the experience and caliber of its management.

The Company currently has sufficient financial resources to meet its administrative overhead expenses and to undertake all of its planned exploration activities for the next twelve months. Actual funding requirements may vary from those planned due to a number of factors, including the progress of exploration activity. Management believes it will be able to raise equity capital as required in the long term, but recognize there will be risks involved that may be beyond their control. The Company intends to continue to use various strategies to minimize its dependence of equity capital, including the securing of joint venture partners where appropriate.

At September 30, 2007, the Company had 5,040,000 warrants and 4,280,000 options outstanding.

## Off-Balance Sheet Arrangements

There are no off-balance sheet arrangements or amounts.

## Transactions with Related Parties

The Company has incurred charges from directors and officers of the Company and companies in which a director or an officer acts as a manager of the Company. These charges were measured by the exchange amount, which is the amount agreed upon by the transacting parties.

	September 30, 2007	September 30, 2006
Consulting fees, paid to Jonathan Challis, president of the Company	\$ 50,000	\$ 50,000
Management fees, paid to Sebastian Reidl, officer and director of the Company (resigned February 1, 2007)	-	30,000
Consulting fees paid to a company, controlled by Deborah Thiel, officer of the Company	21,250	-
	<u>\$ 71,250</u>	<u>\$ 80,000</u>

## Proposed Transactions

There are no proposed transactions

# MANAGEMENT DISCUSSION AND ANALYSIS

September 30, 2007

---

## Changes in Accounting Policies Including Initial Adoption

On July 1, 2007, the Company adopted the Canadian Institute of Chartered Accountants (“CICA”) Handbook Section 1506 – Accounting Changes. This standard established criteria for changing accounting policies, together with the accounting treatment and disclosure of changes in accounting policies and estimate, and correction of errors.

Effective July 1, 2007, the Company adopted the CICA Handbook Section 3855 - Financial Instruments, Recognition and Measurement and Section 1530 – Comprehensive Income. These new standards require us to revalue certain financial assets and liabilities at fair value on the date of implementation.

### Section 3855 - Financial Instruments, Recognition and Measurement

The new standards require us to classify these financial assets and liabilities according to their characteristics and management’s choices and intentions related thereto for the purposes of subsequent accounting. Classification choices for financial assets include: (a) Held for Trading; (b) Held to Maturity; (c) Available for Sale; and (d) Loans and Receivables. Classification choices for financial liabilities include: (a) Held for Trading; and (b) Other. Subsequent accounting for these assets and liabilities will be based on either fair value or amortized cost using the effective interest method, depending upon their classification.

Financial assets and financial liabilities classified as held-for-trading are required to be measured at fair value, with gains and losses recognized in net earnings.

Financial assets classified as held-to-maturity, loans and receivables and financial liabilities (other than those held-for-trading) are required to be measured at amortized cost using the effective interest method of amortization.

Available-for-sale financial assets are required to be measured at fair value, with unrealized gains and losses recognized in Other Comprehensive Income. Investments in equity instruments classified as available-for-sale that do not have a quoted market price in an active market should be measured at cost.

The Company has implemented the following classification:

Cash and cash equivalents, accounts receivable and other receivables are classified as “held-for-trading”. These financial assets are measured at fair market value and the gain/loss resulting from the evaluation at the end of each period is recorded in net income.

Long-term investment is classified under “available-for-sale financial assets”. It is measured at fair market value and the gain/loss resulting from the evaluation at the end of each period is recorded as Comprehensive income.

Accounts payable and accrued liabilities are classified as “held-for-trading”. These financial liabilities are measured at fair market value and the gain/loss resulting from the evaluation at the end of each period is recorded in net income.

### Effect of the ChangeS in Accounting Policies

Following the adoption of new standards, Long-term investment has been classified under “available-for-sale financial assets”. As at July 1, 2007, the carrying value and fair value of Long-term investment were \$436,000 and \$592,500 respectively. The initial valuation resulted in a net unrealized gain of \$156,500. This net unrealized gain is presented as an adjustment to Long-term investment and Accumulated other comprehensive loss.

### Section 1530 – Comprehensive Income

Comprehensive Income is comprised of Net Earning (Loss) and Other Comprehensive Income (“OCI”), which represents changes in shareholders’ equity during a period arising from transactions and other events with non-owner sources. OCI would generally include unrealized gains and losses on financial assets classified as available-for-sale. The Company’s consolidated financial statements include a consolidated statement of Other Comprehensive Income while the cumulative amount and Accumulated other comprehensive income (“AOCI”), are presented as a separate item of shareholders’ equity.

## Financial Instruments

The Company’s financial instruments consist of cash and cash equivalents, accounts receivable, other receivables, and accounts payable. Unless otherwise noted, it is Management’s opinion that the Company is not exposed to significant interest, currency or credit risks arising from the financial instruments.

# MANAGEMENT DISCUSSION AND ANALYSIS

September 30, 2007

## National Instrument 51-102 Section 5.4

### Warrants

The following summarizes the warrants that have been granted, exercised and expired during the period ended September 30, 2007 and the year ended June 30, 2007:

	Number of Warrants	Weighted Average Exercise Price
Balance, June 30, 2006	4,480,817	\$ 0.37
Granted	7,312,727	\$ 1.31
Exercised	(6,678,744)	\$ 0.50
Expired	(74,800)	\$0.75
Balance, June 30, 2007	5,040,000	\$ 1.55
Granted	-	-
Exercised	-	-
Balance, September 30, 2007	5,040,000	\$ 1.55

The Company had share purchase warrants outstanding as follows:

Expiry Date	Exercise Price	Number of Shares	
		September 30, 2007	June 30, 2007
August 27, 2008	\$1.60	4,500,000	4,500,000
February 27, 2008	\$1.20	540,000	540,000
		5,040,000	5,040,000

### Stock options

The following summarizes the options that have been granted, exercised, cancelled or expired during the period ended September 30, 2007 and the year ended June 30, 2007:

	Number of Shares	Exercise Price Per Share
Balance, June 30, 2006	3,055,000	\$ 0.41
Options granted	3,215,000	\$ 1.19
Options exercised	(1,475,000)	\$ 0.34
Options cancelled	(165,000)	\$ 0.89
Balance, June 30, 2007	4,630,000	\$ 0.96
Options exercised	(210,000)	\$ 0.45
Options cancelled	(140,000)	\$ 0.47
Balance, September 30, 2007	4,280,000	\$ 1.00

Other than investor relations personnel, whose options vest in four equal installments over the first 12 months, stock options vest 100% upon grant.

Stock-based awards are measured and recognized using a fair value based method. During the three months ended September 30, 2007, the Company did not grant any options. However, 25% of 350,000 options granted in last fiscal year to investor relations personnel vested, with an estimated combined fair value of \$74,150 as determined using the Black-Scholes option pricing model.

# MANAGEMENT DISCUSSION AND ANALYSIS

September 30, 2007

The fair value of each option grant is calculated using the following weighted average assumption:

	2007
Expected life (years)	2.00
Interest rate	3.87%-4.19%
Volatility	87%-138%
Dividend yield	0.00%

Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate and, therefore the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options.

As at September 30, 2007, the following share purchase options were outstanding:

Expiry Date	Exercise Price	Number of Shares	
		September 30, 2007	June 30, 2007
February 15, 2007	\$ 0.13	-	-
October 7, 2007	\$ 0.40	905,000	1,005,000
November 17, 2007	\$ 0.28	-	-
January 30, 2008	\$ 0.49	-	100,000
March 27, 2008	\$ 0.68	400,000	400,000
April 26, 2008	\$ 0.50	30,000	80,000
August 11, 2008	\$ 0.46	85,000	185,000
September 30, 2008	\$ 0.46	100,000	100,000
November 1, 2008	\$ 0.58	200,000	200,000
February 9, 2009	\$ 1.20	150,000	150,000
February 9, 2009	\$ 1.27	150,000	150,000
March 7, 2009	\$ 1.35	1,760,000	1,760,000
March 13, 2009	\$ 1.35	250,000	250,000
March 27, 2009	\$ 1.35	250,000	250,000
Total options outstanding	\$ 1.00	4,280,000	4,630,000
Total options exercisable	\$ 0.99	4,192,500	4,455,000

## Escrow shares

A total of 4,550,000 common shares were subject to an escrow agreement signed in 2004. Shares are subject to a time release over a three-year period as follows:

- (i) 10% - October 28, 2004 (released);
- (ii) 15% - 6 months after October 28, 2004 (released);
- (iii) 15% - 12 months after October 28, 2004 (or October 28, 2005) (released);
- (iv) 15% - 18 months after October 28, 2004 (or April 28, 2006) (released);
- (v) 15% - 24 months after October 28, 2004 (or October 28, 2006) (released);
- (vi) 15% - 30 months after October 28, 2004 (or April 28, 2007) (released); and
- (vii) 15% - 36 months after October 28, 2004 (or October 28, 2007) (released subsequent to the period end).

On October 26, 2006, there was an additional 157,500 escrow shares added from an exercise of warrants.

- (i) 33% - October 28, 2006 (released);
- (ii) 33% - 6 months after October 28, 2006 (or April 28, 2007) (released); and
- (iii) 33% - 12 months after October 28, 2006 (or October 28, 2007) (released subsequent to the period end).

As of September 30, 2007, the Company had released a total of 3,972,500 shares from escrow, leaving a balance of 735,000 shares still in escrow.

# MANAGEMENT DISCUSSION AND ANALYSIS

September 30, 2007

---

## Risks and Uncertainties – Environmental, Regulatory, Capital Markets and Others

The Company operates as a mineral explorer in the mining industry. Mineral exploration involves considerable financial and technical risk. Substantial time and expenditures are usually required to make a discovery and to establish economic ore reserves. It is impossible to assure that the current exploration properties and programs planned by the Company will result in an economic mineral discovery and development. Accordingly, success in achieving the objectives of the Company is affected by many circumstances over which the Company has no control. There is inherent risk in the exploration for mineral resources that is unavoidable.

Also, there are risks associated with political instability, the impact of commodity prices on the valuation of mineral properties and share prices and general changes in economic conditions.

The Company's mineral exploration activities have to be financed either through joint ventures or in the capital markets through the sale of its Common Shares. The ability of the Company to raise exploration funds in the capital market is highly dependent on the value the market places on the Company's mineral properties and the strength of the metal markets. The value the market places on the Company's mineral properties is directly related to the grade and thickness of the contained mineralization being reported and the potential to develop these mineral values into an economic deposit.

## Outlook

The Company believes the continuing increase in the cost of securities reporting, regulatory compliance and audit and accounting fees remains a significant factor that could have an impact on the future financial condition of the Company. The Company believes these costs will continue to rise in ensuing years due to the constant change of regulatory reporting, corporate governance and compliance, interim and annual financial documentation and reporting.

Another area of financial risk to the Company is the rise in cost to perform exploration activities throughout Peru. Over the last three years, exploration costs have gone up significantly as the mineral industry struggles with the increased cost associated with land use permitting, the increased price of fuel and materials, a shortage of equipment and trained people and delays that result from these conditions.

Factors that may positively or negatively impact the future financial condition and performance of the Company is the overall health of the global economies as the Company usually derives a significant portion of its working capital from public financings and trading marketable securities.

Other factors that may affect the performance of the Company is the positive or negative movement in metal prices, which is strongly related to the health of the global markets, which affects the overall demand for metals.

Currently the metal markets are generally strong driven by rapidly expanding Asian economies. The Company believes that the current strong metal prices are generally sustainable in the immediate future due to the overall growth in the global economies and particularly in the developing nations such as China and India.

All uranium exploration companies have seen a distinct change in investor sentiment with the considerable volatility seen in the uranium price since the summer with a negative impact on our share price. Following a seven fold increase in the uranium price over the last five years, the price since June 2007 has dropped considerably from its \$140 (per pound U3O8) high to approximately \$70/lb, before pulling back to today's price of approximately \$90/lb. The Company believes that the underlying demand for uranium remains strong.

## Disclosure Controls and Procedures

Pursuant to Multilateral Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings, management has evaluated the effectiveness of the Company's disclosure controls and procedures as at September 30, 2007 and found them to meet required standards.

# MANAGEMENT DISCUSSION AND ANALYSIS

September 30, 2007

---

## Other

### Share Ownership Interest of Directors and Officers

As of November 15, 2007, the directors and officer of the Company own the common shares and options as follows:

Name	Common Shares	Options
Jonathan Challis, CEO and Director	944,000	900,000
Robert Boaz, Chairman and Director	-	400,000
Tony Wood, COO, CFO and Director	-	900,000
Gary German, Director	-	400,000
Jason Birmingham, Director	1,235,500	450,000
Mohan Vulimiri, Director	-	450,000
Etienne Walter, Director	-	350,000
Deborah Thiel, Officer	100,000	350,000

### Property Reports

The company's most recent property reports for the Macusani, Pilunani and Cullquimayo properties, prepared under national instrument 43-101 are available on [www.sedar.com](http://www.sedar.com).