

**NEW SAGE ENERGY CORP.**  
*(Formerly Consolidated New Sage Resources Ltd.)*

**MANAGEMENT DISCUSSION AND ANALYSIS**

**For the three and nine months ended December 31, 2007**

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The following discussion and analysis was prepared on February 19, 2008 and should be read in conjunction with the Company's financial statements and notes thereto for the three and nine months ended December 31, 2007 and the Company's annual financial statements and notes thereto for the years ended March 31, 2007 and 2006, all of which have been prepared in accordance with Canadian generally accepted accounting principles. All dollar amounts stated herein are expressed in Canadian dollars unless otherwise specified.

This Management Discussion and Analysis may contain certain forward-looking information, such as future plans. There can be no assurance that such statements will prove to be accurate and actual results could differ materially from those anticipated in such statements. Readers are cautioned not to place undue reliance on these forward-looking statements and information.

Further information is available on the SEDAR website at [www.sedar.com](http://www.sedar.com).

**Description of the business**

The Company was incorporated pursuant to the *Company Act* (British Columbia) by registration of its Memorandum and Articles on December 19, 1980 as Petro-Lux Energy Corporation; on September 7, 1982 the Company changed its name to Sage Resources Ltd. and reduced its authorized capital from 10,000,000 common shares without par value to 9,943,750 common shares without par value as a result of the return to treasury of 56,250 common shares; and on September 9, 1993, the Company increased its authorized share capital from 9,943,750 common shares to 20,000,000 common shares; on November 29, 1994, the Company increased its authorized share capital from 20,000,000 common shares to 50,000,000 common shares; effective August 6, 1996, the Company consolidated its authorized share capital on a 5:1 basis, increased its post-consolidated authorized share capital to 50,000,000 common shares and changed its name to New Sage Resources Ltd.; effective January 30, 2002, the Company consolidated its authorized share capital on a 2:1 basis, increased its post-consolidated authorized share capital to 100,000,000 common shares without par value and changed its name to Consolidated New Sage Resources Ltd. On October 24, 2003, the Company was continued under the Canada Business Corporations Act and increased its share capital to an unlimited number of common shares. On May 24, 2007 the Company changed its name to New Sage Energy Corp. and now trades on the TSX Venture Exchange under the symbol "NSG".

**Developments for the three months ended December 31, 2007**

On November 1, 2007, the Company announced that it had closed the third and final tranche of its previously announced non-brokered private placement through the issuance of 100,000 units at \$0.40 per unit for gross proceeds of \$40,000. In connection with this, the Company issued 50,000 common share purchase warrants entitling the holder to acquire one additional common share at a price of \$0.50 until October 30, 2009.

On November 14, 2007, the Company announced that it had finalized the terms of a joint venture agreement (the "Agreement"), with Americas Petrogas Inc. ("API"), a private Canadian oil and gas company focused on exploiting oil and gas business opportunities in South America. Under the initial terms of the Agreement, on June 15, 2007, the Company purchased 3,600,000 shares and 1,800,000 warrants of API at US\$0.50 per unit, for a total of US\$1,800,000. Final terms of the Agreement provided the Company with the right and option to farm in to projects held by API in the Neuquen Basin, Argentina, up to a maximum of 10% of API's interest. Discussions with respect to this opportunity are ongoing.

On November 9, 2007, Valverde Capital Corp. (TSX Venture:VLV.P) ("Valverde") announced that it has negotiated the general terms of a share exchange agreement to acquire all of the outstanding shares of API to complete a going public transaction by a reverse take over (the "Transaction"). The acquisition of API is intended to be Valverde's Qualifying Transaction under TSX Venture Exchange Policy 2.4. Under the terms of the share exchange agreement, the Board of Directors of API have agreed that Valverde will acquire all of the issued and outstanding shares of API in consideration of

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Valverde issuing 67,601,640 of its post consolidated common shares. In addition, Valverde will issue 24,305,450 share purchase warrants, 1,533,272 broker's warrants and 6,760,000 stock options to existing warrant and option holders of API entitling the holders, upon exercise thereof, to acquire one post consolidated common share of the new company on the same terms as existed with API. API is also currently negotiating a brokered private placement which is anticipated to close prior to the close of this Transaction. While there can be no absolute certainty as to the successful closure of such a financing, in the event of successful closure, the consideration payable by Valverde under the terms of the share exchange agreement will be adjusted accordingly. The existing share capital of Valverde will be consolidated on the basis of one new share for every two outstanding shares and the existing directors and officers of API will replace all of the existing directors and officers of Valverde.

API is a private Alberta company, with its head office in Calgary, focused on the acquisition, exploration and development of oil and gas properties in Latin America. Through its wholly owned Argentinean subsidiary, API has, through various joint venture agreements, acquired varying working interests, ranging from 40% to 75% in a number of concessions totaling approximately 1,367,543 acres in Argentina. National Instrument 51-101 reports by Chapman Petroleum Engineering Ltd. of Calgary, Alberta have or are currently being completed on API's material blocks and will be filed on SEDAR upon closing of the Transaction.

On December 20, 2007, the Company announced that it had closed an additional non-brokered private placement through the issuance of 2,285,714 units at \$0.35 per unit for gross proceeds of \$799,999.90. In connection with this, the Company issued 1,142,857 common share purchase warrants entitling the holder to acquire one additional common share at a price of \$0.50 until December 19, 2009.

During the three months ended December 31, 2007, 489,000 stock options were exercised at \$0.15 per share for gross proceeds of \$73,350.

During the three months ended December 31, 2007, 20,000 common share purchase warrants were exercised at \$0.105 per share for gross proceeds of \$2,100.

During the third quarter, the Company granted special bonuses totaling \$140,000 to directors and officers of the Company in connection with the completion of the various private placements throughout the nine month period ended December 31, 2007.

During the third quarter, the Company granted options to an officer of the Company to purchase up to 300,000 common shares of the Company at an exercise price of \$0.35 and valid until December 19, 2012. In addition, the Company cancelled 325,000 options, 125,000 of which were vested and 200,000 of which were unvested, which had previously been granted to two consultants to the Company.

**Developments subsequent to December 31, 2007:**

Subsequent to December 31, 2007, 100,000 stock options were exercised at \$0.15 per share and 50,000 stock options were exercised at \$0.25 per share for total gross proceeds of \$27,500.

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**Financial Analysis**

*Three month period ended December 31, 2007 compared to 2006*

	<b>Three Months Ended December 31,</b>	
	<b>2007</b>	<b>2006</b>
Accounting and audit fees	\$ 3,750	\$ 5,866
Consulting	165,307	—
Legal fees	—	2,900
Office and General	8,814	4,650
Regulatory Fees	469	(55)
Rent	8,490	7,400
Stock Based Compensation	38,022	22,788
Investor relations	3,404	—
Transfer agent	531	737
Travel and accommodation	—	3,501
Interest income	—	(4,015)
(Gain) loss on foreign exchange	(450)	1,591
Bank charges	243	—
Net Loss for Three Month Period	<u>\$ 228,580</u>	<u>\$ 45,363</u>

The loss for the quarter ended December 31, 2007 was \$228,580 or \$0.01 per share compared to \$45,363 or \$0.00 per share for the quarter ended December 31, 2006. The Company recorded stock-based compensation expense of \$38,022, related largely to the grant of 1,900,000 stock options on April 19, 2007 and the grant of 300,000 stock options on December 19, 2007, compared to \$22,788 in the three months ended December 31, 2006 related to the grant of 800,000 stock options in the first half of 2006. Consistent with the change in strategic direction of the Company, consulting fees incurred during the quarter ended December 31, 2007 include approximately \$145,000 owing to outside consultants for work done in connection with advancing the Company's new initiatives. The remainder relates to fees paid to senior management. Legal fees declined due to the cessation of services provided by a personal law corporation controlled by the previous Secretary of the Company. Office and general include the cost of various shared office services in the Toronto office compared with costs previously associated with the old office in British Columbia. Interest income was \$nil compared with \$4,015 during the same period in 2006 as there was no excess cash to invest compared with funds available for investment in the prior year raised through a private placement in the first quarter of 2006 and not immediately expended.

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Nine month period ended December 31, 2007 compared to 2006

	<b>Nine Months Ended December 31,</b>	
	<b>2007</b>	<b>2006</b>
Accounting and audit fees	\$ 23,949	\$ 22,754
Consulting	175,995	13,542
Legal fees	4,387	18,651
Office and General	16,581	8,545
Regulatory Fees	8,150	10,433
Rent	24,580	12,000
Stock Based Compensation	250,075	76,377
Investor relations	7,037	—
Transfer agent	8,659	3,928
Travel and accommodation	—	3,501
Interest income	(3,164)	(8,452)
(Gain) loss on foreign exchange	(2,111)	2,312
Bank charges	500	—
Net Loss for Nine Month Period	<u>\$ 514,638</u>	<u>\$ 163,591</u>

The loss for the nine months ended December 31, 2007 was \$514,638 or \$0.02 per share compared to \$163,591 or \$0.01 per share for the nine months ended December 31, 2006. The Company recorded stock-based compensation expense of \$250,075, related largely to the grant of 1,900,000 stock options on April 19, 2007 and 300,000 on December 19, 2007 compared to \$76,377 in the nine months ended December 31, 2006 related to the grant of 800,000 stock options in the first half of 2006. Consistent with the change in strategic direction of the Company, consulting fees incurred during the third quarter ended December 31, 2007 include approximately \$145,000 owing to outside consultants for work done in connection with advancing the Company's new initiatives. The remainder relates to fees paid to senior management. Legal fees declined significantly due to the cessation of services provided by a personal law corporation controlled by the previous Secretary of the Company. Office and general expenses and rent were higher than the same period last year associated with moving the head office to Toronto. Investor relations costs are primarily associated with advancing the new direction of the Company. Transfer agent fees were higher during the nine months ended December 31, 2007 as a result of fees associated with changing the name of the Company and certificate issue costs associated with a non-brokered private placement. Interest income of \$3,164 resulted from the temporary investment of funds raised during the first quarter of 2007 compared with \$8,452 during the same period in 2006 associated with funds raised through a private placement in the first quarter of 2006.

**Liquidity and Capital Resources**

Cash and Solvency

As at December 31, 2007, the Company had cash and cash equivalents of \$765,049 and working capital of \$518,532 compared with cash and cash equivalents of \$459,678 and a working capital balance of \$401,086 at March 31, 2007. As the Company has no sources of revenue other than a small amount of interest income, it will have to rely upon the sale of equity securities, including private placements, exercise of warrants, and exercise of options to provide funding for acquisition, exploration and development of its oil and gas or mineral interests, and for administrative expenses. In the immediate term, following the completion of a non-brokered private placement in December 2007, the Company plans to rely on existing cash balances as well as funds raised through the exercise of expiring stock options and warrants. While the Company does not preclude raising additional equity funds, it is not the intention at this time. As at February 19, 2007,

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there remains 6,742,500 share purchase warrants outstanding at \$0.105 which are deep in the money and expire June 5, 2008. If fully exercised, these warrants will raise gross proceeds of \$707,963. Further, the ultimate liquidity of the Company's long-term investment and opportunities or requirements under the joint venture agreement will dictate the medium and longer term liquidity outlook for the Company. It is anticipated that if the Transaction to take API public is successful, it will greatly enhance the potential liquidity of the Company's investment in API.

Operating Activities

Cash flow provided by operations in the quarter and used in operations in the nine month period ended December 31, 2007 was \$7,087 and \$78,749, respectively, compared to a use of funds of \$19,740 and \$108,827 in the quarter and nine month period ended December 31, 2006, respectively.

Investing Activities

On June 15, 2007, the Company entered into a joint venture with a private Canadian oil and gas company focused on exploiting oil and gas business opportunities in South America. Under the terms of the joint venture agreement, which has yet to take effect, the Company purchased 3,600,000 shares of the private company at US\$0.50 per share for a total of US\$1,800,000 and has the option to earn up to a 10% interest in the projects held by the private company. There were no investing activities undertaken during the second quarter of 2007 or in 2006.

Financing Activities

Cash provided by financing activities in the three month period ended December 31, 2007 amounted to \$735,450 compared to cash provided by financing activities of \$63,937 in the same quarter of the prior year. Cash provided by financing activities in the nine month period ended December 31, 2007 amounted to \$2,315,029 compared to cash provided by financing activities of \$572,488 in the same nine month period of the prior year.

On June 22, 2007, the Company closed the first tranche of a private placement consisting of 3,397,500 units at \$0.40 per unit for total proceeds of \$1,359,000. On August 29, 2007, the Company closed the second tranche of the private placement consisting of 455,000 units at \$0.40 per unit for total proceeds of \$182,000 and on October 30, 2007, the Company closed the third and final tranche of this private placement consisting of 100,000 units at \$0.40 per unit for total proceeds of \$40,000. In all, the Company placed 3,952,500 units at \$0.40 per unit for total gross proceeds of \$1,581,000. Each unit consisted of one common share and one half of one common share purchase warrant. Each whole warrant entitles the holder to purchase one additional common share at \$0.50 until June 21, 2009 on the first tranche, August 28, 2009 on the second tranche and October 30, 2009 on the third tranche. A commission of \$7,000 was paid in connection with the final closing of this private placement.

On December 19, 2007, the Company closed a private placement consisting of 2,285,714 units at \$0.35 per unit for total proceeds of \$800,000. Each unit consisted of one common share and one half of one common share purchase warrant. Each whole warrant entitles the holder to purchase one additional common share at \$0.50 until December 19, 2009.

On December 19, 2007, the Company granted special bonuses totaling \$140,000 to five officers and directors of the Company in connection with their work related to the Company's financings during the nine month period ended December 31, 2007. These amounts have been recorded as share issue costs.

This compared to the nine months ended December 31, 2006, during which the Company received \$560,000 net of share issue costs of \$4,500 from a private placement for 7,000,000 units at \$0.08 per unit. Each unit consisted of one share and one share purchase warrant entitling the holder to purchase one additional common share at \$0.105 until June 8, 2008. The

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Company also issued 93,750 shares as a finders' fee.

During the three and nine month periods ended December 31, 2007, the Company received \$2,100 and \$23,100, respectively from the exercise of 20,000 and 220,000 warrants at \$0.105 per share. During the three and nine month periods ended December 31, 2006, the Company received \$3,937 from the exercise of 37,500 warrants at \$0.105 per share.

During the three and nine month periods ended December 31, 2007, the Company received \$73,350 and \$74,850, respectively from the exercise of 489,000 and 499,000 options at \$0.15 per share. During the three and nine month periods ended December 31, 2006, the Company received \$60,000 and \$62,250, respectively from the exercise of 400,000 and 415,000 options at \$0.15 per share.

Funds received by the Company from trust for the first tranche of the non-brokered private placement contained an additional \$20,625 remitted to the Company in error. This amount was repaid from funds received from the second tranche of the non-brokered private placement during the quarter ended December 31, 2007.

During the quarter ended June 30, 2006, the Company repaid promissory notes and interest payable of \$49,199 owing to other parties related to the Company.

**Mineral Properties - Seppelt Project**

During the fourth quarter of the prior fiscal year, the Company wrote-off the remaining deferred costs of the Seppelt Project to \$nil due to the Company's new business direction.

**Caution regarding Mineral Properties**

The Company is in the process of exploring its resource properties and has not yet determined whether the properties contain minerals or mineral reserves that are economically recoverable. The recoverability of the amounts shown for resource properties and any related deferred costs is dependent on the existence of economically recoverable mineral reserves, the ability of the Company to obtain the necessary financing to complete the development and future profitable production from the properties or proceeds from the disposition thereof.

**Related Party Transactions**

Legal fees of \$nil were incurred in the three month period ended December 31, 2007 (2006 - \$2,900) with a law firm in which a personal law corporation controlled by the then corporate secretary of the Company is a principal. These legal fees were \$4,387 for the nine month period ended December 31, 2007 (2006 - \$18,651).

The Company shares its premises with another company with common directors. The Company reimburses the related company for its proportional share of expenses.

During the quarter ended December 31, 2007, an officer of the Company was granted options to purchase up to 300,000 common shares of the Company at \$0.35 per share (2006 – nil).

**Changes in Accounting Policies and Recent Accounting Pronouncements**

Effective April 1, 2007, the Company adopted three new accounting standards issued by the Canadian Institute of Chartered Accountants ("CICA") in 2005: Handbook Section 3855, Financial Instruments – Recognition and Measurement, Handbook Section 1530, Comprehensive Income and Handbook Section 3865, Hedges. The new standards and accounting policy changes are as follows:

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

This standard prescribes when a financial asset, financial liability, or non-financial derivative is to be recognized on the balance sheet and whether fair value or cost-based methods are used to measure the recorded amounts. It also specifies how financial instrument gains and losses are to be presented. All derivatives are recorded on the balance sheet at fair value. Mark-to-market adjustments on these instruments are included in net income, unless the instruments are designated as part of a cash flow hedge relationship.

All other financial instruments will be recorded at cost or amortized cost, subject to impairment reviews. The criteria for assessing other than temporary impairment remain unchanged. Transaction costs incurred to acquire financial instruments are included in the underlying balance. Regular-way purchases and sales of financial assets are accounted for on the trade date.

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

This standard requires the presentation of a statement of comprehensive income and its components. Comprehensive income includes both net earnings and other comprehensive income. Other comprehensive income includes holding gains and losses on available for sale investments, gains and losses on certain derivative instruments and foreign currency gains and losses relating to self-sustaining foreign operations, all of which are not included in the calculation of net earnings until the period that the related asset or liability affects income.

For the period ended December 31, 2007, the Company did not have other comprehensive income or loss, therefore the comprehensive loss for the period is equal to the net loss for the period.

**Hedges (CICA Handbook Section 3865)**

This standard is applicable when a company chooses to designate a hedging relationship for accounting purposes. It builds on the previous AcG-13 "Hedging Relationships" and Section 1650 "Foreign Currency Translation", by specifying how hedge accounting is applied and what disclosures are necessary when it is applied. The Company currently does not have any instruments that are covered in this standard.

The Company has determined that the adoption of these new policies had no material impact on its consolidated financial statements and determined that no adjustments are required for the period ended December 31, 2007.

**Equity (CICA Handbook Section 3251)**

Effective April 1, 2007, the Company adopted the new recommendations of CICA Handbook Section 3251, "Equity" prospectively. This standard establishes requirements for the presentation of equity and changes in equity during the reporting period.

**Accounting Changes (CICA Handbook Section 1506)**

In July 2006, the CICA reissued Handbook Section 1506 "Accounting Changes" which is effective for fiscal years beginning on or after January 1, 2007. Under this standard, voluntary changes in accounting policy are only made when they result in the financial statements providing more reliable and more relevant information. Changes in accounting policy are applied retrospectively unless doing so is impracticable or the change in accounting policy is made on initial application of a primary source of GAAP. A change in accounting estimate is generally recognized prospectively and material prior period errors are amended through restatements. New disclosures are required in respect of such accounting changes. The impact that the adoption of Section 1506 will have on the Company's results of operations and financial condition will

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depend on the nature of future accounting changes.

**Recent pronouncements**

- (i) In February 2007, the CICA issued Section 1535, “Capital Disclosures” which is effective for fiscal years beginning on or after October 1, 2007. This standard requires disclosure of information that enables users of its financial statements to evaluate the entity’s objectives, policies and processes for managing capital. The Company will adopt this standard for the fiscal year commencing April 1, 2008. The Company does not expect the adoption of this standard to have a significant effect on its financial statements.
- (ii) In February 2007, the CICA issued Section 3862 “Financial Instruments – Disclosure” and Section 3863 “Financial Instruments – Presentation”, which are effective for fiscal years beginning on or after October 1, 2007. The objective of Section 3862 is to provide financial statement disclosure to enable users to evaluate the significance of financial instruments for the Company’s financial position and performance and the nature and extent of risks arising from financial instruments that the Company is exposed to during the reporting period and the balance sheet date and how the Company is managing those risks. The purpose of Section 3863 is to enhance the financial statement user’s understanding of the significance of financial instruments to the Company’s financial position, performance and cash flows. The Company will adopt this standard for the fiscal year commencing April 1, 2008.
- (iii) May 2007, the CICA issued new Handbook Section 3031, “Inventories”, that supersedes Handbook Section 3030 to converge Canadian standards with IAS 2, Inventories. This standard provides guidance on the determination of cost and its subsequent recognition as an expense, including any write-downs to net realizable value. It also provides guidance on the cost formulas that are used to assign costs to inventories and allows for the reversals of write-downs when there is a subsequent increase in the value of inventories. Disclosure requirements will include the Company’s policies, carrying amounts, amounts recognized as an expense, write-downs and subsequent reversal of write-downs. This standard is effective for fiscal years beginning on or after January 1, 2008. The Company will adopt this standard for the fiscal year commencing April 1, 2008 and is currently assessing the impact that this standard will have on the Company’s financial statements, if any.

**Outstanding Share Data**

As at December 31, 2007 there were 26,812,478 common shares outstanding. There were also 100,000 stock options outstanding to purchase shares at \$0.15 per share expiring on February 13, 2009; 500,000 outstanding to purchase shares at \$0.14, expiring June 8, 2011; 300,000 outstanding to purchase shares at \$0.18 expiring July 12, 2011; 1,575,000 outstanding to purchase shares at \$0.25 expiring April 19, 2012 and 300,000 outstanding to purchase shares at \$0.35 expiring December 19, 2012. The Company also has 6,742,500 warrants outstanding to purchase shares at \$0.105 expiring June 5, 2008; 1,698,750 warrants outstanding to purchase shares at \$0.50 expiring June 21, 2009; 227,500 warrants outstanding to purchase shares at \$0.50 expiring August 28, 2009; 50,000 warrants outstanding to purchase shares at \$0.50 expiring October 30, 2009 and 1,142,857 warrants outstanding to purchase shares at \$0.50 expiring December 19, 2009.

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**Selected Quarterly Financial Information**

The following table summarizes information derived from the Company's financial statements for each of the eight most recently completed quarters:

<b>Quarter Ended: Year:</b>	<b>Dec 31 2007</b>	<b>Sept 30 2007</b>	<b>June 30 2007</b>	<b>Mar 31 2007</b>	<b>Dec 31 2006</b>	<b>Sept 30 2006</b>	<b>June 30 2006</b>	<b>Mar 31 2006</b>
Total Revenues	\$ —	\$ —	\$ 3,164	\$ 4,096	\$ 4,015	\$ 4,197	\$ 240	\$ —
Loss in total	\$ 228,580	\$ 112,287	\$ 173,771	\$ 324,411	\$ 45,363	\$ 65,846	\$ 52,382	\$ 16,606
Per share basis <sup>(1)</sup>	\$ 0.01	\$ 0.00	\$ 0.01	\$ 0.02	\$ 0.00	\$ 0.00	\$ 0.01	\$ 0.00

<sup>(1)</sup> Fully diluted loss per share amounts have not been calculated as they would be anti-dilutive

The fluctuations in quarterly losses were primarily due to the following:

- The December 2007 loss was primarily the result of fees owing to outside consultants of approximately \$145,000 for work done in connection with advancing the Company's new initiatives and stock-based compensation expense of \$38,022.
- The September 2007 loss was primarily the result of stock-based compensation expense of \$73,250 in addition to general and administrative amounts.
- The June 2007 loss was primarily the result of stock based-compensation expense of \$138,803 in addition to general and administrative amounts.
- The higher loss in the March, 2007 quarter was due to the \$300,000 write-off of mineral property costs.
- The December, 2006 loss was lower than September due to consulting fees and higher regulatory fees incurred in the prior quarter.
- The September, 2006 loss was higher than the June quarter due to higher stock-based compensation expense, consulting fees and higher rent expense.
- The June, 2006 loss was higher than the previous quarter due to higher stock-based compensation expense, and completion of the audited financials, annual general meeting materials, regulatory fees, and other related costs.

**Trends, Risks and Uncertainties**

The Company may operate outside of Canada which gives rise to risks from changes in foreign exchange rates. The Company is exposed to fluctuations in world commodity prices, over which it has no control. Lower prices could reduce the value of the Company's investment or cause the Company to discontinue exploration of its properties, and could make it difficult to raise funds.

The Company has invested in a private company which intends to go public by virtue of being acquired by Valverde Capital Corp. ("Valverde") as announced by Valverde on November 9, 2007. There is no guarantee that the Transaction proposed by Valverde will ultimately be completed or that the Company will ultimately recover the value of its investment in API. There is also no guarantee that API will be successful in acquiring and developing projects that will ultimately be profitable to its investors.

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**Investor Relations**

No investor relations firms were retained by the Company during the period ended December 31, 2007.

**Evaluation of Disclosure Controls and Procedures**

As required by Multilateral Instrument 52-109, the Company has established disclosure controls and procedures for the timely and accurate preparation of financial and other reports. The Company's certifying officers have concluded, based upon their evaluation as of December 31, 2007, that the design and operation of these disclosure controls and procedures are adequate and effective in providing reasonable assurance that material information related to the Company is made known to them by employees or third party consultants working for the Company.

In reaching this conclusion, the Company recognizes that two key factors must be and are present:

- (i) the Company is dependent upon its advisors and consultants to assist in recognizing, interpreting, understanding and complying with the various securities regulations and disclosure requirements; and
- (ii) an active Board and management with open lines of communication

The Company has a small staff with varying degrees of knowledge concerning the various regulatory disclosure requirements. The Company is not of a sufficient size nor does it possess the financial resources to internally maintain specialists in this area. As a result, the Company must rely upon the assistance of its advisors and consultants and as such, they form a part of the disclosure controls and procedures.

In addition to being aware of the disclosure requirements, proper disclosure also necessitates sufficient involvement in the affairs of the Company such that information is communicated and received to allow the assessment of any necessary disclosure requirements. Accordingly, it is essential that there be effective communication among those individuals who manage and govern the affairs of the Company, principally the Board of Directors and senior management. The Company believes this communication exists.

It should be noted that while the Company's certifying officers believe that the disclosure controls and procedures will 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. In addition, lapses in the disclosure controls could occur and/or mistakes could happen. Should this occur, the Company will take the appropriate actions necessary to immediately rectify the deficiency.

**Corporate**

The Company held its Annual General Meeting on August 29, 2007. At this meeting, among other business, Messrs. John Carlesso, John Varghese, Anthony Wonnacott and Antonio Ortuzar Jr. were elected directors and the auditors were re-appointed. Messrs. Clayton Dodd and Hugh Squair did not stand for re-election. In addition, it is the Company's intent to replace its current fixed stock option plan with a rolling stock option plan, under which the Company is authorized to grant stock options up to 10% of its issued and outstanding common shares at the time of the stock option grant, from time to time, with no vesting provisions. While the Company did obtain shareholder approval to adopt the new rolling stock option plan, as at December 31, 2007 and currently, the Company continues to operate under the existing fixed stock option plan until such time as management makes the required filings with the TSX Venture Exchange to formally adopt the new plan. As at February 19, 2007, the number of options outstanding is less than 10% of the Company's outstanding shares.

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**FOR THE THREE AND NINE MONTHS ENDED DECEMBER 31, 2007**

**Subsequent Events**

Subsequent to December 31, 2007, 100,000 options were exercised at \$0.15 per share and 50,000 options were exercised at \$0.25 per share for total proceeds of \$27,500.

**Approval**

The Board of directors of the Company has approved this Management Discussion and Analysis. Additional information is available on the SEDAR website at [www.sedar.com](http://www.sedar.com).