DIADEM RESOURCES LTD.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

MAY 31, 2008

The following is Management's Discussion and Analysis ("MDA") of the financial condition and results of operations to enable a reader to assess material changes in financial condition and results of operations for the year ended May 31, 2008. This MDA has been prepared as at September 29, 2008, unless otherwise indicated. This MDA is intended to supplement and complement the financial statements and notes thereto for the period ended May 31, 2008. All amounts are expressed in Canadian dollars unless otherwise indicated.

Overview

Diadem Resources Ltd. is focused on acquiring near-production mining opportunities in North America, especially those related to diamonds and gold. Currently, its principal activity is diamond exploration in the Franklin Bay area within the Inuvialuit Settlement Region of the Northwest Territories. On that project Diadem now has identified 28 specific exploration targets on the Parry Peninsula, which currently constitutes most of the Franklin Bay project area. A ground magnetic survey has just been completed and diamond drilling is planned to evaluate these and other targets.

Selected Financial Information

Canadian dollars , except share amounts	2008 $	2007 $	2006 $
Cash	**6,438**	592,007	262,756
Mineral interests	**3,851,614**	2,760,573	2,788,881
Total assets	**3,901,356**	3,459,242	3,081,951
Working capital (deficiency)	**(1,529,684)**	209,530	(271,139)
Cash used in operations	**(127,731)**	(722,326)	(352,257)
Common Shares issued for cash	**-**	2,856,052	-
Common Shares outstanding	**18,944,647**	18,944,647	9,679,394
Revenue	**6,628**	65,984	87,496
Cost of operations	**659,539**	2,618,398	1,369,092
Net loss	**(1,409,765)**	(1,532,728)	(738,351)
Net loss per share- basic and diluted	**(0.07)**	(0.10)	(0.08)

Selected Quarterly Information

2008	Q1 $	Q2 $	Q3 $	Q4 $
Revenues	4,406	1,882	112	228
Expenses	154,122	133,612	84,158	287,647
Net income (loss)	(149,716)	(131,730)	(832,472)	(295,847)
Basic and fully diluted income {loss} per share (Note)	(0.01)	(0.01)	(0.04)	(0.02)

2007	Q1 $	Q2 $	Q3 $	Q4 $
Revenues	1,726	3,850	9,927	50,481
Expenses	142,562	118,946	216,285	2,140,605
Net income (loss)	(140,835)	(115,096)	813,328	(2,090,125)
Basic and fully diluted income {loss} per share (Note)	(0.01)	(0.01)	0.04	(0.11)

Results of Operations

General corporate costs were $300,328 during 2008 compared to $513,847 during 2007, excluding the effect of stock-based compensation. The decrease results principally from the elimination of financial advisory fees paid to two directors during 2007, a $35,499 reduction in management compensation and a decrease in shareholder relations costs of $10,065. The investor relations function was eliminated during 2006. Salaries, excluding the effect of stock-based compensation, approximate 65% (2007-45%) of general corporate costs. The Company recognised $2,710 (2007-$8,593) in non-cash stock-based compensation. There were no new grants of stock options during 2008 and 2007. At year end, all previous grants of stock options had been amortized to the statement of operations.

Interest costs totalled $340,820 during fiscal 2008 (2007-$94,265). Interest costs increased as a consequence of the imposition of Part XII.6 tax and penalties aggregating $333,591 (2007-$88,920) on unexpended Canadian exploration expenditures for flow-through purposes. In addition, the Company incurred $7,109 in interest on a $100,000 loan from Darnley Bay Resources in respect of payments to the Inuvialuit Regional Corporation and $120 in other interest charges.

During fiscal 2007, the Company issued 7,876,403 flow-through shares for proceeds of $2,823,053. During February 2007, the Company renounced the equivalent expenditure to its investors and recognized a non-cash future income tax recovery of $1,019,686 (2006-$543,245). During 2008, Diadem did not incur sufficient CEE during calendar 2007 to fully satisfy its flow-through commitments. The reversal of a previously recognized future income tax asset resulted in a charge to the statement of operations in the amount of $756,854 during the year ended May 31, 2008 with an offsetting credit to deficit as a reduction of financing finance cost previously associated with the flow-through share issue.

At May 31, 2008, the Company had provided a valuation allowance of $5,021,000 (2007-$5,338,000) against future tax assets. As a consequence of issuing flow-through shares the Company created taxable temporary differences which can be reduced by previously unrecognized future tax assets. The recognition of the previously unrecognized future income tax asset results in a credit to the statement of operations with an offsetting charge to deficit as a cost of financing the flow-through share issue.

During fiscal 2008, other income decreased to $6,628 from $65,984 realized during fiscal 2007. Effective May 31, 2007, Diadem sold its investment in 20% of the common shares of Belitung Limited to the former Chairman in settlement of a $44,000 claim for prior services rendered while still a director of Diadem but subsequent to the aforementioned transfer of assets. After deducting the cost basis for the shares, the Company recorded a net gain of $43,989 on disposal of this investment.

During the year ended May 31, 2008, Diadem spent $Nil (2007-$1,787,742) on exploration of the Duquesne West gold project. The gold resource base was increased nominally but not sufficiently to justify continued exploration and development of the project. Consequently, the Company decided to write off the $1,857,108 carrying value of its investment in the project. During 2007, the Company elected not to renew certain exploration permits held in respect of Franklin project prospects south of the 68th parallel and allowed the permits to lapse. The Company wrote off the $144,585 carrying value attributable to the exploration permits.

As a result of its activities, the Company recorded a net loss, before recovery of future income taxes and write-down of mineral interests, of $637,230 during fiscal 2008 compared to a loss of $550,721 during fiscal 2007.

After reversal of future income taxes (2007-recovery) and write-down of mineral interests, the Company recorded a net loss of $1,409,765 or $0.07 per share during fiscal 2008 compared to a net loss of $1,532,728 or $0.10 per share during fiscal 2007.

Capital Resources and Liquidity

The consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles and on the assumption that Diadem will be able to realize the carrying value of its assets and discharge its liabilities in the normal course of business as a going concern.

There is uncertainty about the Company's ability to realize the carrying value of its assets and discharge its liabilities as they come due. The ability of the Company to continue as a going concern is dependent upon, among other things, being able to obtain additional financing and reach positive cash flows from operations.

There is no assurance the Company can continue to finance its operations through the capital markets. Further, the Company needs to fund its administrative activities which constitute non-flow-through expenditures and is actively seeking funding of these expenditures.

The Company has reported significant losses for several years and has no mining operations and is, therefore, considered an exploration stage company. For the year ended May 31, 2007, the Company incurred negative operating cash flow. Operating cash flow for 2008 was positive solely as a result of reliance on suppliers to perform work on the promise of payment. Accounts payable includes fees and expenses payable to officers and directors of the Company in the aggregate amount of $156,888. No officer of the Company has been paid since October, 2007.

At May 31, 2008, the Company had a working capital deficiency of $1,529,684.

Contingent tax liability

As at December 31, 2007, Diadem was unable to satisfy approximately $2,095,000 in flow-through funding pursuant to private placements for which flow-through proceeds had been received during 2006 and renounced to the subscribers with an effective date of December 31, 2006. In order to address the impact on subscribers to the Company's 2006 flow-through financings, the Company proposes to seek to enter into agreements with the affected subscribers to satisfy the indemnity provisions of the original subscription agreements.

Since the Company did not meet flow-through share expenditure requirements agreed to through various subscription agreements entered into during 2006, the Company has amended the renunciations provided to subscribers of these shares. The Company has accrued all penalties and interest charges related to this matter that could be reasonably estimated; however, the subscription agreements provided certain indemnities for certain amounts that will become payable by the subscribers upon reassessment of their personal tax returns with the amended and reduced renunciations. The contingent liability that may be created by this indemnity will depend on various items, including each individual subscriber's personal tax situation, and cannot therefore be reasonably estimated.

Status of Joint Venture with Darnley Bay Resources Limited

On November 29, 2007, the Company and Darnley Bay Resources Limited ("DBR") entered into an amending agreement providing for an extension to June 30, 2008 of the period during which Diadem may earn-in to a 50% interest in the Franklin Project. To satisfy Diadem's 50% earn-in requirement it was required to incur expenditures aggregating $1.0 million during the period from September 1, 2007 through June 30, 2008. This expenditure requirement was satisfied by June 30, 2008.

Now that Diadem has satisfied its earn-in requirements, DBR will be required to carry its 50% pro rata share of on-going exploration and development costs or suffer dilution of its interest. Under the amended agreement, Diadem will advance $1.0 million to subsequent Franklin Project programs on behalf of DBR and DBR will not have to contribute the first $1.0 million of its 50% share of costs. If Diadem advances the $1.0 million, DBR will repay such advance, without interest, out of its share of production from a diamond mine on the Franklin Project.

If a decision is made to carry out a feasibility study for a diamond mine, Diadem has the right to fund the study and, if the property is advanced to commercial production, Diadem's 50% interest will increase to 75% and DBR's interest will decrease to 25%.

Funding

During July 2006, the Company placed 1,813,454 flow-through common shares at a price of $0.42 per share for gross proceeds of $761,650.

During November 2006, the Company placed 4,767,654 Units at a price of $0.34 per Unit for aggregate gross proceeds of $1,621,002. Each Unit consisted of one flow-through common share and one common share purchase warrant. Each common share purchase warrant entitles the holder to purchase one additional common share for a period of one year with an exercise price of $0.45 per share and thereafter at an exercise price of $0.60 per share for the period ending 24 months from the date of issuance. The gross proceeds were prorated to capital stock and warrants based on the relative fair value of each component, as follows: capital stock - $1,251,199; warrants - $369,403. A total of $81,050 in cash commissions was paid and 381,412 non-flow-through broker warrants were issued, exercisable for a period of one year with an exercise price of $0.45 per share and thereafter at an exercise price of $0.60 per share for the period ending 24 months from the date of issuance. The broker warrants were valued at $39,173. The fair values of the warrants and broker warrants were estimated using the Black-Scholes option-pricing model with the following weighted average assumptions: expected dividend yield of 0%, expected stock volatility of 100%, risk-free interest rate of 4.18% and an expected warrant life of 2 years.

During December 2006, the Company placed 1,295,295 Units at a price of $0.34 per Unit for gross proceeds of $440,400. Each Unit consisted of one flow-through common share and one common share purchase warrant. Each common share purchase warrant entitles the holder to purchase one additional common share for a period of one year with an exercise price of $0.45 per share and thereafter at an exercise price of $0.60 per share for the period ending 24 months from the date of issuance. The gross proceeds were prorated to capital stock and warrants based on the relative fair value of each component, as follows: capital stock - $305,177; warrants - $135,223.

The effect of credit market turmoil in the United States has affected the ability of junior mining companies, in Canada, to finance their continuing operations. In particular, Diadem needs to raise “hard” non-flow-through funds to pay its recorded and contingent liabilities. There is no assurance that the Company will be able to raise sufficient capital to satisfy its obligations.

Issued Common Shares

At September 29, 2008, there were 18,944,647 shares issued and outstanding. In addition there were 131,250 employee stock options exercisable at an average price of $1.69 per share and 5,209,061 warrants exercisable at a price of $0.60 per share.

The Company considers in its management of capital all components included in shareholders’ equity plus accounts payable. Its objectives are to ensure that the Company will continue to operate as a going concern in order to pursue development of its Franklin Property as well as to maintain a flexible capital structure which optimizes the cost of capital at an acceptable risk.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue shares, seek debt financing, or acquire or dispose of assets. The Company, on approval from the Board of Directors, will make changes to its capital structure as deemed appropriate under specific circumstances.

Exploration Programs

	Balance May 31, 2007	Additions	Write-downs	Balance May 31, 2008
	$	$	$	$
Acquisition costs				
Franklin Project, Northwest Territories	1,142,696	-	-	1,142,696
	1,142,696	-	-	1,142,696
Deferred exploration costs				
Franklin Project, Northwest Territories	1,617,877	1,091,041	-	2,708,918
	1,617,877	1,091,041	-	2,708,918
	2,760,573	1,091,041	-	3,851,614

Franklin Project

Effective November 26, 2003, the Company entered into an agreement to form a joint venture (“Franklin Project”) with DBR for diamond exploration in an area near Paulatuk in the Northwest Territories.

On November 29, 2007, the Company and DBR entered into an amending agreement providing for an extension to June 30, 2008 of the period during which Diadem may earn-in to a 50% interest in the Franklin Project. To satisfy Diadem's 50% earn-in requirement it was required to incur expenditures aggregating $1.0 million during the period from September 1, 2007 through June 30, 2008. This expenditure requirement was satisfied by June 30, 2008.

Now that Diadem has satisfied its earn-in requirements , DBR will be required to carry its 50% pro rata share of on-going exploration and development costs or suffer dilution of its interest. Under the amended agreement, Diadem will advance $1.0 million to subsequent Franklin Project programs on behalf of DBR and DBR will not have to contribute the first $1.0 million of its 50% share of costs. If Diadem advances the $1.0 million, DBR will repay such advance, without interest, out of its share of production from a diamond mine on the Franklin Project.

If a decision is made to carry out a feasibility study for a diamond mine, Diadem has the right to fund the study and, if the property is advanced to commercial production, Diadem's 50% interest will increase to 75% and DBR's interest will decrease to 25%.

Diadem is formulating a diamond drill program to test a number of ground magnetic anomalies believed to be reflecting underlying, diamond-bearing, kimberlite pipes. This drill program is expected to commence in the spring of 2009, assuming all required permits are received and adequate financing is obtained.

Duquesne Project

On April 18, 2006, Diadem entered into an option agreement to acquire a 50% vested interest and the right to increase the vested interest to 57.5% in the Duquesne West project ("Project") north of Rouyn-Noranda, Quebec. The option agreement was with Jack Stoch Geoconsultant Services Inc. ("Vendor") and Globex Mining Enterprises Inc. ("Globex").

The option agreement became effective July 17, 2006. Under the agreement, Diadem could earn a 50% fully vested interest in the Project by spending $6,000,000 over three years on exploration and development, of which $1,000,000 was to be spent by June 30, 2007, an additional $2,000,000 was to be spent by June 30, 2008 and an additional $3,000,000 was to be spent by June 30, 2009. Diadem made initial cash payments to the Vendor of $225,000, and issued to the vendor 1,250,000 Diadem common shares valued at $338,750 based on the quoted, closing market price of the Company's shares on the day of closing the agreement.

During May 2007, the Company elected not to proceed further with the project, allowed the option to lapse and wrote-off the carrying value of the project.

Critical Accounting Policies and Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in Canada requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and reported amounts revenue and expenditures during the reporting period.

The financial statements follow the same accounting policies and methods set forth in the Company's audited financial statements as at and for the year ending May 31, 2007, except as noted below.

Capital Disclosure and Financial Instruments-Disclosure and Presentation

On December 1, 2006, the Canadian Institute of Chartered Accountants ("CICA") issued three new accounting standards: Handbook Section 1535-Capital Disclosures; Handbook Section 3862-Financial Instruments-Disclosure; and Handbook Section 3863-Financial Instruments-Presentation. These new accounting standards are effective for interim and annual financial statements for reporting periods beginning January 1, 2008.

Handbook Section 1535 specifies the disclosure of (i) an entity's objectives, policies and processes for managing capital; (ii) qualitative data concerning what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance.

Handbook Sections 3862 and 3863 replace Handbook Section 3861-Financial Instruments-Disclosure and Presentation, revising and enhancing disclosure requirements for financial instruments and carrying forward, unchanged, its presentation requirements. These new Handbook Sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks. The Company is assessing the impact of these accounting standards on its financial statements.

On February 13, 2008, the Financial Accounting Standards Board confirmed that publicly accountable entities will be required to prepare financial statements in accordance with International Financial Reporting Standards ("IFRS") for interim and annual financial statements for fiscal years beginning on or after January 1, 2011. The Company is assessing the impact of the conversion from Canadian generally accepted accounting principles to IFRS on the financial statements and will develop a conversion implementation plan.

Disclosure Controls and Procedures

Management is responsible for the information disclosed in this management's discussion and analysis and has in place the appropriate information systems, procedures and controls to ensure that information used internally by management and disclosed externally is, in all material respects, complete and reliable. The Company has three officers, the Chief Executive Officer, the Chief Financial Officer, the Corporate Secretary and no employees. The involvement of these officers in all aspects of the design and operation of disclosure controls and procedures was effective as at and for the year ended May 31, 2008 and provides reasonable assurance that all material information relating to the Company is disclosed. The audit committee is actively involved in quarterly reviews and is comprised of three independent directors.

The Company evaluated the design of its internal controls and procedures over financial reporting as defined under Multilateral Instrument 52-109 for the year ended May 31, 2008. Based on this evaluation, management has concluded that the design of these internal controls and procedures over financial reporting was effective.

There were no changes in the operation of disclosure controls and procedures during 2008.

Financial Instruments

Canadian generally accepted accounting principles require that the Company disclose information about the fair value of its financial assets and liabilities effective for financial years commencing on or after October 1, 2007. Fair value estimates are made at the balance sheet date based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties in significant matters of judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect these estimates.

The carrying amounts for sundry receivables and accounts payable and accrued liabilities on the balance sheet approximate fair value because of the limited term of these instruments.

Related Party Information

At May 31, 2008, due from related parties includes $4,504 (2007-$3,746) due from a corporation over which the Chairman has direction and control. The expenses were incurred on behalf of the related party and in respect of its regulatory filings. The amount was collected subsequent to May 31, 2008. At May 31, 2007, due from related parties includes $707 from a corporation over which a former director exercised control and direction. The receivable resulted from mailing expenses incurred on behalf of the related party and was collected during the year ended May 31, 2008.

Included in accounts payable and accrued liabilities is $71,888 due to two directors in their capacity of overseeing the Franklin exploration program (2007-$12,040 due to one director). In addition, at May 31, 2008 $75,000 was payable to the Chairman of the Company in respect of administrative services (2007-$Nil) and $10,000 as a loan to cover the cost of certain expenditures incurred by the Company in the ordinary course of business. The cost of services rendered to the Company, directly and indirectly, by these three directors was $171,763 (2007-$312,847) during 2008. These related party transactions are in the normal course of business and are measured at the exchange amount which is the amount of consideration established and agreed to by the related parties.

During fiscal 2007, directors and officers of the Company subscribed for 808,726 common shares of Diadem for gross proceeds of $309,900 pursuant to the private placements described in notes 6(b) and 6(c) to the financial statements.

Risks

The Company's assets are subject to the risk of increases in taxes and royalties, renegotiation of contracts and currency exchange fluctuations. Operational risks include finding and developing economic ore reserves. Financial risks include interest and U.S. dollar exchange rates, which are beyond the control of the Company. The ability of the Company to develop its properties and the future profitability of the Company are directly related to the market price of exploited minerals and metals. The Company is subject to various regulatory risks, many of which also are beyond the control of the Company.

The Company is considered to be in the development stage and has not yet recorded any revenues from its mining operations nor has the Company commenced commercial production on any of its properties. There can be no assurance that the Company will generate any revenues or that the assumed levels of expenses will prove to be accurate.

The Company expects to incur losses unless and until such time as its properties enter into commercial production and generate sufficient revenues to fund its continuing operations. The development of the Company's properties will require substantial resources to complete the development of its properties. There can be no assurance that significant losses will not occur in the near future or that the Company will be profitable in the future. The Company's operating expenses and capital expenditures may increase in subsequent years as needed consultants, personnel and equipment associated with advancing exploration, development and commercial production of its properties are added. The amounts and timing of expenditures will depend on the progress of on-going development, the results of consultants' analyses and recommendations, the rate at which operating losses are incurred, the execution of any joint venture agreements with strategic partners, the Company's acquisition of additional properties and other factors, many of which are beyond the Company's control.

The Company's vulnerability to changes in metal prices may cause its share price to be volatile and may affect the Company's operations and financial results.

The Company's primary source of revenue will be the sale of diamonds. Accordingly, changes in the market price of diamonds will significantly impact the Company's profitability and share price. The Company's financial results will be very sensitive to external economic factors related to the price of diamonds. A major risk will arise if there is a prolonged period of lower diamond prices. Many factors beyond the Company's control influence the market price of diamonds. These factors include: global supply and demand; availability and costs of substitutes; speculative activities; international political and economic conditions; and production levels and costs in other gold-producing countries.

The Company is subject to extensive environmental legislation and the costs of complying with these regulations may be significant. Changes in environmental legislation could increase the costs of complying with applicable regulations and reduce levels of production.

Environmental legislation relating to land, air and water affects nearly all aspects of the Company's operations. This legislation requires the Company to obtain various operating licenses and also imposes standards and controls on activities relating to exploration, development and production of gold and other precious metals. The cost of obtaining operating licenses and abiding by standards and controls on its activities may be significant. Further, if the Company fails to obtain or maintain such operating licenses or breaches such standards or controls imposed on its activities, it may not be able to continue its operations in its usual manner, or at all, or the Company may be subject to fines or other claims for remediation which may have a material adverse impact on its operations or financial results. While the Company is unaware of any existing material environmental liabilities, it cannot guarantee that no such liabilities currently exist or will occur in the future.

Changes in environmental laws, new information on existing environmental conditions or other events may increase future compliance expenditures or otherwise have a negative effect on the Company's financial condition and results of operations. In addition to existing requirements, it is expected that other environmental regulations will likely be implemented in the future with the objective of protecting human health and the environment. Some of the issues currently under review by environmental agencies include reducing or stabilizing air emissions, mine reclamation and restoration, and water quality. Other changes in environmental legislation could have a negative effect on production levels, product demand, product quality and methods of production and distribution. The complexity and breadth of these issues make it difficult for the Company to predict their impact. The Company expects that capital and operating expenditures will increase as a result of compliance with the introduction of new, more stringent environmental regulations. Failure to comply with environmental legislation may result in the issuance of clean-up orders, imposition of penalties, liability for related damages and the loss of operating permits. While the Company believes it is now in material compliance with existing environmental legislation, it cannot give assurances that it will, at all future times, be in compliance with all federal and provincial environmental regulations or that steps to bring the Company into compliance would not have a negative effect on its financial condition and results of operations.

The mining industry is intensely competitive and the Company must compete in all aspects of its operations with a substantial number of other junior mining companies, some of which have greater technical and financial resources. The Company may be at a disadvantage with respect to some of its competitors in the acquisition and/or development of high potential mining properties throughout the principal markets and geographical areas in which the Company carries on its business activities.

There is uncertainty about the Company's ability to realize the carrying value of its assets and discharge its liabilities as they come due. The ability of the Company to continue as a going concern is dependent upon, among other things, being able to obtain additional financing and reach positive cash flows from operations.

Forward Looking Information

This MDA contains “forward looking information”. Forward looking information includes, but is not limited to, statements concerning mineral resource estimates and exploration budgets for the Franklin Project and other statements which are not historical facts.

In certain cases, forward looking information can be identified by the use of words such as “plans”, “expects” or “does not expect”, “is expected”, “budget”, “scheduled”, “estimates”, “forecasts”, “intends”, “anticipates” or “does not anticipate”, or “believes”, or variations of such words and phrases or state that certain actions, events or results “may”, “could”, “would”, “should”, “might” or “will be taken”, “occur” or “be achieved” and include the negative variation of such phrases.

With respect to forward looking information contained in this MDA, the Company has made assumptions regarding, among other things, the Company’s ability to generate sufficient cash flow from operations and access existing credit facilities and capital markets to meet its future obligations, the regulatory framework in the provinces in which its properties are located with respect to, among other things, permits, licenses, authorizations, royalties, taxes and environmental matters, and the Company’s ability to obtain qualified staff and equipment in a timely and cost-efficient manner to meet the Company’s demand.

Although the Company believes that its expectations reflected in forward looking information are reasonable, such forward looking information involves known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Company or the Company’s projectsto be materially different from any future results, performance or achievements expressed or implied by the forward looking information. Such factors include, risks related to failure to convert estimated mineral resources to reserves, conclusions of economic evaluations, changes in project parameters as plans continue to be refined, future prices of gold, unexpected increases in capital or operating costs, possible variations in mineral resources, grade or recovery rates, failure of equipment or processes to operate as anticipated, accidents, labour disputes and other risks of the mining industry, delays in obtaining governmental consents, permits, licences and registrations or financing or in the completion of development or construction activities, uncertainties relating to the availability and costs and availability of financing needed in the future, changes in equity markets, inflation, changes in exchange rates, fluctuations in commodity prices and uninsured risks, as well as those factors discussed under “Risks” in this MDA.

Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward looking information, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward looking information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. Accordingly, readers should not place undue reliance on forward looking information. The forward looking information contained herein, unless stated otherwise, is made as of the date of this MDA and the Company makes no responsibility to update them or to revise them to reflect new events or circumstances, except as required by law.

Any mineral resource and mineral reserve figures referred to in this MDA are estimates and no assurances can be given that the indicated levels of minerals will be produced. Such estimates are expressions of judgment based on knowledge, mining experience, analysis of drilling results and industry practices. Valid estimates made at a given time may significantly change when new information becomes available. While the Company believes that the resource and reserve estimates referred to in this MDA are well established, by their nature resource and reserve estimates are imprecise and depend, to a certain extent, upon statistical inferences which may ultimately prove unreliable. If such estimates are inaccurate or are reduced in the future, this could have a material adverse impact on the Company. Due to the uncertainty that may be attached to inferred mineral resources, it cannot be assumed that all or any part of an inferred mineral resource will be upgraded to an indicated or measured mineral resource as a result of continued exploration.

Paul A. Carroll
Chairman and
Chief Executive Officer

David J. Layman
Vice-President, Finance

September 29, 2008