

## **COGITORE RESOURCES INC.**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDING DECEMBER 31, 2007**

The following discussion of the results of operations of Cogitore Resources Inc. ("the Company"), dated April 21, 2008, for the fiscal year ending December 31, 2007, and in comparison to the prior year, should be read in conjunction with the Company's Audited Financial Statements and accompanying notes for the years ended December 31, 2007 and December 31, 2006 prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). All dollar amounts are presented in Canadian dollars. Additional information relating to the Company is available on SEDAR at [www.sedar.com](http://www.sedar.com) and the Company's website at [www.cogitore.com](http://www.cogitore.com).

#### **Description of Business**

Cogitore Resources Inc. ("the Company"), formerly Woodruff Capital Management Inc., is a Tier-2 Mining Issuer engaged in the exploration of base metals in properties located in Quebec, Ontario and Newfoundland. The Company was incorporated on December 13, 2002, and is a reporting issuer in British Columbia, Alberta and Ontario. The Company's fiscal year end is December 31 and trades on the TSX Venture Exchange under the symbol WOO.

#### **Forward-Looking Statements**

This MD&A contains certain forward-looking statements related to expected future events, future spending levels and the future financial and operating results of the Company. Forward-looking statements are subject to inherent risks and uncertainties including but not limited to, market and general economic conditions, changes arising as drilling results unfold, changes in regulatory environments affecting the Company and the availability and terms of subsequent financings. Mining exploration itself contains a high degree of risk and uncertainty. Consequently, actual results and events may differ materially from those included in, contemplated or implied by such forward-looking statements for a wide variety of reasons.

#### **Significant Accounting Policies**

A detailed summary of the Company's significant accounting policies is included in note 2 of the Company's Annual Audited Financial Statements for the years ended December 31, 2007 and 2006.

#### **Significant Events**

On February 13, 2007 the Company announced that Dr. Gérald Riverin was appointed Chief Executive Officer of the Company, effective immediately. Dr. Riverin is President of the Company and is also on the Board of Directors. Mr. Mark Goodman continues to serve as the Company's Executive Chairman. Dr. Riverin has served as the Company's President since September, 2004. Prior to joining Cogitore Resources Inc., Dr. Riverin spent 27 years working

for Inmet Mining Corporation and its predecessors, including ten years as General Manager for North American exploration. He obtained his Ph.D. from Queen's University in 1977 and has been involved with the development of several properties, including the discovery of Inmet's Troilus open pit gold-copper mine near Chibougamau. Dr. Riverin is internationally renowned as an expert on the geology of volcanogenic massive sulphide deposits. He has also recently completed a term as President of the Association de l'Exploration Minière du Québec. Dr. Riverin received 100,000 stock options to purchase common shares of the Company at an exercise price of \$0.80 per share expiring February 8, 2012.

On February 17, 2007 the Company announced the acquisition of a 100% interest in a major property position west of, and on strike with, the past producing Normetal Mine. There are no third party interests. The Company's new 'Normetal West' property is located in Ontario and covers about 22 kilometres of the same favourable rhyolite volcanic rocks that host the Normetal Mine 12 km to the east. Previous drilling in the 1960's on a portion of the newly acquired property yielded anomalous zinc and copper values located near a 3 kilometre long zone of favourably altered rhyolitic rocks. The project is easily accessible through a network of public and logging roads.

The Normetal Mine, located relatively close to the provincial boundary but in Quebec, produced 10 Million tonnes grading 2.2% Cu, 5.4% Zn, 0.53 g/t Au and 44.5 g/t Ag over a 37 year mine life from 1938 to 1975 (Quebec government files). The deposit was found by surface prospecting and mined from surface to a depth of 2.4 kilometres. At current metal prices the sale revenues of Normetal would be over \$2.0 Billion, net of smelting and refining but before factoring in costs to develop, mine and mill the deposit.

In spite of the fact that VMS deposits typically occur as clusters of deposits, such as in the Noranda, Val d'Or and Matagami camps, no other deposit has yet been found in the Normetal belt of rocks. The Company's management believes that many features of the Normetal belt are consistent with the earmarks of a prolific VMS camp which could host several deposits. Such features include the nature and chemical signature of the felsic volcanics hosting the former mine, the value of the old Normetal deposit itself, and finally the scale of the alteration system and its ranking according to Cogitore's proprietary technique. This property acquisition is consistent with the Company's strategy of assembling large property positions in established mineralized belts that benefit from easy access.

On April 23, 2007 the Company announced completion of the non-brokered portion of a private placement of 2,500,000 Flow-Through Units to raise \$2,000,000 and 1,314,860 Units to raise \$920,402 for aggregate gross proceeds of \$2,920,402.

The Flow-Through Units were priced at \$0.80 and the Units were priced at \$0.70. Each Flow-Through Unit consisted of one Flow-Through Common Share and one half Common Share Purchase Warrant. Each whole Common Share Purchase Warrant that was part of the Flow-Through Unit will entitle the holder to purchase one additional Common Share at a price of \$1.05 for a period of two years after the closing of the private placement. Each Unit consisted of one Common Share and one half Common Share Purchase Warrant. Each whole Common Share Purchase Warrant that is part of the Unit will entitle the holder to purchase one additional

Common Share at a price of \$0.90 for a period of two years after the closing of the private placement.

When accepted by the Company, the Company protected offers received from registered investment dealers. The Company protected offers from Haywood Securities Inc., Jones, Gable & Company Limited, Laurentian Bank Securities, Jennings Capital Inc., Canaccord Capital Corp. and BMO Nesbitt Burns Inc. As consideration for their services, these investment dealers were paid a 6% commission for an aggregate total of \$76,224.

On April 25, 2007 the Company announced completion of the brokered portion of a private placement of 2,500,000 Flow-Through Units to raise \$2,000,000 and 1,428,572 Units to raise approximately \$1,000,000 for aggregate gross proceeds of approximately \$3,000,000. Total aggregate gross proceeds for the private placement (brokered and non-brokered) were approximately \$5,920,402.

Northern Securities Inc. ("Northern") received a 6% commission totalling approximately \$180,000 and Flow-Through Broker Warrants and Broker Warrants equal to 10% of the number of Flow-Through Units and Units, respectively, sold pursuant to its portion of the private placement. The Broker Warrants will be exercisable into Flow-Through Broker Units and Broker Units, respectively, at the issue price at any time prior to the date that is 24 months from the closing date of the private placement. Each Flow-Through Broker Unit and Broker Unit consisted of one common share and one half of one Common Share Purchase Warrant. The exercise price of each whole Common Share Purchase Warrant will be \$1.05 and \$0.90, respectively. Northern received 250,000 Flow-Through Broker Warrants and 142,857 Broker Warrants.

The Common Shares issued at closing are, and the Common Shares issued upon exercise of the Common Share Purchase Warrants were subject to resale restrictions pursuant to applicable securities laws requirements and notably to a hold period of four months plus one day from the closing date.

The proceeds of the Flow-Through portion of the financing are being used to fund the Company's 2007-08 exploration program, while the non-Flow-Through portion of the financing are being used for the Company's 2007-08 exploration program and for general corporate purposes.

On September 17, 2007 the Company announced that it had signed an option agreement with IAMGOLD Corporation ("IAMGOLD") to acquire control of its Caribou project located immediately to the west of the Company's Estrades properties. About one third of the Caribou property falls within an area of interest defined in the Cogitore-Inmet joint venture agreement and therefore becomes subject to that agreement.

The Agreement allows Cogitore to earn 70% of IAMGOLD's interest by spending \$2 Million in exploration over five years and issuing 100,000 common shares of the Company, including 50,000 shares on signing. IAMGOLD's interest in the Caribou property is currently at 86% and steadily increasing as a third party's residual interest is getting diluted. After earning the interest,

a 70-30 joint venture will be formed between Cogitore and IAMGOLD. The Agreement also calls for firm expenditure commitments of \$200,000 for each of the first two years of the agreement, and for production royalty payments to IAMGOLD if it elects not to participate in a future joint venture.

The Caribou project comprises 306 mining claims covering about 48 square kilometres. It is situated in the general eastern extensions of the Casa-Berardi Mine (2.8M oz Au) which is located within 15 km to the west of the property. The project is also located immediately to the west of the Company's Estrades properties and covers the western extension of the Estrades mine horizon. With the Caribou project, Cogitore now controls over 20 km of the Estrades mine horizon, which is one of the main focal points of the Company's exploration efforts. Exploration work done by IAMGOLD and predecessors was focused on gold environments similar to Casa Berardi and led to the discovery at Caribou of gold-bearing structures grading up to 11.5 g/t Au over 1.5 metres. This work also confirmed the presence of the same favourable volcanic package as the one hosting the Estrades deposit. Anomalous zinc and copper values associated with volcanogenic massive sulphide-related hydrothermal alteration have been identified at Caribou and the initial exploration focus will be on these zones.

On October 19, 2007 the Company announced that it had raised \$690,000 by way of a non-brokered private placement of flow-through common shares and common shares. \$600,000 of the placement was raised through the issuance of flow-through common shares, and \$90,000 was raised through the issuance of common shares. The flow-through common shares were priced at \$0.75 per flow-through common share and the common shares were priced at \$0.60 per common share. No commissions were paid by the Company as part of this offering.

The flow-through common shares and common shares issued at closing were subject to resale restrictions pursuant to applicable securities laws requirements and notably to a hold period of four months plus one day from the closing date.

The proceeds of the flow-through portion of the financing will be used to fund the Company's 2008 exploration program, while the non-flow-through portion of the financing will be used for the Company's 2008 exploration program and for general corporate purposes.

### **2007 Exploration Program**

The Company's project portfolio includes 10 volcanogenic massive sulphides (VMS) projects located in easily accessible areas of Quebec, Ontario and Newfoundland. Among these projects, two (2) are past-producers (Lemoine and Estrades) and one encloses 4 distinct zinc-rich massive sulphide lenses (Scott Lake).

2007 marked the third complete year of exploration activities for the Company. A total of 20,590 metres were drilled in 4 projects. Drilling and drilling related activities accounted for approximately 70% of 2007 expenditures. Summaries of individual projects are presented below.

## Estrades

The Estrades project is located in Northwestern Quebec, approximately 95 km NE of the town of La Sarre and 35 km WNW from the former village of Joutel. The property includes four (4) distinct blocks: the **Estrades Block**, the **Newiska Block**, the **Estrades Mining Lease** and the **Caribou Project**. The mining lease is owned 100% by Cogitore whereas the remaining Estrades claims are subject to an April 23, 2004 agreement between Cogitore and Inmet Mining Corporation granting Cogitore the right to earn a 50% interest in the claims. The recently optioned Caribou project is subject to a 2007 agreement with IAMGOLD allowing Cogitore to earn a 70% interest.

Estrades was a high profile project for the Company in 2007 with an on-going feasibility study by engineering firm Genivar. Although the study was to be completed in 2007, delays in getting metallurgical test results, combined with delays in securing, identifying and evaluating a viable custom milling alternative, have delayed the completion of the study. The study is, however, well advanced and only the metallurgical treatment (milling, ore transportation and smelting charges) remains to be finalized before a complete financial analysis can be done. In the meantime, the Company was successful in obtaining a Certificate of Authorization for the mining project.

A total of 4,259 metres were drilled at Estrades in 2007. The program included re-entering three representative holes through the Main Lens to get a 200 kg composite metallurgical sample for the feasibility study. In addition, exploration holes were drilled to test a felsic unit similar to the Estrades mine unit and located 600 metres to the north of the mine horizon, and to follow up the East Zone sector at depth. Drilling in the East zone sector was successful in discovering a new copper zone returning 0.84% copper over 23 metres, including a higher grade zone of **3.1% copper and 21 g/t silver over 4.4 metres**. This new copper zone is a stringer zone of the type that is commonly found below massive sulphide deposits and follow-up drilling is planned for 2008 to expand the copper mineralization and to locate massive sulphides potentially related to it.

## Scott Lake

The Scott Lake project, now 100% owned by the Company, is located in the Chibougamau area approximately 20 km west of the town of Chibougamau. The project was subject to considerable exploration activity in the mid 1970's and late 1980's following the discovery of a VMS deposit by Selco Mining Corporation ("Selco"). Thundermin Resources Inc. subsequently optioned the property and estimated that the Selco massive sulphide lens contain a drill indicated resources of 700,000 tonnes grading 0.4% copper and 6.9% zinc to the 375 meter level. In today's standards these estimates would not comply with CIM Definition Standards on Mineral Resources and Mineral reserves that were prepared by the CIM Standing Committee on Reserve Definitions and adopted by CIM Council, November 14, 2004. The Company has not done the work necessary to verify the classification of the resource or reserve, the Company is not treating them as a NI 43-101 defined resource or reserve verified by a QP, and the historical estimates should not be relied upon. The Selco massive sulphide deposit covers a strike length of 160 meters, down to a vertical depth of 400 metres.

A total of 11,084 metres were drilled at the Scott Lake project. Encouraging results continued to be obtained with the most significant shown below:

HOLE	FROM (M)	TO (M)	LENGTH (M)	CU %	ZN %	AU G/T	AG G/T	REMARKS	
SC-15	365.30	366.40	1.10	0.99	<b>5.56</b>	0.27	<b>33.3</b>	Massive sulphides	
	445.50	470.30	<b>24.80</b>	<b>1.10</b>	<b>2.24</b>	<b>0.20</b>	<b>35.7</b>	Stringer sulphides	
<b>including</b>									
	448.20	449.00	0.80	0.34	<b>13.35</b>	0.02	11.0		
<b>and</b>									
	455.50	456.50	1.00	<b>5.19</b>	<b>2.35</b>	0.06	<b>69.0</b>		
SC-18	297.90	301.80	3.90	0.56	<b>8.20</b>	0.24	<b>22.5</b>	Massive sulphides	
SC-25	324.50	325.40	0.90	0.67	<b>5.16</b>	0.08	12.0	Massive sulphides	
	325.40	325.70	not sampled – low values over 30cm						Barren felsics
	325.70	326.30	0.60	0.80	<b>6.98</b>	0.07	10.2	Massive sulphides	
SL-90-45E	511.90	512.05	0.15	<b>1.36</b>	<b>25.1</b>	0.11	7.4	Massive sulphides	

Holes SC-15, SC-18 and SC-25 effectively doubled the area of massive sulphide mineralization associated with the Central Lens, which occurs within 200 to 400 metres of surface. No resources have been reported yet on the Central Lens but the massive sulphides form a lens 400 metres long, with 150 metres of vertical extent and having an average width of 3 metres.

Albeit very thin, the discovery of high grade massive sulphides in the deepening of hole SL-90-45 (drilled initially in 1990) is thought to be a significant exploration development since it represents a newly recognized massive sulphide-bearing horizon. This new horizon, located 200 metres above the Selco-Scott deposit, is hosted entirely within the main Scott rhyolite dome complex and consists of a 15 cm thick interval of banded massive sulphides hosted within strongly altered rhyolites, and underlain by disseminated and stringer sulphides which graded 0.45% Cu over 5.5 metres. This is believed to be significant because the sulphides are typical of so-called “exhalite” horizons that are commonly found around massive sulphide deposits and which form distal aprons around productive sub-marine hydrothermal discharge zones. In addition, the sulphides are very high grade, which speaks well for the quality of the mineralizing system. Finally, this new horizon is wide open at depth and to the east, and constitutes a new target horizon for future drilling.

Follow-up drilling on the 800 Lens discovered in 2006 has now closed off the limits of the massive sulphide lens which hosts mineral resources similar to the Central Lens. The 2008

exploration program at Scott Lake will focus on the West Lens area and the new high grade massive sulphide horizon found in SL-90-45.

### **Lemoine**

The Lemoine project, located 25 km south of Chibougamau, Quebec encloses the former producing Lemoine Mine which produced 0.76Mt of high grade massive sulphide ore. Although small, Lemoine ranks number 2 in Canada (second only to Eskay Creek) and is within the top 1% of all VMS deposits worldwide in terms of total base and precious metal grade. The property encompasses a 17 km segment of the favourable horizon hosting the deposit. The project is a Joint Venture with Inmet Mining Corporation whose interest has been reduced to approximately 25% as a result of non-participation in the 2007 program.

In 2007, a total of 1,728 metres were drilled in 4 holes, including one deepening. Two holes were testing interpreted favourable stratigraphy while the other two holes were testing geophysical anomalies, including a TITAN 24 geophysical anomaly. All holes intersected at least some sulphide mineralization and two holes intersected new zones of anomalous zinc within felsic units located to the north of the Lemoine mine horizon, including 2507 ppm zinc over 5.3 metres in the deepening of L92-02, and 1774 ppm zinc over 6.9 metres in hole LEM-58. Borehole PEM surveys were done in all holes and one possibly significant “off-hole” anomaly was detected at the end of hole LEM-59, which was targeting the TITAN 24 anomaly. LEM-59 was the last hole of the program and some follow-up is required as the anomaly appears to be located near the base of the Lemoine rhyolite package. Follow-up will first require deepening of LEM-59, followed by a borehole PEM to further define the anomaly and accurately locate the conductor, and finally drill testing of the conductor.

### **Hébécourt**

The Hébécourt property straddles the boundary between the Quebec and Ontario provinces and is underlain by volcanic rocks that are at the base of the prolific Blake River Group of the Abitibi Subprovince. The core of the Hébécourt property is marked by a 200-300m thick rhyolite unit that is found across the center of the property and which hosts a series of VMS-style zinc and copper showings.

In 2005, Cogitore drilled four holes specifically targeting the top of the felsic unit. Encouraging mineralization was obtained in hole HEB-02 which yielded 1.2% Zn over 7.2 metres, including 3.58% Zn over 1.0 metres. The mineralization in HEB-02 consists of “classic” stringer-style mineralization with chlorite alteration that is typically found around VMS deposits.

In 2007, more anomalous zinc was found in the east sector of the property with hole HEB-05, which returned **1.09% Zn** and 599 ppm Cu over **9.7m**. Near the west end of the property hole MD-03 intersected a 25 cm thick quartz vein hosting a 10 cm pod of massive sphalerite and which assayed **21.0% zinc** and 0.95% copper over 25 cm. This style of vein is often observed around VMS deposits, in which case they are interpreted as being caused by remobilization of metals from the nearby massive sulphides. However, borehole PEM failed to detect a conductor, which indicates that there are no conductive sulphide lenses within 150m from the hole. Follow-

up work on this high grade vein will consist of wide step-out drill holes which are planned for late 2008 or early 2009.

### **Castagnier**

Located in the Amos area of the Abitibi belt, the Castagnier project encloses an old VMS copper prospect that hosts encouraging copper zones grading up to 3.2% Cu and 0.7% Zn over 3.1m (part of 1.2% Cu over 12m). In the early 1950's, a vertical shaft was sunk to a depth of 120m to further explore the mineralization at depth but records of the work are very scarce. The rhyolite host rocks are strongly altered (sericite-chlorite) over at least 2 kilometres. Although no VMS deposits are known in the area, the chemical signature of rhyolites at Castagnier are typical of those found in highly prospective VMS mining camps of the Abitibi belt. Two holes totalling 767 metres were drilled in 2007 in the vicinity of the shaft with no encouragement. Borehole PEM remains to be done in 2008 in one of the holes.

### **Normetal West**

As mentioned in the Significant Events section, on February 17, 2007 the Company announced the acquisition of a 100% interest in a major property position west of, and on strike with, the past producing Normetal Mine. In the summer of 2007, a detailed mapping and lithogeochemical sampling program was carried out at Normetal West and succeeded in confirming that the volcanic package hosting the past producing Normetal mine is found across the whole 24 kilometre length of the property. Line cutting was started at the end of the year in preparation for deep penetrating ground geophysics to be done in early 2008. As well, key additional claims were acquired to expand on the property position.

### **Newfoundland**

In Newfoundland, the Company had one active VMS project in 2007, namely the Long Lake project, which was optioned from Cornerstone Capital Resources in February, 2006. Preparation work was done to do borehole PEM surveys in the two holes drilled in 2006 and from which the best mineralization assayed 3.2% Zn and 369 ppb Au over a narrow interval of 20 cm. Borehole geophysics could not be done in 2007 due to unavailability of geophysical crews and the survey has been postponed to 2008.

# COGITORE RESOURCES INC.

(A Development Stage Company)

## Statements of Exploration Properties and Deferred Exploration Expenditures

Years Ended December 31,	2007	2006	Cumulative from date of inception of project to December 31, 2007
<b>Estrades Project</b>			
Opening balance	\$ 2,502,801	\$ 1,889,887	\$ -
Property acquisition costs	175,805	6,455	1,845,743
Travel, hotel and meals	53	496	607
Property maintenance	6,254	7,275	19,455
Geochemistry and geophysics	48,860	28,398	90,493
Drilling	92,899	579,079	678,189
Linecutting	1,125	7,740	8,865
General and geology	366,541	235,297	638,762
Professional fees	-	-	125,858
Regional office expenses	7,198	31,231	103,115
Quebec refundable tax credit and mining duties refund	(245,681)	(283,057)	(555,232)
Activity during the period	453,054	612,914	2,955,855
Closing balance	\$ 2,955,855	\$ 2,502,801	\$ 2,955,855
<b>Inmet Projects</b>			
Opening balance	\$ 3,669,466	\$ 2,428,136	\$ -
Property acquisition costs	6,025	161,046	612,983
Property maintenance	19,247	12,030	57,759
Geochemistry and geophysics	102,807	453,665	804,701
Drilling	887,923	820,329	3,100,017
Linecutting	-	48,776	48,776
General and geology	206,665	166,015	1,095,126
Professional fees	-	-	56,951
Participant's share	-	21,402	1,223,726
Travel, hotel and meals	522	1,133	29,274
Write-off of exploration expenditures	-	(42,567)	(475,759)
Regional office expenses	71,753	71,262	226,123
Quebec refundable tax credit and mining duties refund	(245,681)	(471,761)	(2,060,950)
Activity during the period	1,049,261	1,241,330	4,718,727
Closing balance	\$ 4,718,727	\$ 3,669,466	\$ 4,718,727

# COGITORE RESOURCES INC.

(A Development Stage Company)

## Statements of Exploration Properties and Deferred Exploration Expenditures

Years Ended December 31,	2007	2006	Cumulative from date of inception of project to December 31, 2007
<b>Scott Project</b>			
Opening balance	\$ 1,248,293	\$ 167,852	\$ -
Property acquisition costs	260,150	177,862	517,053
Travel, hotel and meals	1,435	4,782	6,445
Property maintenance	4,114	4,318	10,786
Geochemistry and geophysics	86,789	151,610	345,799
Drilling	955,772	932,117	1,888,025
Linecutting	16,428	43,784	60,212
General and geology	184,811	133,169	339,430
Professional fees	-	-	12,076
Regional office expenses	75,681	57,385	138,811
Quebec refundable tax credit and mining duties refund	(245,681)	(424,586)	(730,845)
Activity during the period	1,339,499	1,080,441	2,587,792
Closing balance	\$ 2,587,792	\$ 1,248,293	\$ 2,587,792
<b>Long Lake Project</b>			
Opening balance	\$ 123,373	\$ -	\$ -
Property acquisition costs	-	10,000	10,000
General and geology	-	323	323
Participant's share	-	108,401	108,401
Regional office expenses	-	4,649	4,649
Activity during the period	-	123,373	123,373
Closing balance	\$ 123,373	\$ 123,373	\$ 123,373
<b>Normetal West Project</b>			
Opening balance	\$ -	\$ -	\$ -
Property acquisition costs	43,488	-	43,488
Property maintenance	334	-	334
Geochemistry and geophysics	82,995	-	82,995
General and geology	135,062	-	135,062
Drilling	269	-	269
Linecutting	54,950	-	54,950
Travel	69	-	69
Regional office expenses	13,305	-	13,305
Activity during the period	330,472	-	330,472
Closing balance	\$ 330,472	\$ -	\$ 330,472

# COGITORE RESOURCES INC.

(A Development Stage Company)

## Statements of Exploration Properties and Deferred Exploration Expenditures

Years Ended December 31,	2007	2006	Cumulative from date of inception of project to December 31, 2007
<b>Caribou Project</b>			
Opening balance	\$ -	\$ -	\$ -
Property acquisition costs	28,500	-	28,500
Property maintenance	2,111	-	2,111
Geochemistry and geophysics	40,640	-	40,640
General and geology	7,677	-	7,677
Drilling	255	-	255
Linecutting	20,473	-	20,473
Regional office expenses	3,473	-	3,473
Activity during the period	103,129	-	103,129
Closing balance	\$ 103,129	\$ -	
\$ 103,129			
<b>Other Projects</b>			
Opening balance	\$ 1,027	\$ 1,027	
\$ -			
Participant's share	-	-	1,027
Activity during the period	-	-	1,027
Closing balance	\$ 1,027	\$ 1,027	\$ 1,027
<b>TOTAL</b>	<b>\$ 10,820,375</b>	<b>\$ 7,544,960</b>	<b>\$ 10,820,375</b>

### Qualified Person

Work is carried out by the personnel of Cogitore Resources Inc., under the supervision of Gérald Riverin, PhD, P.Geo. He is a qualified person (as defined by National Instrument 43-101) and has more than 30 years of experience in VMS exploration.

## Selected Financial Information

A summary of selected financial information for the years ended December 31, 2007 and December 31, 2006 is as follows:

	<u>Year Ended December 31, 2007</u>	<u>Year Ended December 31, 2006</u>
Total Revenue	\$0	\$0
Net Income (Loss)		
- Total	\$(291,883)	\$(563,171)
- Per Share	\$(0.01)	\$(0.03)
Total Assets	\$17,879,628	\$11,375,903
Long-Term Financial Liabilities	\$2,354,000 <sup>(1)</sup>	\$1,875,313 <sup>(1)</sup>

For the years ended 2007 and 2006, the Company reported no discontinued operations and declared no cash dividends.

- (1) The Company has adopted the recommendations of CICA Emerging Issues Committee Abstract 146, Flow-Through Shares (“EIC-146”). Under EIC-146, a future income tax liability should be recognized, and shareholders’ equity reduced, on the date that a company renounces the tax credits that are associated with resource expenditures, provided there is reasonable assurance that the expenditures will be made. As a result, the Company recognized a \$2,354,000 future income tax liability for the year ended December 31, 2007 and a \$1,875,313 future income tax liability for the year ended December 31, 2006.

The following table provides selected financial information that is derived from the unaudited interim financial statements and audited financial statements of the Company:

For the quarter ended	<u>March 31</u>	<u>June 30</u>	<u>Sept.30</u>	<u>Dec 31</u>
<b><u>2007</u></b>				
Total Revenues	\$0	\$0	\$0	\$0
Net Loss	(\$141,134)	(\$103,419)	(\$194,666)	\$147,336
Net Loss per Share	(\$0.01)	(\$0.00)	(\$0.01)	\$0.01
<b><u>2006</u></b>				
Total Revenues	\$0	\$0	\$0	\$0
Net Loss	(\$125,188)	(\$101,777)	(\$253,024)	(\$83,182)
Net Loss per Share	(\$0.01)	(\$0.01)	(\$0.01)	(\$0.00)

## Additional Disclosure for Venture Corporations without Significant Revenue

The following table sets forth a breakdown of material components of the general and administration costs of the Company for the years ended December 31, 2007 and December 31, 2006:

	<u>Year ended December 31, 2007</u>	<u>Year ended December 31, 2006</u>
Interest & Bank Charges	\$8,926	\$1,996
Flow Through Taxes Paid	\$40,150	\$65,797
Consulting Fees	\$22,367	\$15,270
Office and General	\$29,047	\$20,204
Transfer agent, listing & filing fees	\$28,031	\$33,752
Salaries & Benefits	\$81,510	\$129,887
Rent	\$9,528	\$11,597
Shareholder Relations	\$14,757	\$24,795
Corporate Development	<u>\$113,066</u>	<u>\$68,879</u>
Total	\$347,382	\$372,177

## Results of Operations

The Company's loss in 2007 was \$291,833 compared with an operating loss of \$563,171 for the same period in 2006. Professional fees in 2007 were higher than in 2006 (\$200,929 vs. \$111,357) largely due to a reclassification of compensation for the Executive Chairman and former CEO from general & administrative expenses to professional fees. This increase of professional fees was offset by higher interest income in 2007 (\$150,704 vs. \$39,053 in 2006) as well as lower stock-based compensation in 2007 (\$201,128 vs. \$246,099 in 2006). As well, the Company had no write-offs of exploration properties in 2007, while it had \$42,567 of write-offs in 2006. Finally, the Company had a future tax recovery of \$313,013 in 2007 vs. \$171,000 in 2006.

The costs of exploration properties and deferred exploration expenditures are carried at cost until they are brought into production, at which time the costs are depleted on a unit-of-production method based on proven and probable reserves. If a property is subsequently determined not to be economically viable, the property and related deferred costs are written down to net realizable value. In 2007 the Company spent \$1,585,180 on the Scott Lake Property, and \$698,735 on the Estrades Lease. The remainder was split amongst the other properties.

## Liquidity and Capital Resources

At December 31, 2007, the Company had working capital of \$6,162,917 compared to \$3,495,008 as at December 31, 2006. The Company anticipates receiving approximately \$1,158,063 in refundable tax credits and refundable mining duties from the Quebec government as a result of its exploration expenditures in Quebec during the year ended December 31, 2007 (this total includes refundable Mining Duties from 2005 and 2006). Working capital is being used for

exploration as described under the Outlook section of this report and to support corporate overhead. The Company has sufficient working capital to meet its present financial commitments.

### **Related Party Transactions**

During 2007 and 2006, the Company paid \$14,114 (2006 - \$11,597) to a company owned by a former director of the Company for the sharing of office space and related expenses.

### **Financial Instruments**

Fair Value:

Canadian generally accepted accounting principles require that the Company disclose information about the fair value of its financial assets and liabilities. 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 cash, sundry receivables and accounts payable and accrued liabilities approximate fair market value due to the short-term nature of these instruments.

### **Changes In Accounting Policies**

In July 2006, the Accounting Standards Board ["AcSB"] issued a replacement of The Canadian Institute of Chartered Accountants' Handbook ["CICA Handbook"] Section 1506, Accounting Changes. The new standard allows for voluntary changes in accounting policy only when they result in the financial statements providing reliable and more relevant information, requires changes in accounting policy to be applied retrospectively unless doing so is impracticable, requires prior period errors to be corrected retrospectively and calls for enhanced disclosures about the effects of changes in accounting policies, estimates and errors on the financial statements. The adoption of Section 1506, effective January 1, 2007, had no impact on these financial statements.

### ***Financial instruments, comprehensive income (loss) and hedges***

In January 2005, the CICA issued Handbook Sections 3855, "Financial Instruments – Recognition and Measurement"; 1530, "Comprehensive Income"; 3861, "Financial Instruments - Disclosure and Presentation" and 3865, "Hedges". These new standards are effective for interim and annual financial statements relating to fiscal years commencing on or after October 1, 2006. The Company has adopted these new standards effective January 1, 2007.

[a] Financial instruments - recognition and measurement

Section 3855 prescribes when a financial asset, financial liability or non-financial derivative is to be recognized on the balance sheet and at what amount, requiring fair value or cost-based

measures under different circumstances. Under Section 3855, financial instruments must be classified into one of these five categories: held-for-trading, held-to-maturity, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments, including derivatives, are measured in the balance sheet at fair value except for loans and receivables, held-to-maturity investments and other financial liabilities, which are measured at amortized cost. Subsequent measurement and changes in fair value will depend on their initial classification, as follows: held-for trading financial assets are measured at fair value and changes in fair value are recognized in net earnings; available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income until the investment is derecognized or impaired at which time the amounts would be recorded in net earnings.

#### [b] Comprehensive income (loss)

Section 1530 introduces a new requirement to temporarily present certain gains and losses from changes in fair value outside net income. It includes unrealized gains and losses, such as: changes in the currency translation adjustment relating to self-sustaining foreign operations; unrealized gains or losses on available-for-sale investments; and the effective portion of gains or losses on derivatives designated as cash flow hedges or hedges of the net investment in self-sustaining foreign operations.

#### [c] Financial instruments - disclosure and presentation

Section 3861 establishes standards for presentation of financial instruments and non-financial derivatives, and identifies the information that should be disclosed about them. Under the new standards, policies followed for periods prior to the effective date generally are not reversed and therefore, the comparative figures have not been restated as part of other comprehensive income.

#### [d] Hedges

Section 3865 provides alternative treatments to Section 3855 for entities which choose to designate qualifying transactions as hedges for accounting purposes. It replaces and expands on Accounting Guideline 13 “Hedging Relationships”, and the hedging guidance in Section 1650 “Foreign Currency Translation” by specifying how hedge accounting is applied and what disclosures are necessary when it is applied.

#### [e] Impact upon adoption of Sections 1530, 3855, 3861 and 3865

Under adoption of these new standards, the Company designated its cash and cash equivalents as held-for-trading, which are measured at fair value. Sundry receivables are classified as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities are classified as other financial liabilities, which are measured at amortized cost.

The Company has evaluated the impact of section 3865 on its financial statements and determined that no adjustments are currently required.

The adoption of these Handbook Sections had no impact on opening deficit.

### ***Other recently issued accounting pronouncements***

On June 1, 2007, the Emerging Issues Committee of the CICA issued Abstract No. 166, Accounting Policy Choice for Transaction Costs [EIC-166]. This EIC addresses the accounting policy choice of expensing or adding to the carrying amount transaction costs related to the acquisition of financial assets and financial liabilities that are classified as other than held-for-trading. Specifically, it requires that the same accounting policy choice be applied to all similar financial instruments classified as other than held-for-trading, but permits a different policy choice for financial instruments that are not similar. The Company has adopted EIC-166 effective September 30, 2007 and requires retroactive application to all transaction costs accounted for in accordance with CICA Handbook Section 3855, Financial Instruments - Recognition and Measurement. The Company has evaluated the impact of EIC-166 and determined that no adjustments are currently required.

### **Future Accounting Changes**

#### **Capital Disclosures and Financial Instruments – Disclosures and Presentation**

On December 1, 2006, the CICA issued three new accounting standards: Handbook Section 1535, Capital Disclosures, Handbook Section 3862, Financial Instruments – Disclosures, and Handbook Section 3863, Financial Instruments – Presentation. These standards are effective for interim and annual consolidated financial statements for the Company's reporting period beginning on January 1, 2008.

Section 1535 specifies the disclosure of [i] an entity's objectives, policies and processes for managing capital; [ii] quantitative data about 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 noncompliance.

The new Sections 3862 and 3863 replace Handbook Section 3861, Financial Instruments — Disclosure and Presentation, revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks.

#### **International Financial Reporting Standards [“IFRS”]**

In January 2006, the CICA's Accounting Standards Board ["AcSB"] formally adopted the strategy of replacing Canadian GAAP with IFRS for Canadian enterprises with public accountability ["PAEs"]. The current conversion timetable calls for financial reporting under IFRS for accounting periods commencing on or after January 1, 2011. The use of IFRS will be required in 2011 for publicly accountable profit-oriented enterprises. For these entities, IFRS will be required for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. A calendar year end public company will be required to have prepared,

in time for its first quarter 2011 filing, comparative financial statements in accordance with IFRS for the three months ended March 31, 2010.

### Going Concern

Handbook Section 1400, "General Standards of Financial Statement Presentation". This Section was amended so as to include the criteria for determining and presenting the Company's ability to continue as a going concern.

### Goodwill and Intangible Assets

The CICA has issued a new standard which may affect the financial disclosures and results of operations of the Company for interim and annual periods beginning January 1, 2009. Section 3064, Goodwill and intangible assets, establishes revised standards for recognition, measurement, presentation and disclosure of goodwill and intangible assets. Concurrent with the introduction of this standard, the CICA withdrew EIC 27, Revenues and Expenses during the pre-operating period. As a result of the withdrawal of EIC 27, the Company will no longer be able to defer costs and revenues incurred prior to commercial production at new mine operations.

The Company is currently assessing the impact of these new accounting standards on its consolidated financial statements.

### Outstanding Share Data

As at December 31, 2007, the following is a description of the outstanding equity securities and convertible securities previously issued by the Company:

	<u>Authorized</u>	<u>Outstanding</u>
Voting or Equity Securities Issued and Outstanding	Unlimited Common Shares	31,898,521 Common Shares
Securities convertible or exercisable into voting or equity securities-stock options	Stock Options to acquire up to 10% of outstanding Common Shares	Stock options to acquire 2,543,665 Common Shares

The Company has the following warrants outstanding as at December 31, 2007:

<u>Number of Warrants</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
1,250,000	\$1.05	April 23, 2009
657,428	\$0.90	April 23, 2009
1,250,000	\$1.05	April 25, 2009
714,286	\$0.90	April 25, 2009
250,000	\$0.80	April 25, 2009 (*)
142,857	\$0.70	April 25, 2009 (*)

\*Broker Warrants

## **Subsequent Events**

On February 5, 2008 the Company announced that it had retained the services of Louis Morin to coordinate and expand its investor relations activities.

Mr. Morin will provide investor relations services on a month by month basis effective immediately. In consideration for his services, Mr. Morin will be paid a monthly fee of \$6,000 and will be reimbursed for authorized expenses. Subject to required regulatory approvals, Mr. Morin was granted stock options to purchase up to 75,000 common shares at an exercise price of \$0.50, expiring on February 4, 2013. The options will vest in three month stages over a 12 month period in accordance with regulation authorities.

Mr. Morin has a combined 35 years of experience in mineral exploration and the securities industry. He was involved in mineral exploration field work early in his career before spending 17 years working as an investment advisor with a number of major brokerage firms. For the last six years Mr. Morin has run his own investor relations consulting service.

## **Outlook**

The Company has developed a strategic focus on base metal exploration in prospective areas that also feature infrastructure favourable for mining development. Accordingly, it will focus its work in the Abitibi Belt of Quebec and Ontario, and in the Central Belt of Newfoundland. The Company is working on high quality VMS projects including seven properties optioned from Inmet Mining, three 100% owned properties, and one property under option from IAMGOLD. Two of the Company's properties encompass former high grade VMS producers, namely Lemoine and Estrades, and in both cases the focus will be on exploring these properties at depth and on strike to locate additional deposits. A full scale feasibility study is currently in progress at the Estrades Mine to evaluate the possibility of extracting a portion of the remaining resources in light of the existing mine development to the 200 metre level, the high grade of the resources and the current favourable outlook for metal prices. Subject to successful negotiations with a custom mill and with smelters, the feasibility study is expected to be completed within the first half of 2008 and a Board decision will then be made regarding the mining project. Because Estrades is a past producer, there is considerable mining related infrastructure already in place and a Certificate of Authorization has been awarded for the project by the Quebec Government. Preliminary results of the feasibility study show that metal prices and smelting charges will be key factors in the viability of the project. In 2008, the Company anticipates drilling over 30,000 metres on 6 different properties, with the largest portion being at the Scott Lake project, where a new massive sulphide lens was discovered in 2006.

## **Risk and Uncertainties**

The operations of the Company are speculative due to the high-risk nature of its business, which is the acquisition, financing, exploration and development of mining properties. The risks below are not the only ones facing the Company. Additional risks not currently known to the

Company, or that the Company currently deems immaterial, may also impair the Company's operations. If any of the following risks actually occur, the Company's business, financial condition and operating results could be adversely affected.

#### *Nature of mineral exploration and mining*

At the present time the Company does not hold any interest in a mining property in production. The Company's viability and potential success is based on its ability to develop, exploit and generate revenue from mineral deposits. The exploration and development of mineral deposits involve significant financial risk over a significant period of time, which even a combination of careful evaluation, experience and knowledge may not eliminate. While discovery of a mine may result in substantial rewards, few properties which are explored are ultimately developed into producing mines. Major expenses may be required to establish reserves by drilling and to construct mining and processing facilities at a site. It is impossible to ensure that the current or proposed exploration programs on exploration properties in which the Company has an interest will result in a profitable commercial mining operation.

The operations of the Company are subject to all of the hazards and risks normally incident to exploration and development of mineral properties, any of which could result in damage to life and property, the environment and possible legal liability for any and all damage. The activities of the Company may be subject to prolonged disruptions due to weather conditions depending on the location of the operations in which the Company has interests. Hazards, such as unusual or unexpected geological structures, rock bursts, pressure, cave-ins, flooding or other conditions may be encountered in the drilling and removal of material. While the Company may obtain insurance against certain risks in such amounts as it considers adequate, the nature of these risks are such that liabilities could exceed policy limits or could be excluded from coverage. There are also risks against which the Company cannot insure or against which it may elect not to insure. The potential costs which could be associated with any liabilities not covered by insurance or in excess of insurance coverage or associated with compliance with applicable laws and regulations may cause substantial delays and require significant capital outlays, adversely affecting the future earnings and competitive position of the Company and, potentially, its financial position.

Whether a mineral deposit will be commercially viable depends on a number of factors, some of which are the particular attributes of the deposit, such as size and grade, proximity to infrastructure, financing costs and governmental regulations, including regulations relating to prices, taxes, royalties, infrastructure, land use, importing and exporting and environmental protection. The effect of these factors cannot be accurately predicted, but the combination of these factors may result in the Company not receiving an adequate return on invested capital.

#### *Fluctuating Prices*

Factors beyond the control of the Company may affect the marketability of gold or any other minerals discovered. Commodity prices have fluctuated widely and are affected by numerous factors beyond the Company's control. The effect of these factors cannot accurately be predicted.

### *Permits and Licenses*

The operations of the Company require licenses and permits from various governmental authorities. The Company believes that it presently holds all necessary licenses and permits required to carry out the activities which it is currently conducting under applicable laws and regulations and the Company believes it is presently complying in all material respects with the terms of such licenses and permits. However, such licenses and permits are subject to change in regulations and in various operating circumstances. There can be no assurance that the Company will be able to obtain all necessary licenses and permits required to carry out exploration, development and mining operations at its projects.

### *Competition*

The mineral exploration and mining business is competitive in all its phases. The Company competes with numerous other companies and individuals, including competitors with greater financial, technical and other resources than the Company, in the search for and the acquisition of attractive mineral properties, the acquisition of mining equipment and related supplies and the attraction and retention of qualified personnel. The ability of the Company to acquire properties, purchase required equipment, and hire qualified personnel in the future will depend not only on its ability to develop its present properties, but also on its ability to identify, arrange, negotiate, select or acquire suitable properties or prospects for mineral exploration, source suitable equipment and hire qualified people. There is no assurance that the Company will continue to be able to compete successfully with its competitors in acquiring such properties or prospects, sourcing equipment or hiring people.

### *Environmental and Climate Change Regulation*

The operations of the Company are subject to environmental regulations promulgated by government agencies from time to time. Environmental legislation provides for restrictions and prohibitions on spills, releases or emissions of various substances produced in association with certain mining industry operations, such as seepage from tailings disposal areas, which would result in environmental pollution. A breach of such legislation may result in the imposition of fines and penalties. In addition, certain types of operations require the submission and approval of environmental impact assessments. Environmental legislation is evolving in a manner which means stricter standards, and enforcement, fines and penalties for non compliance are more stringent. Environmental assessments of proposed projects carry a heightened degree of responsibility for companies and their directors, officers and employees. The cost of compliance with changes in governmental regulations has the potential to reduce the profitability of future operations. The impacts of the Kyoto Protocol are difficult to predict and are not yet fully understood. Such impacts may have an adverse effect on the capital and operating cost of the Company's operations or those of its future customers that may materially affect future operations.

### *Aboriginal Title and Rights Claims*

Aboriginal title and rights may be claimed with respect to Crown properties or other types of tenure with respect to which mining rights have been conferred. The Company is not aware of any aboriginal land claims having been formally asserted or any legal actions relating to aboriginal issues having been instituted with respect to the properties. There can be no assurance that title and rights claims will not be asserted in the future in respect of the Company's

properties. The Company is aware of the mutual benefits afforded by co-operative relationships with indigenous people in conducting exploration and development activity and is supportive of measures established to achieve such cooperation including preferential hiring practices, local business development activities, involvement in environmental stewardship and other forms of accommodation. In addition, other parties may dispute the Company's title to the properties and the properties may be subject to prior unregistered agreements or transfers or land claims by aboriginal peoples, and title may be affected by undetected encumbrances or defects or government actions.

*Estimates of mineral resources may not be realized*

The mineral resource estimates published from time to time by the Company with respect to its properties are estimates only and no assurance can be given that any particular level of recovery of minerals will in fact be realized or that an identified resource will ever qualify as a commercially mineable (or viable) deposit which can be legally and economically exploited. In addition, the grade of mineralization ultimately mined may differ from that indicated by drilling results and such differences could be material. Production can be affected by such factors as permitting regulations and requirements, weather, environmental factors, unforeseen technical difficulties, unusual or unexpected geological formations, inaccurate or incorrect geological, metallurgical or engineering work, and work interruptions, among other things. Short-term factors, such as the need for orderly development of deposits or the processing of new or different grades, may have an adverse effect on mining operations or the results of operations. There can be no assurance that minerals recovered in small-scale laboratory tests will be duplicated in large scale tests under on-site conditions or in production scale operations. Material changes in resources, grades, stripping ratios or recovery rates may affect the economic viability of projects. The estimated resources described herein should not be interpreted as assurances of mine life or of the profitability of future operations.

*Dependence on key personnel*

The Company is dependent on the services of its senior management and a small number of skilled and experienced employees and consultants. The loss of any such individuals could have a material adverse effect on the Company's operations.

*Limited financial resources*

The existing financial resources of the Company are not sufficient to bring any of its properties into commercial production. The Company will need to obtain additional financing from external sources in order to fund the development of its properties. There is no assurance that the Company will be able to obtain such financing on favourable terms, or at all. Failure to obtain financing could result in delay or indefinite postponement of further exploration and development of the Company's properties.