

Ontex Resources Limited

Management's Discussion and Analysis of Financial Statements

For the nine months ended September 30, 2008

November 12, 2008

Restatement of Stock-based Compensation Expenses

This Management's Discussion and Analysis ("MD&A") was prepared using information as of November 12, 2008 and should be read in conjunction with the unaudited consolidated financial statements for the nine months ended September 30, 2008, as well as the restated audited consolidated financial statements for the year ended December 31, 2007 together with the related restated Annual MD&A.

As described in Note 13 of the unaudited financial statements for the nine months ended September 30, 2008, the Company has corrected an error in the calculation of the volatility assumption related to determination of stock-based compensation expenses. The deficit and contributed surplus balances at the beginning of the period increased by \$299,000 for an increased expense for share compensation regarding options granted to directors and officers in 2006 and an amount of \$292,200 was reclassified from contributed surplus to common shares for options exercised.

None of the adjustments affects the Company's working capital and will have no effect on the Company's continuing operations.

Forward-Looking Information

This MD&A contains "forward-looking information" within the meaning of applicable Canadian securities legislation. Forward-looking information includes, but is not limited to, information with respect to Ontex's future exploration and drilling plans, business plans and strategy as well as potential mineralization. Generally, forward-looking information can be identified by the use of forward-looking terminology 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", "might", or "will be taken", "occur", or "be achieved". Forward-looking information is subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of Ontex to be materially different from those expressed or implied by such forward-looking information, including risks associated with the exploration, development and mining industry such as economic factors as they affect exploration, future commodity prices, market conditions, changes in foreign exchange and interest rates, actual results of current exploration activities, government regulation, political or economic developments, environmental risks, permitting timelines, capital expenditures, operating or technical difficulties in connection with development activities, employee relations, the speculative nature of gold exploration and development, including the risks of diminishing quantities of grades of reserves; contests over title to properties, and changes in project parameters as plans continue to be refined as well as those risk factors discussed in this MD&A and in Ontex's Annual Information Form for the year ended December 31, 2007, available on www.sedar.com. Although Ontex has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking information, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such 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. Ontex does not undertake to update any forward-looking information, except in accordance with applicable securities laws.

Overall Performance

Ontex Resources Limited (the “Company”) is involved in the exploration of mineral properties in Ontario and Quebec, through direct ownership and participating interests with third parties. Ontex also has an investment in a gas exploration company in Ontario. The financial statements presented include the Company’s subsidiary Cherboung Gold Inc. (85.7% owned), and, on an equity basis, Echo Energy Canada Inc., (“Echo”) (11.69% owned). The company’s interest in Echo arose from the merger of Pifher Resources Inc. (“Pifher”) and Echo Energy Inc. (“Energy”) as discussed below.

The Company recorded a comprehensive loss of \$1,844,796 for the nine months ended September 30, 2008 compared to a loss of \$430,773 for the same period in 2007. The increase in the loss is primarily the result of share compensation expense which increased by \$1,041,600 on directors stock options and \$38,130 for options earned by investor relation consultants. The loss was also impacted by increased investor relations expenditures, cost incurred in a unsuccessful private placement, an increase in equity losses of Echo, \$56,307 for 2008 (2007 - \$11,379) and a reduction in realized and unrealized gains on available for sale securities with \$4,946 in 2008(2007 – \$65,039).

Cumulative exploration expenses as at September 30, 2008 were \$11,695,907, including capitalized expenditures during the period of \$1,726,894 primarily relating to drilling programs on the Company’s properties.

Selected Annual Information

	December 31, 2007	December 31, 2006	December 31, 2005
	\$	\$	\$
Total revenues	166,689	43,565	11,890
Net income (loss)	(456,119)	(1,100,390)	(473,518)
Net comprehensive income (loss)	(517,243)	(1,100,390)	
Basic income (loss) per share	(0.01)	(0.01)	(0.01)
Diluted income (loss) per share	(0.01)	(0.01)	(0.01)
Total assets	14,829,010	11,158,848	10,178,046

The above selected information and the summary of quarterly results presented below have been drawn from the Company’s audited consolidated financial statements prepared by management and from interim consolidated statements, also prepared by management, in Canadian currency, in accordance with Canadian generally accepted accounting principles and following the same accounting principles and methods of computation as the consolidated financial statements for the fiscal year ended December 31, 2007 unless otherwise disclosed. The disclosures provided below are incremental to those included with the annual and interim consolidated financial statements. This discussion and analysis should be read in conjunction with the consolidated financial statements and the notes thereto for the period ended September 30, 2008.

Results of Operations

A comparative summary of the Company's total revenue and total expense for the nine months ended September 30, 2008 is as follows:

	Nine months September 30 2008	Nine months September 30 2007	Change	Change
	\$	\$	\$	%
Natural Gas Royalties	21,096	19,325	1,771	9.2
Interest and dividends	92,272	16,741	75,531	451.2
Gain on sale of investments	6,463	125,776	(119,313)	-94.9
Total income	119,831	161,842	(42,011)	-26.0
General and administrative	212,194	118,249	93,945	79.4
Management services	225,700	204,350	21,350	10.4
Other professional services	420,781	151,650	269,131	177.5
Amortization	6,528	4,250	2,278	53.6
Total operating expenses	865,203	478,499	386,704	80.8

The Company's total revenue for the nine months ended September 30, 2008 was \$119,831 compared to \$161,842 for the same period in 2007. The increase in interest income is due to higher invested balances in 2008.

The Company's overall expenses increased by 80% for the nine months ended September 30, 2008 from \$478,499 in 2007 to \$865,203 in 2008. General and administrative expenses increased by 79% from \$118,249 in 2007 to \$212,194 in 2008 for the respective periods ended September 30 due primarily to proxy solicitation costs and other increased costs for the annual meeting. Other professional services increased by \$269,131 in 2008 over 2007 due to an increase in investor relations cost incurred to amend the stock option plan, prepare a shareholder rights plan, costs related to the annual meeting and to fees and share compensation expense earned by investor relation consultants. In addition, fees were incurred in an unsuccessful private placement. Management services expense increased by 10% for the nine months ended September 30, 2008 from \$204,350 in 2007 to \$225,700 in 2008.

In addition, the Company recorded equity in losses of Echo for the nine months ended September 30, 2008 of \$56,307, due primarily to legal fees incurred as applicant and respondent in separate court applications. This compares to equity in losses of Echo of \$11,379 for the nine months ended September 30, 2007.

Summary of Quarterly Results

	For the three month period ending,							
	Sept 30, 2008	June 30, 2008	Mar 31, 2008	Dec 31, 2007	Sept 30, 2007	June 30, 2007	Mar 31, 2007	Dec 31, 2006
Revenues	37,528	38,616	43,687	4,847	34,442	83,044	44,356	5,138
Income from continuing operations	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Net income (loss)	(1,328,304)	(291,670)	(223,305)	(180,183)	(111,344)	(122,792)	(135,900)	(797,807)
Comprehensive income (loss)	(1,338,621)	(314,566)	(191,609)	(180,570)	(128,331)	(220,839)	(81,603)	
Net income per share - basic (loss)	-	-	-	-	-	-	-	-
Net income per share - fully diluted (loss)	-	-	-	-	-	-	-	-

In the second quarter of 2006, the decrease in the loss is primarily a result of a net legal cost recovery of \$190,000 on successful challenge to the counterclaim discussed below offset by legal expenses for the quarter of \$130,288.

In the third quarter of 2006, the net loss was adversely impacted by \$44,485 of legal costs to complete the counterclaim and to support the rights offering completed in October 2006.

In the fourth quarter of 2006, the net loss was impacted by a loss in the equity interest in Echo of \$160,185 relating to an equity loss and write-down in Echo's equity investment in Echo Power Generation Inc. and to increased depletion charges resulting from a re-evaluation of gas reserves. The net loss was also impacted by a \$475,000 share compensation expense for stock options issued to certain officers, directors and employees of the Company.

In the first, second and third quarters of 2007, the net loss was decreased by interest income of \$5,046, \$6,589 and \$5,106, respectively, and gains on sale of portfolio investments of \$33,770, \$68,553 and \$23,453, respectively.

In the fourth quarter of 2007, the net loss was impacted by reduced investment income, being interest of \$5,084 and no gains, and by costs incurred for investor relations activity offset by equity in earnings of Echo of \$37,031 arising from a significant future income tax recovery arising from application of enacted rates to a previously recorded liability.

In the first quarter of 2008, the net loss was adversely impacted by investor relations expenditures for 2008 of \$69,300 (March 2007 - \$15,600), an increased equity in losses of Echo of \$39,757 for 2008 (March 2007 - \$4,495) and a reduction in unrealized gains on available for sale securities for 2008 of \$31,696 (March 2007 - \$70,397).

In the second quarter of 2008, the net loss was adversely impacted by investor relations expenditures for 2008 of \$23,200 (March 2007 - \$11,800), an increased equity in losses of Echo of \$27,490 for 2008 (June 2007 - \$1,964) and proxy solicitation costs for 2008 of \$31,371 (March 2007 - \$nil).

In the third quarter of 2008 net losses were primarily impacted by \$1,100,830 of share compensation expense, of which \$59,230 was recorded as a consulting cost.

For more detailed information, please refer to the previous public filings of the Company on SEDAR at www.sedar.com.

Liquidity

[a] Shareholder financing

There were 9,621,154 options available under the approved plan but no outstanding options as at December 31, 2005. During October 2006, 8,800,000 options were granted to directors, officers and contractors. Each option is exercisable in whole or in part at any time prior to October 13, 2008 at the exercise price of \$0.115 per common share.

On December 1, 2006, 330,000 options, exercisable at any time from November 30, 2007 to November 30, 2008 at a price of \$0.12, were granted to the Company's investor relations firm under an investor relations agreement with vesting of one-quarter of the options on each of February 28, 2007, May 31, 2007, August 31, 2007 and November 30, 2007. The fair values of the option compensation which vested during 2007 were estimated at \$62,500.

On June 29, 2007, 300,000 options, exercisable in whole or in part at any time prior to June 29, 2009 at a price of \$0.25, were granted to a director. The fair value of the option compensation was estimated at \$42,000.

On February 5, 2008, the Company granted a further 425,000 options, exercisable at any time from November 30, 2008 to November 30, 2009 at a price of \$0.43, to the Company's investor relations firm under an investor relations agreement with vesting of one-quarter of the options on each of February 28, 2008, May 31, 2008, August 31, 2008 and November 30, 2008. As only 191,154 options remained available for issuance under the plan prior to execution of the agreement, the parties acknowledged that 233,846 of the options were subject to shareholder approval at the 2008 annual meeting. The grant was ratified by the shareholders at that meeting. The fair value of the option compensation will be recognized upon performance under the terms of the agreement as determined and measured on the vesting dates and recorded to management and professional fee expense. The fair value of the option compensation which vested during 2008 was estimated at \$74,600.

In July 2008, 4,800,000 options, exercisable in whole or in part at any time prior to July 2013 at a price of \$0.32, were granted to directors and officers and a further 960,000 options, exercisable for a period of five years at a price of \$0.32 and subject to monthly vesting requirements from July 2008 to July 2009, were granted to a consultant. The fair value of the option compensation which vested during 2008 was estimated at \$1,041,600 for the directors and officers and \$35,230 for the consultant. The contract with this consultant was terminated on October 31, 2008 and all non-vested options will be cancelled.

The Original Option Plan was adopted in June 2001 and the board of directors of the Company made certain amendments to the Original Plan in November 2006. On June 30, 2008, the shareholders approved a New Option Plan in an effort to update its existing option plan and to address recent rule changes introduced by the TSX. The New Option Plan introduced an evergreen or reload feature that will allow any common shares of the Company subject to an option that has been granted under the New Option Plan and that have been exercised, expired or cancelled to again be available under the New Option Plan. Under TSX rules, the Company will be required to obtain shareholder approval every three years for the New Option Plan to remain in effect. . The maximum number of Shares available for issuance from treasury under the New Option Plan, subject to certain adjustment and reload provisions, is 9,975,000.

In October 2006, 200,000 of the outstanding options were exercised for total proceeds of \$23,000 and \$10,600 of option compensation previously recorded when these options were granted was reclassified from Contributed Surplus to Common Shares. 1,600,000 of the options were exercised for total proceeds of \$184,000 in April 2007 and 2,530,000 were exercised for \$292,600 in November 2007. \$270,400 of option compensation previously recorded when these options were granted was reclassified from Contributed Surplus to Common Shares during the year.

In March 2008, 600,000 of the outstanding options were exercised for total proceeds of \$69,000. In April 2008 1,600,000 of the options were exercised for total proceeds of \$184,000 and, in May 2008, 2,400,000

options were exercised for \$276,000. \$248,400 of option compensation previously recorded when these options were granted was reclassified from Contributed Surplus to Common Shares.

In September 2008, 160,000 options were exercised for proceeds of \$51,200 and consequently \$32,714 of option compensation expense was reclassified from Contributed Surplus to Common Shares. In September 2008, 200,000 options expired.

On March 16, 2006, the Company issued 4,509,833 common shares to Echo at a price of \$0.18 per share pursuant to a debt to shares conversion agreement under which Ontex settled an \$811,770 debt owed to Echo. The debt comprised a number of cash advances made by Echo to Ontex. The shares were subject to a four month hold period which expired on July 16, 2006.

On October 6, 2006, the Company issued 13,377,505 common shares at an issue price of \$0.10 per share pursuant to a rights offering raising gross proceeds of approximately \$1,337,750.

On December 29, 2006, the Company issued 928,569 common shares at an issue price of \$0.14 per share pursuant to flow through share subscription agreements for gross proceeds of approximately \$130,000.

During November 2007, the Company closed private placement financing for total proceeds of \$3,649,500 and subject to a 4 month hold under applicable securities laws. The financing comprised two separate placements. The first placement consisted of units comprising common shares and warrants and the second placement consisted of common shares only. Each unit was issued under the first placement for \$0.275 and each warrant will be exercisable for \$0.60 expiring November 2008. In October, 2008 the board extended the expiration date of the warrants, subject to regulatory approval, by one year to November 2009. Each common share issued under the second placement was issued for \$0.275. The Company issued 3,572,727 units under the placement for common shares with warrants and 9,698,177 common shares under the placement for common shares only for gross proceeds of \$3,649,500.

In September 2008, the Company issued 1,250,000 shares from a private placement, for proceeds of \$500,000.

On November 4, 2008, the Company announced its intention to commence a normal course issuer bid that will allow it purchase up to 4,000,000 of its own common shares at prevailing market prices. This application is subject to regulatory approval and will terminate in 12 months or at such time as the bid is complete.

[b] Working capital

As at September 30, 2008 the Company had a cash balance of \$3,286,586 and working capital of \$2,963,642 compared to working capital of \$4,239,312 as at December 31, 2007.

The proceeds of the financing completed in November 2007 will be used for continued exploration and to continue to meet its operating requirements which include general and administrative expenses and property care and maintenance expenses. Approximately \$1,950,000 is committed over the next twelve months with approximately \$600,000 required to meet operating requirements, up to \$1,100,000 for direct exploration program expenditures, a 43-101 upgrade and geophysical and geological consultation, and \$250,000 for contingencies. The Company's plans for an additional drill program designed to further enhance the resources on its gold properties are discussed below.

In August 2008 the company sold 5,000 shares in Micromem Technologies Inc. for proceeds of \$7,532, resulting in a gain of \$6,463.

The Company has a royalty interest in certain oil and natural gas leases as described below which will provide the Company with cash flow during 2008 on or before the anniversary date of production commencement.

[c] **Contractual obligations**

Executive Compensation	Payments due by period	
	Total	Next 12 months
Agreements with Officers	\$52,000	\$52,000

The Company has ongoing commitments to compensate certain of its executive officers in the total amount of \$208,000 per year for management services provided by them under contracts expiring in December 2008. In March 2007, the Company reached a mutual agreement to terminate its contractual obligation to a company owned by its Chief Operating Officer for services to identify a suitable joint venture partner for its Brookbank property.

Capital Resources

[a] **Mineral Exploration Properties**

Exploration expenses incurred during the nine months ended September 30, 2008 totaled \$1,726,894 [2007 - \$186,905]. The expenses were incurred primarily in preparation for, and implementation of, drilling programs on the Company's properties.

In October 2006, the Company raised financing to support a drill program for up to 20 holes totaling about 4,200 meters to evaluate its Brookbank deposit with the goal of increasing the Brookbank resource base. On January 18, 2007 the Company announced the successful completion of 14 holes totalling 2,999 meters. All holes intersected gold mineralization and eight of the fourteen drill holes intersected mineralization above 3.0 grams gold per tonne over core widths greater than 1.5 meters. On September 25, 2007 the Company announced the completion of the planned diamond drilling campaign, reporting on the further 6 holes totalling 1,208 meters. All 6 holes intersected gold mineralization.

The plan for the mineral property is to expand the global resource by the end of 2008. The Company's gold resource is currently supported by an NI 43-101 compliant report titled "Technical Report, Brookbank Gold Deposit, Beardmore-Geraldton Area, Northern Ontario", issued April 28, 2006 by John P. Thompson And Associates. The report details an indicated mineral resource of 1.6 million tonnes grading 7.1 g Au/t containing 372,900 Oz Au at a cut-off grade of 2.0 g Au/t and an inferred mineral resource of 1.6 million tonnes grading 6.2 g Au/t containing 321,800 Oz Au at a cut-off grade of 2.0 g Au/t. The Company is in the process of completing a program to drill the gold zones of the Cherbourg, Brookbank, and Foxear properties, including the Rhino Zone as discussed below. On April 21, 2008 the Company announced the start of its 8,000 meter, diamond drill program located on Brookbank deposit. On July 23, 2008, the Company announced assay results from Phase 1 of the Company's ongoing 8,000 meter program for 2008 targeting its 100% owned Brookbank Gold Deposit. All 8 holes from the Phase 1 program totaling 3,700 metres intersected mineralization in the main Brookbank Zone between 200 and 550 metres vertically.

The Company has selected a prominent Toronto based geological/mining consulting company, Scott Wilson Roscoe Postle Assoc. Inc., to provide technical assistance during the drill program, to review the QA/QC program, to undertake a new NI 43-101 report on the upgraded resource base and to provide a preliminary economic assessment study of the Brookbank deposit upon completion of the resource study.

Initial drill holes slated on the Cherbourg property will be below the 200 metre level. Three zones in the Cherbourg property may converge at depth with the known resource. Exploration on the Brookbank will include both near-surface and deeper (700 metre level) drilling. Resources may be added from both the contact alteration, and also from connected mineralization (splays off the main fault) which occurs within the volcanic and sedimentary units. One of the projects to be drilled is the Rhino Zone. Here, a gold-enriched quartz-sericite alteration unit slices through the center of a 10 km wide dilation zone.

Subsequent to the completion of the full 2008 diamond drill program, Scott Wilson Roscoe Postle Associates will undertake an independent estimation of the reserve.

The Company is not aware of any land use, political or environmental issues affecting the value of the projects but is impacted by changes in the price of gold which fluctuates as a result of active gold trading in commodity markets around the world which open and close throughout the day. The future direction of the price trend or the ability to predict it is beyond the Company's control.

Mineralization at Brookbank extends over a strike length of about 800 meters and has been drill tested to a depth of about 600 meters. Metallurgical testing has shown that about 94% of the gold can be liberated by a simple Cyanide leach process. The Company's Brookbank Gold Deposit is the only project in the Beardmore-Geraldton Gold Belt with an NI 43-101 compliant technical report. This technical report does not include results from the Company's three recently completed successful drilling programs. The NI 43-101 Technical Report can be viewed on Sedar or the Company's website.

The Brookbank Gold Deposit remains one of the largest properties in the Beardmore - Geraldton camp of Northern Ontario, with 688 claims covering a strike length of 35 kilometers and spanning 5 townships - Irwin, Sandra, Walters, Leduc and Legault Townships. The property has been under explored and the potential exists to find more significant mineralization that could be developed into a gold mine. More field work is required to properly evaluate the targets and the potential of the area. There are potentially significant areas with grades in the 3.0 to 4.5 g/t range that should be drilled to firm up a mineral resource. As of yet there has been no attempt by the Company to consider a mining operation on the property. The focus going forward is to explore the property with a view to increasing the known resources on the property before considering development and production.

The Company expects the direct cost of maintaining its rights under its mineral claims to continue at between \$32,000 and \$36,000 per year.

The technical data herein and the technical contents of this MD&A have been reviewed by John P. Thompson, P.Eng., President of Ontex, who is a Qualified Person within the meaning of NI 43-101, with the ability and authority to verify the authenticity and validity of the data.

[b] Investment in Echo

As at September 30, 2008, Ontex had a net investment in Echo of \$439,484. The decrease in the investment in Echo from the December 31, 2007 balance of \$495,791 is a result of the Company's proportionate share of losses for the nine months ended September 30, 2008 of \$56,307 (2007 - \$11,379), as discussed above.

At September 30, 2008, the Company held 11.69% or 7,037,436 of the outstanding common shares of Echo and exerts significant influence through one common director who serves as Chief Executive Officer of both companies, and a common Chief Financial Officer. In March 2008, Echo issued an aggregate of 7,428,571 common shares under a private placement reducing the Company's interest from 13.3% to 11.69%.

On February 27, 2008, Echo received Gas Reserve Estimations in respect of lands in southwestern Ontario subject to gas leases held by it. The reserve estimations were prepared by Jim McIntosh Petroleum Engineering Ltd. ("McIntosh"), Echo's consulting engineer. According to McIntosh's Reserve Estimation the estimated net proved gas reserves on leased acreage in Ontario are 13.00 bcf (billion cubic feet) and the estimated net probable reserves are 22.26 bcf, for a total estimated gas reserve of 35.26 bcf.

Summarized information of the financial position and results of operations of Echo are as follows:

	Period ended September 30 2008	Year ended December 31 2007
	\$	\$
Assets		
Current	946,416	2,375,762
Non-current	51,208,774	51,001,964
Total assets	52,155,190	53,377,726
Liabilities		
Current	5,785,262	2,888,018
Long-term	12,839,550	18,477,600
Shareholder's equity	33,530,378	32,012,108
Total liabilities and shareholder's equity	52,155,190	53,377,726
Results of Operations		
	Period ended September 30 2008	Period ended September 30 2007
	\$	\$
Total revenue	2,144,613	1,741,855
Expenses	2,849,848	1,795,934
Other items	(223,505)	33,889
Net loss	481,730	87,968

For more detailed information, please refer to Echo's public filings.

In 2002, Ontex purchased a royalty interest in respect of 2,000 acres of natural gas and oil leases in Bayham Township, in Southwestern Ontario, from Southern Ontario Natural Gas Limited. The royalty purchased under the transaction consisted of a gross overriding royalty of 5% until Echo had recovered all capital costs relating to the drilling on and development of the land affected by the said leases and, immediately following the earlier of the payout of the capital costs or five years from the date of the purchase and sale agreement, the royalty would be increased to 10%. The increased interest occurred in August 2005, being the five year anniversary of the purchase. The overriding royalty applies to 8 Echo operated gas wells which, based on the reserves data discussed above, is estimated by McIntosh to have a net present worth before taxes of \$377,000 at a discount rate of 10 percent using forecasted prices and operating costs. Six wells were in production by September 30, 2008 and timing of production from the remaining two is uncertain.

Transactions with Related Parties

All related party transactions have been recorded at the exchange amount which represented the amount of consideration established and agreed to by the related parties.

- [a] The Company's Chairman and CEO is a director and is also President, Treasurer, CEO and a director of Echo. During the nine months ended September 30, 2008, the Company paid a company influenced by the President and Treasurer \$78,000 [2007 - \$78,000] in management and consulting fees.
- [b] Until May 23, 2008, a director of the Company served as Chairman while also Chairman and a director of Echo. During the nine months ended September 30, 2008, the Company paid a company influenced by the director \$78,000 [2007 - \$78,000] in management and consulting fees.

- [c] During the nine months ended September 30, 2008, the Company paid \$51,700 [2007 - \$48,350] in respect of financial services provided by the former Chief Financial Officer of the Company.
- [d] In July, 2008 a new President and COO was appointed and the Company paid \$18,000 (2007 - \$19,000 for worked billed as an outside consultant) for services provided to September 30, 2008.

During the nine months ended September 30, 2008, the Company advanced funds to Echo on account of Echo's royalty obligations and expenses paid on Echo's behalf in the amount of \$43,100 and collected \$85,072 for advances owing as at December 31, 2007 and \$30,657 for subsequent amounts. The amount due from Echo of \$12,443 [December 31, 2007 -\$85,072] is non-interest bearing, unsecured and payable on demand. The amounts due from Echo Power Generation Inc. of \$6,095 as at December 31, 2007 were written off in March 2008 as uncollectible.

The Company has contractual obligations in the aggregate amount of \$208,000 per year under agreements expiring December 15, 2008 to compensate certain of its executive officers for management services provided by them.

Critical Accounting Estimates

The Company makes accounting estimates in its financial statements in order to provide timely information to users. A critical accounting estimate is one that requires management to make assumptions about matters that are highly uncertain at the time the estimate is made and, if a different estimate was used, financial results would be materially different.

The Company must estimate its mineral reserves and that estimate is considered critical. Reserves are evaluated and reported on from time to time by an independent consulting geologist and engineer who uses various subjective factors and assumptions, including interpretation of geological sampling and testing information, assumptions regarding geological and grade continuity and estimates of in-ground values. Although reserves are estimated, management believes the estimates are reasonable based on information available at the time the estimates were prepared. Management and the Reserve Committee of the Board of Directors review the estimates reported by the independent consulting geologist.

As new information becomes available, changes are made to the reserve and value estimates. Historically, the Company has had no significant changes to these estimates, with the exception of adjusting reserves for the results of new drilling. Future actual results could vary greatly from the estimates made, resulting in material changes to the asset impairment test.

Significant Accounting Policies

Mineral exploration properties

The Company considers its exploration costs to have the characteristics of property, plant and equipment. As such, the Company defers all exploration costs, including acquisition costs, field exploration and field supervisory costs relating to specific properties until those properties are brought into production, at which time, they will be amortized on a unit-of-production basis based on proven and probable reserves or until the properties are abandoned, sold or considered to be impaired in value, at which time, an appropriate charge will be made.

The recoverability of the amounts shown for mineral exploration properties is dependent on the existence of economically recoverable reserves, the ability to obtain financing to complete the development of such reserves and meet its obligations under various agreements and the success of future operations or dispositions.

Measurement Uncertainty

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Significant areas requiring the use of management estimates relate to the determination of impairment of mineral property costs. Actual results will differ from those estimates.

Changes in Accounting Policies

As discussed above, effective January 1, 2007, the Company adopted a series of new standards released by the Canadian Institute of Chartered Accountants, which establish guidance for the recognition and measurement of financial instruments. Section 1530 "Comprehensive Income", Section 3855 "Financial Instruments – Recognition and Measurements", 3861 - "Financial Instruments - Disclosure and Presentation", and Section 3865 "Hedges" were released in April 2005 and are effective for interim and annual financial statement years beginning on or after October 1, 2006. To accommodate these new sections, there have been a number of amendments to other existing accounting standards. These new standards require that certain financial instruments be included on the Company's balance sheet and measured either at their fair value or, in limited circumstances when fair value may not be considered most relevant, at cost or amortized cost. These standards also specify when gains and losses as a result of changes in fair value are to be recognized in net income or other comprehensive income.

In accordance with these new standards, the Company has designated its investments, other than those accounted for by the equity method, as available for sale and has measured these financial assets at fair value determined with reference to published price quotations in an active market.

Prior periods have not been restated. The unrealized gain of \$69,741 determined on January 1, 2007, resulting from the increase in value of investments, was recognized as an adjustment to shareholder's equity at the beginning of the period through accumulated other comprehensive income. Subsequent unrealized gains and losses are recorded directly in other comprehensive income.

The new rules require presentation of a new Consolidated Statement of Comprehensive Income, which is comprised of net income and changes in unrealized gains or losses related to available-for-sale securities. Gains and losses on investments are reclassified to the statement of income (loss) from other comprehensive income when realized.

Effective January 1, 2008 the Company adopted the following new CICA accounting standards: Section 3862, Financial Instruments – Disclosures; Section 3863, Financial Instruments – Presentation; Section 3031, Inventories; and Section 1535, Capital Disclosures.

CICA Section 3862, Financial Instruments - Disclosures, establishes standards for the disclosure of financial instruments including disclosing the significance of financial instruments and the nature and extent of risks arising from financial instruments.

The adoption of CICA Section 3863 had no impact on the Company's presentation since the new standard carries forward the existing presentation requirements.

CICA Section 3031, Inventories prescribes the accounting treatment for inventories, and had no impact the Company's presentation since there are no inventories.

CICA Section 1535, Capital Disclosures, establishes standards for disclosing aspects of the entity's capital management strategy. This standard requires disclosure of both quantitative and qualitative disclosures around the entity's objectives, policies and processes for managing capital. Disclosure of any externally imposed capital requirements is required when applicable along with information regarding the consequences of non-compliance with such restrictions.

The adoption of these new standards had no impact on the Company's financial position or results of operations.

The Accounting Standards Board confirmed recently that public companies will be required to report under International Financial Reporting Standards ("IFRS") effective January 1, 2011. The Company is currently assessing the impact of adopting IFRS, including an examination of recognition, measurement and disclosure differences.

Risks and Uncertainties

Various laws and regulation, licensing procedures and permits affect the Company's exploration projects. Existing legislation and regulations are subject to change; however, the Company endeavors to be in compliance with these at all times.

The business of exploration for minerals involves a high degree of risk. Few properties that are explored are ultimately developed into producing mines.

The Company has limited experience in the development and operation of mines and has relied on and may continue to rely upon consultants and others for exploration and operating expertise. The Company took a significant step in addressing this concern with the appointment of John Thompson M.Sc., P.Eng. a Qualified Person, as President in July 2008. The economics of developing gold and other mineral properties is affected by many factors including the cost of operations, variation of the grade of ore mined and fluctuations in the price of any minerals produced.

The success of the Company is dependant, among other things, on obtaining sufficient funding to enable the Company to explore and develop its properties. There can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favorable. Failure to obtain such additional financing could result in delay or indefinite postponement of further exploration and development of its projects with the possible loss of such properties. The Company will require new capital to continue to operate its business and to continue with exploration on its mineral properties, and there is no assurance that capital will be available when needed, if at all. It is likely such additional capital will be raised through the issuance of additional equity, which will result in dilution to the Company's shareholders.

The operations of the Company may require licenses and permits from various local provincial and federal governmental authorities, as the case may be. There can be no assurance that the Company will be able to obtain all necessary licenses and permits that may be required to carry out exploration, development, or mining operations, at its projects. Even if the Company's exploration programs are successful, factors beyond the control of the Company may affect the marketability of any mineral products discovered. The prices of mineral products have historically fluctuated widely and are affected by numerous factors beyond the Company's control, including international, economic and political trends, expectations for inflation, currency exchange fluctuations, interest rates, global or regional consumption patterns, speculative activities and worldwide production levels. The effect of these factors cannot accurately be predicted.

The mining industry is intensely competitive in all its phases. The Company competes with many companies possessing greater financial resources and technical facilities than itself for the acquisition of mineral interests as well as for the recruitment and retention of qualified employees.

The Company's operations are subject to environmental regulations promulgated by local, provincial and federal government agencies from time to time. Environmental legislation provides for restrictions and prohibitions of spills, releases or emissions of various substances produced in association with certain mining industry operations, such as seepage from tailing disposal areas, which could 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 submissions to and approval of environmental impact assessments. Environmental legislation is evolving in a manner which means stricter standards and enforcement, and fines and penalties for non-compliance are more stringent. Environmental assessments of proposed projects carry a heightened degree of responsibility for companies and directors, officers and

employees. The cost of compliance with changes in governmental regulations has a potential to reduce the profitability of operations. The Company intends to fully comply with all environmental regulations.

Certain directors or proposed directors of the Company are also directors, officers or shareholders of other companies that are similarly engaged in the business of acquiring, developing and exploiting natural resource properties. Such associations may give rise to conflicts of interest from time to time. The directors of the Company are required by law to act honestly and in good faith with a view to the best interests of the Company and to disclose any interest which they may have in any project opportunity of the Company. If a conflict of interest arises at a meeting of the board of directors, any director in a conflict will disclose his interest and abstain from voting on such matter. In determining whether or not the Company will participate in any project or opportunity, the directors will primarily consider the degree of risk to which the Company may be exposed and its financial position at that time.

The Company does not have a track record of operating history upon which investors may rely. Consequently, investors will have to rely on the expertise of the Company's management. Further, the Company's properties are in the exploration stage and may not be commercially viable at this time. The Company does not have a history of earnings or the provision of return on investment, and there is no assurance that it will produce revenue, operate profitably or provide a return on investment in the future.

The Company may, in the future, be unable to meet its share of costs incurred under option or joint venture agreements to which it is a party and the Company may have its interest in the properties subject to such agreements reduced or terminated as a result. Furthermore, if other parties to such agreements do not meet their share of such costs, the Company may be unable to finance the cost required to complete recommended programs.

Disclosure Controls and Procedures

Disclosure controls and procedures have been designed to ensure that information required to be disclosed by the Company is accumulated and communicated to management as appropriate to allow timely decisions regarding required disclosure. The Company's disclosure controls and procedures provide reasonable assurance that material information related to the Company is made known to management.

It should be noted that, while the Company's Chief Executive Officer and Chief Financial Officer believe that the Company's disclosure controls and procedures provide a reasonable level of assurance that they are effective, they do not expect that the Company's disclosure controls and procedures or internal control over financial reporting 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.

Internal Control over Financial Reporting

The Chief Executive Officer and Chief Financial Officer are responsible for establishing and maintaining internal control over financial reporting for the Company and have designed such controls to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP.

It should be noted that, while the Company's Chief Executive Officer and Chief Financial Officer believe that the Company's internal controls over financial reporting provide a reasonable level of assurance that they are effective, they do not expect that the Company's internal control over financial reporting 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.

Outstanding Share Data

The Company's outstanding share capital comprises common shares. An unlimited number of common shares are authorized and, as at the date hereof, 91,426,994 common shares were issued and outstanding. Further information on the Company's outstanding share capital is provided in Note 4(a) to the Consolidated Financial Statements.

Additional Information

Additional information relating to the Company, including the Company's Annual Information Form for the year ended December 31, 2007 on SEDAR at www.sedar.com.