



(AN EXPLORATION STAGE COMPANY)

MANAGEMENT'S DISCUSSION & ANALYSIS

FOR THE SIX MONTH PERIOD ENDED

JUNE 30, 2010

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*The following management's discussion and analysis ("MD&A") of the performance, financial condition and future prospects of Mantis Mineral Corp. (which is also referred to herein as "Mantis" or the "Company") should be read in conjunction with the Company's 2009 audited consolidated financial statements. Further information may be accessed at [www.sedar.com](http://www.sedar.com) and [www.cnsx.ca](http://www.cnsx.ca). All financial data herein has been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and all dollar amounts herein are in Canadian dollars unless otherwise specified. This MD&A is dated as of August 6, 2010.*

### **Forward-Looking Statements**

Some of the statements contained or incorporated by reference in this MD&A, including those relating to strategies and other statements that are predictive in nature, that depend upon or refer to future events or conditions, or that include words such as "expects," "anticipates," "intends," "plans," "believes," "estimates" or similar expressions, are forward-looking statements within the meaning of Canadian securities laws. Forward-looking statements include, without limitation, the information concerning possible or assumed future results of operations of Mantis Mineral Corp. as set forth herein. These statements are not historical facts but instead represent only Mantis' expectations, estimates and projections regarding future events. The forward-looking statements contained or incorporated by reference in this MD&A are not guarantees of future performance and involve certain risks and uncertainties that are difficult to predict. The future results and shareholder value of Mantis may differ materially from those expressed in the forward-looking statements contained or incorporated by reference in this MD&A due to, among other factors, the risks and uncertainties discussed herein and other filings with Canadian securities regulators, including the factors detailed in Mantis' annual financial statements and the notes thereto. Mantis does not undertake any obligation to update or release any revisions to these forward-looking statements to reflect events or circumstances after the date of this MD&A or to reflect the occurrence of unanticipated events, except as required by law.

## **Mantis Mineral Corp.**

An Exploration Stage Company

### **Overall Performance**

The Company is an exploration stage mineral resources company, and currently does not have any projects that generate revenue. Its capacity to carry out its business plan rests with its ability to secure future equity and other financings. This discussion contains forward-looking statements that involve risks and uncertainties. Exploration expenditures are deferred and included on the balance sheet unless the value is impaired or the projects are abandoned which results in such expenditures being written off.

Funding for operations is raised primarily through public and private share offerings. Future operations and the Company's ability to meet mineral property option commitments are dependent on the Company's ability to raise sufficient funding through share offerings or operations to support current and future expenditures. At June 30, 2010 the Company had working capital deficit of \$474,863. The un-audited consolidated financial statements have been prepared on a going concern assumption which contemplates the Company will continue in operation and realize its assets and discharge its liabilities in the normal course of operations. Should the going concern assumption not continue to be appropriate, further adjustments to carrying values may be required.

### **Claim CLM 266 of the Chester-3 Gold Zone**

On June 17, 2010 the Company entered into an option agreement (the "Agreement") with Gold Bar Resources Inc. ("Gold Bar") to acquire its 21.62% registered undivided interest in leased claim CLM266 which consists of 11 standard or one-unit claims located in Chester Township. The balance of the undivided interest in CLM266 was recently subject to an option agreement by Trelawney Mining and Exploration Inc. ("Trelawney", TSX-V :'TRR'). Claim CLM 266 also known as 'the Jack Rabbit', is a significant component of the claim fabric known as 'Chester-3 Zone' which was recently the subject of a drill program as press released by Trelawney.

Additional information on CLM 266 and Gold Bar's registered 21.62% interest is available in the 43-101 report dated January 14, 2010 and titled 'Technical Report on the Chester Township Properties, Ontario, Canada' by Scott Wilson Roscoe Postle Associates Inc., published on Trelawney's website.

#### **Highlights**

In Trelawney's press release on February 22, 2010, Trelawney reported on 4 of 12 diamond drill holes completed on the Chester-3 Zone, where drilling confirmed the gold mineralization reported by previous operators. The Chester-3 Zone is located one kilometre north of the Chester-1 Zone, which is 2.5 km east-northeast of and along strike with the Chester-2 Zone.

#### **Option Agreement**

The Agreement provides that Mantis may acquire Gold Bar's 21.62% registered undivided interest in CLM 266 by making an initial payment of 500,000 common shares within 10 days of the signing of the Agreement (paid), and further paying an aggregate of \$1,000,000 in cash, or equivalent value in common shares of Mantis over three years. Any common shares issued by Mantis under the terms of the Agreement are to be priced at \$ 0.15. The Agreement provides that upon Mantis exercising the option fully, Gold Bar retains a 1.5% net smelter return royalty.

### **Highlights of the Cree Lake gold project**

Probe Mines Ltd. commenced the summer drill program on the Cree Lake gold project in the Swayze belt of Northern Ontario. The property was recently optioned by Probe Mines Ltd., which is also the operator.

The Cree Lake gold project is host to a new gold zone discovered by Mantis in 2009 and is characterized by thick, near-surface, drill intersections of up to 15.5 metres averaging 2.05 grams per tonne gold. This style of mineralization is not typical of the Swayze belt and represents potential for the delineation of a near-surface, large-tonnage, low-grade gold deposit. Follow-up trenching conducted by Mantis immediately west of hole CL09-6 exposed a 50-metre length of intermittent quartz veining and shearing over a 10-metre width. Grab samples within this zone yielded significant gold values ranging from 0.61 g/t to 43.2 g/t, with an average of 6.47 g/t. The property is situated along the Ridout deformation zone, a 130-kilometre-long structure that hosts past producers such as the Jerome, Tyrranite and Kenty mines, as well as numerous gold showings. The area has received recent attention with the identification of thick intervals of gold mineralization by Trelawney Mining on its Chester gold project, located approximately 60 kilometres southeast along strike in the Swayze belt. Probe can earn up to a 70-percent interest in the property from Mantis Mineral. Drilling will be composed of six holes designed to test the new gold zone near surface and at depth along a 150-metre strike length. Results of the drilling will be announced as soon as they are received.

### **Amendment to warrants**

Mantis amended the terms of the 40,000 common share purchase warrants, which were issued pursuant to the company's private placement on July 11, 2005. In particular, the company reduced the exercise price of the warrants from 50 cents to 15 cents per share and extended the term of the warrants by three years from July 11, 2010, to July 11, 2013. The Company also amended the terms of 5,650,000 common share purchase warrants which were issued pursuant to the Company's private placement on June 22, 2009 with an exercise price of \$0.15. In particular, the Company extended the term of the warrants by three years from June 22, 2010 to June 22, 2013. In addition the terms of 1,232,500 common share purchase warrants which were issued pursuant to the Company's private placement on May 31, 2005 were extended by three years from May 31, 2010 to May 31, 2013, the exercise price of the warrants was reduced from \$0.50 to \$0.15 per share. Pursuant to the policies of the Canadian National Stock Exchange, the amended warrants must include an acceleration clause, which provides that if the common shares of the company trade at greater than 20 cents for 10 consecutive trading days, then the company would be required to trigger an acceleration of the expiry date of the warrants to the date which is 37 days following such a 10-day period. The amendments will not apply to warrants issued to agents in connection with the private placement. The amendments are subject to the consent of the affected warrant holders and regulatory approval, including satisfaction of the requirements of the CNSX.

### **Financing operations**

As at June 30, 2010, the Company had a negative working capital of \$561,363 which management considers to be insufficient to continue operations for the coming year. The Company will be seeking further funding from private placement financings to meet these commitments. Also, in the longer term, in order to continue operations, and in particular, to fund ongoing expenditure commitments, the Company will need to raise additional capital. The Company plans to do this through private placements and public offerings and asset sales. There is a risk that the Company will not be able to secure sufficient working capital to continue as a going concern because of an inability to obtain external financing or an inability to sell its assets in order to meet its obligations as they become due.

### **Mining Property Activities**

During the six month period ended June 30, 2010 the Company incurred deferred exploration costs of \$97,600 (2009 - \$308,202).

### **Viability and valuation of existing projects**

The Company is constantly evaluating the current projects for their viability in terms of positive geological results and whether exploration should be continued to be performed where results might not be as rewarding as expected. In the event that a property is considered to be unviable, then steps will be taken to reflect the reduction in value or the write off of the option, whichever treatment is reasonable in the circumstances.

### **Nature of operations**

Mantis Mineral Corp. (the "Company" or "Mantis") was incorporated on May 30, 1997 in Ontario and carries on the business of the acquisition, exploration and development of properties for mining of precious and base metals. The Company has not earned any revenue to date from its mining operations and is therefore considered to be in the development ("exploration") stage.

The Company has an accumulated deficit of \$27,583,578 and has working capital deficit of \$474,863 as at June 30, 2010 (2009—deficit—\$21,932,944, working capital—\$657,143). The recoverability of the costs incurred to date on mining properties and deferred exploration expenditures, and the ability of the Company to continue meet its obligations and carry out its planned exploration activities, are dependent upon the existence of economically recoverable reserves, maintaining title and beneficial interest in the properties, the ability of the Company to obtain the necessary financing to complete the exploration and development of its properties and upon future profitable production or proceeds from the disposition of the properties and deferred exploration expenditures. There is no assurance that these initiatives will be successful.

## **Liquidity and capital stock**

Authorized: Unlimited number of common shares

Issued and outstanding: 92,689,264 common shares

The Company has funds available from ongoing operations of \$260,033 at the date of this MD&A.

1. During the first two quarters of the fiscal year, the Company paid for \$47,000 of services as follows:
  - i. The Company paid for \$38,000 of consulting services from four arm's-length third parties and issued 778,180 common shares of the Company for these services and for \$12,000 of services accrued at December 31, 2009.
  - ii. The Company paid for \$9,000 of consulting services from directors of the Company and issued 343,635 common shares of the Company for these services and \$9,000 of services accrued at December 31, 2009.
2. During the first two quarters of 2010, the Company settled an aggregate of \$36,085 of indebtedness owed to two arm's-length third parties from the issue of 721,690 common shares of the Company.

## **International Financial Reporting Standards ("IFRS")**

In February 2008, the Canadian Accounting Standards Board ("AcSB") confirmed that January 1, 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canadian GAAP. The IFRS standards will be effective for the Company for interim and annual financial statements relating to the Company's fiscal year beginning on or after January 1, 2011. The Company has begun the planning and scoping phase of the transition to IFRS and intends to transition to IFRS financial statements for the fiscal year ending December 31, 2011. While the Company has begun assessing the adoption of IFRS for fiscal 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

The Company will report interim and annual financial statements in accordance with IFRS beginning with the year ending December 31, 2011. The Company's fiscal 2011 interim and annual financial statements will include comparative fiscal 2010 financial statements, adjusted to comply with IFRS.

The Chief Financial Officer will manage the conversion and report regularly to the Audit Committee. The implementation of IFRS consists of four phases:

(i) Scoping and impact analysis – Project scoping and impact analysis will be completed by November 30, 2010, and will produce a high level view of potential differences to existing accounting and reporting policies and consequential changes to information systems and business processes.

(ii) Evaluation and design phase – This phase involves specification of changes required to existing accounting policies, information systems and business processes, together with an analysis of policy alternatives allowed under IFRS and development of draft IFRS financial statement content.

(iii) Implementation phase – The implementation and review includes training programs for finance staff, execution of changes to information systems and business processes, and completing formal authorization processes to approve recommended accounting policy changes. It will culminate in the collection of financial information necessary to compile IFRS compliant financial statements, embedding of IFRS in business processes, elimination of unnecessary data collection processes and Board approval of IFRS financial statements.

(iv) Quantitative impact review phase – Final determination of accounting policies and the quantitative impact of adopting IFRS on key line items in the Company's financial statements

### **Impact of Adopting IFRS on the Company's Financial Statements**

The adoption of IFRS will result in some changes to the Company's accounting policies that are applied in the recognition, measurement and disclosure of balances and transactions in its financial statements.

The following provides a summary of the Company's evaluation to date of potential changes to accounting policies in key areas. This summary is intended only to highlight the areas the Company believes to be most significant based on its evaluations to date, and is not necessarily a complete list of changes that will result from adoption of IFRS.

In addition, the International Accounting Standards Board has significant ongoing projects related to potential changes to IFRS that could affect the potential for changes to the Company's current accounting policies on adoption of IFRS.

### **Impairment of Non-financial Assets**

IFRS requires a write down of assets if the higher of the fair market value and the value in use of a group of assets is less than its carrying value. Value in use is determined using discounted estimated future cash flows. Current Canadian GAAP requires a write down to estimated fair value only if the undiscounted estimated future cash flows of a group of assets are less than its carrying value. The Company's accounting policies related to impairment of non-financial assets will be changed to reflect these differences, however the Company does not expect that this change will have an immediate impact to the carrying value of its assets. The Company will perform impairment assessments in accordance with IFRS at the transition date.

### **Property, Plant and Equipment ("PP&E")**

Canadian GAAP does not permit the reevaluation of PP&E. Historical cost is used. IFRS permits the revaluation of PP&E but does not require it. Depreciation is calculated by individual asset for IFRS and this method is currently used by the Company. With respect to the Company's accounting of PP&E there is no difference between Canadian GAAP and IFRS. The Company will continue to reflect its property, plant and equipment at amortized cost.

### **Mineral properties**

Canadian GAAP requires acquisition costs to be capitalized and allows exploration costs to be expensed as incurred or capitalized. IFRS allows the same treatment as Canada however the exploration costs must be classified as either tangible or intangible assets, according to their nature.

The Company's policy is to capitalize both categories of costs. IFRS 6 and IAS 36 would require the Company to assess its mineral properties at the end of each reporting period as to whether there is any indication that the asset may be impaired. IFRS also allows the reversal of impairments if conditions that gave rise to those impairments no longer exist. Canadian GAAP prohibits reversal of impairment losses. If the Company elected to continue to capitalize its exploration costs it would be expected that there would be increased volatility in impairment recognition due to increase in frequency of assessment and possibility of reversal of impairments.

The Company expects to establish an accounting policy to expense, as incurred, all costs relating to exploration and evaluation until such time as it has been determined that a property has economically recoverable reserves. The application of this policy on the adoption of IFRS will have a significant impact on the Company's financial statements. On adoption of IFRS, the carrying value of the mineral property interests will be reduced to zero (at the transition date), with a corresponding adjustment to accumulated deficit. All subsequent exploration and evaluation costs will be expensed as incurred until such time as it has been determined that a property has economically recoverable reserves.

It would be recommended that on convergence to IFRS that the Company elects to expense its exploration costs.

### **Share-based Payments**

In certain circumstances, IFRS requires a different measurement of stock-based compensation related to stock options than current Canadian GAAP. The Company does not expect any changes to its accounting policies related to share-based payments that would result in a significant change to line items within its financial statements.

### **Income Taxes**

IFRS contains some different guidance related to recognition and measurement of future (deferred) income taxes. One of those differences relates to accounting for "flow-through" common shares, for which IFRS does not include the same level of specific guidance provided under current Canadian GAAP. The Company has not completed its detailed evaluation of the differences between IFRS and current Canadian GAAP related to accounting for income taxes. These differences could require changes to accounting policies that may impact the Company's financial statements and require adjustments to future (deferred) income taxes and shareholders' equity.

### **Information technology and data systems**

The accounting processes of the Company are relatively simple as the Company has few mineral properties. No major challenges are expected at this point to operate the accounting system under IFRS.

The Company generated its accounting under Canadian GAAP in 2010, and it has tentatively determined that the only significant difference for the accounting under IFRS and the comparative financial statements will be to expense mineral exploration costs rather than deferring them as well as a relatively insignificant adjustment to stock-based compensation expense.

### **Disclosure controls and procedures, including investor relations and external communications plans**

The Company will update its disclosure controls and procedures to ensure they are appropriate for reporting under IFRS. At this time no changes have been discovered as being necessary. The Company will continue to maintain a set of disclosure controls and procedures designed to ensure that information required to be disclosed in filings made pursuant to National Instrument 52-109 is recorded, processed, summarized and reported in the manner specified by the relevant securities laws applicable to the Company.

The detailed evaluation phase will continue through the second half of 2010.

The implementation and review phase began in the second quarter of 2010 and will continue through the fiscal year. This phase includes implementation of the required changes necessary for IFRS compliance. Final decisions on accounting policy choices and IFRS 1 exemptions will be approved and changes to business processes and internal controls resulting from policy changes will be implemented. Preparation of an opening IFRS balance sheet and IFRS comparatives for 2010 reporting periods will commence during this phase. The Company will monitor changes in IFRS leading up to the January 1, 2011 adoption date, and update its conversion efforts as required

### **Financial reporting expertise, including training requirements**

The Chief Financial Officer of the Company has participated in ongoing training sessions provided by external advisors and attended online workshops that compared Canadian GAAP to IFRS for a mineral exploration company. Training and research are ongoing and the development of standards issued by the International Accounting Standards Boards are monitored and evaluated for any impact on the Company.

### **Subsequent Disclosures**

Further disclosures of the IFRS transition process are expected as follows:

- The Company's MD&A for the 2010/11 interim periods and the year ended December 31, 2011 will include updates on the progress of the transition plan, and, to the extent known, further information regarding the impact of adopting IFRS on key line items in the annual financial statements.
- The Company's first financial statements prepared in accordance with IFRS will be the year-end financial statements ending December 31, 2011, which will include notes disclosing transitional information and disclosure of new accounting policies under IFRS. The interim financial statements for the three months ending March 31, 2011, will also include 2010 financial statements for the comparative period adjusted to comply with IFRS, and the Company's transition date IFRS statement of financial position (at January 1, 2011).

**STATEMENT OF MINERAL PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES**

**FROM INCEPTION (MAY 2, 2007) TO JUNE 30, 2010**

	Orphan Mine	Cree Lake	King Dodds	Rottenstone	Thorburn/Oke	Tamarack	Grass River	Pegmatite	CLM 266 of Chester-3 Gold Zone	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Balance at inception as exploration stage entity May 2, 2007	-	-	-	-	-	-	-	-	-	-
Acquisition costs	538,851	56,000	192,209	203,000	400,000	51,500	3,267,000	12,000	25,000	4,745,560
Accommodations	106,312	71,021	6,339	39,451	3,364	-	797	-	-	227,284
Consulting	77,569	87,671	15,210	50,110	4,131	600	-	-	-	235,291
General and office	23,635	12,517	2,188	10,309	833	-	-	-	-	49,482
Geosciences	965,452	449,477	162,973	673,499	69,618	12,466	172,672	23,847	-	2,530,004
Professional fees	7,284	-	-	-	-	-	-	-	-	7,284
Project supervision	137,560	163,279	24,543	37,863	49,377	37,143	10,143	6,000	-	465,908
Surveying and mapping	14,521	3,600	3,960	8,227	8,762	58,517	900	-	-	98,487
Transportation	13,034	11,790	9,856	245,802	(863)	-	-	-	-	279,619
	1,884,218	855,355	417,278	1,268,261	535,222	160,226	3,451,512	41,847	25,000	8,638,919
Sale of options	-	(55,500)	-	-	-	-	-	(92,000)	-	(147,500)
Write-down in mineral properties and deferred exploration expenditures	-	-	-	(1,268,261)	(133,806)	(160,226)	(3,451,512)	-	-	(5,013,805)
<b>Balance, June 30, 2010</b>	<b>1,884,218</b>	<b>799,855</b>	<b>417,278</b>	<b>-</b>	<b>401,416</b>	<b>-</b>	<b>-</b>	<b>(50,153)</b>	<b>25,000</b>	<b>3,477,614</b>

Note 8 – refers to the notes to the Interim Consolidated Financial Statements (unaudited) at June 30, 2010

**STATEMENT OF MINERAL PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES**

**For the six months ended June 30, 2010**

Project	Geosciences	Consulting	Project Supervision	General	2010 Net Expenditures
	\$	\$	\$	\$	\$
Orphan Mine	21,531	-	-	6,108	27,639
Cree Lake	24,174	9,000	16,000	690	49,864
King Dodds	-	-	-	-	-
Thorburn	-	-	-	-	-
Case Pegmatite	20,097	-	-	-	20,097
<b>CLM 266 of the Chester-3 Gold Zone</b>	-	-	-	-	-
<b>Total</b>	<b>65,802</b>	<b>8,999</b>	<b>15,999</b>	<b>6,798</b>	<b>97,600</b>

**For the three months ended June 30, 2010**

Project	Geosciences	Consulting	Supervision	General	Expenditures
	\$	\$	\$	\$	\$
Orphan Mine	15,815	-	-	-	15,815
Cree Lake	7,084	-	-	-	7,084
King Dodds	-	-	-	-	-
Thorburn	-	-	-	-	-
Case Pegmatite	900	-	-	-	900
<b>CLM 266 of the Chester-3 Gold Zone</b>	-	-	-	-	-
<b>Total</b>	<b>23,799</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>23,799</b>

Project	Balance December 31, 2009 (audited)	Purchase of Option Six months ended June 30, 2010	Expenditures Six months ended June 30, 2010	Sale of Option Six months ended June 30, 2010	Balance From Inception (May 2, 2007) to June 30, 2010 (unaudited)
	\$	\$	\$	\$	\$
Orphan Mine	1,856,579	-	27,639	-	1,884,218
Cree Lake (b)	805,491	-	49,864	(55,500)	799,855
King Dodds	417,278	-	-	-	417,278
Thorburn	401,416	-	-	-	401,416
Case Pegmatite (a)	21,750	-	20,097	(92,000)	(50,153)
<b>CLM 266 of the Chester-3 Gold Zone (c)</b>	-	25,000	-	-	25,000
<b>Total</b>	<b>3,502,514</b>	<b>25,000</b>	<b>97,600</b>	<b>(147,500)</b>	<b>3,477,614</b>

*(a) Case Pegmatite Property*

On March 10, 2010, the Company entered into an option agreement with Fieldex Exploration Inc. ("Fieldex"), where Fieldex has an exclusive and irrevocable option to acquire up to a 60% interest in five mining claims covering 480 hectares comprising the Case Pegmatite Project.

Pursuant to the option agreement, Fieldex may earn a 50% undivided interest in the Case Pegmatite Project by making an initial payment of \$50,000 cash (paid) and 200,000 common shares (issued) of Fieldex within 10 days of the signing of the option agreement, and by making aggregate mining expenditures of \$1,450,000 over a period of three years and issuing an aggregate of a further 700,000 common shares of Fieldex over a period of two years. Upon completing all the payments mentioned above, Fieldex will have an option to acquire an additional 10% undivided interest in the Case Pegmatite Project by issuing 750,000 common shares to Mantis Mineral Corp. on or before March 1, 2013. Two of the claims comprising the Case Pegmatite Project are subject to a 2% net smelter return royalty in favour of previous vendors.

*(b) Cree Lake Property*

On April 21, 2010, the Company announced that Probe Mines Limited ("Probe"-TSX-V: 'PRB') had entered into an option agreement (the "Agreement") to acquire the Cree Lake Gold Project, subject to regulatory approval. Pursuant to the Agreement, Probe has an option to acquire up to a 70% interest in nineteen mining claims covering 4,032 hectares comprising the Cree Lake Gold Property. Probe announced that it began drilling in the second week of June 2010.

Probe may earn a 51% undivided interest in the Cree Lake Gold Project by making an initial payment of 150,000 common shares (paid) of Probe within 10 days of the signing of the option agreement, fund expenditures of \$1,000,000, which includes an IP survey and a diamond drill program, issue a total of 1,000,000 Consideration Shares in aggregate and completes and fund an additional 5,000 meters of drilling by April 2013. Upon completing all the payments mentioned above, Probe will have a second option to acquire an additional 9% undivided interest in the Cree Lake Gold Project by paying two million dollars (\$2,000,000) on or before April 15, 2014 to Mantis. Probe will have a third option to acquire a further undivided 10% interest in the property by paying three million dollars (\$3,000,000) on or before April 15, 2015 to Mantis. Four of the claims comprising the Cree Lake Gold Project are subject to a 1.5% net smelter return royalty in favor of previous vendors.

*(c) Claim CLM 266 of the Chester-3 Gold Zone*

On June 17, 2010, the Company entered into an option agreement (the "Agreement") with Gold Bar Resources Inc. ("Gold Bar") to acquire its 21.62% registered undivided interest in leased claim CLM 266 which consists of 11 standard or one-unit claims located in Chester Township. The balance of the undivided interest in CLM 266 was recently subject to an option agreement by Trelawney Mining and Exploration Inc. ("Trelawney", TSX-V : 'TRR'). Claim CLM 266 also known as 'the Jack Rabbit', is a significant component of the claim fabric known as 'Chester-3 Zone' which was recently the subject of a drill program as press released by Trelawney.

The Company acquired Gold Bar's 21.62% registered undivided interest in CLM 266 by making an initial payment of 500,000 common shares within 10 days of the signing of the Agreement (paid), and further paying an aggregate of \$1,000,000 in cash, or equivalent value in common shares of Mantis over three years. Any common shares issued by Mantis under the terms of the Agreement are to be priced at \$ 0.15. The Agreement provides that upon Mantis exercising the option fully, Gold Bar retains a 1.5% net smelter return royalty.

*(d) The Grass River Property*

The Company entered into an agreement (the "Agreement") with two arm's-length third party vendors (the "Vendors") dated October 17, 2007 to acquire a 100 % interest in twenty one mining claims in the Grass River property (the "Property") located near Snow Lake, Manitoba. The terms of purchase were the issuance of 6,050,000 common shares of the Company, a 2% Net Smelter Return Royalty (for all gems and industrial diamonds recovered) granted in favor of the Vendors. One percent of each royalty can be purchased by the Company for a consideration of one million dollars.

During the fourth quarter of 2009, the Company wrote down the carrying value of the Grass River property by a total of \$3,451,512 for the following reasons:

- During the 2009 year the Company allocated exploration expenditures to its gold projects. As a result of minimal exploration costs incurred during that year and based on the fact that future exploration expenditures will only be incurred on this property once additional financings can be completed, the Company wrote down the expenditures in order to comply with existing accounting guidelines;
- Although the Company wrote down acquisition costs and deferred exploration expenditures, the Company intends to retain the twenty one mining claims for future exploration.

## Mantis Mineral Corp.

An Exploration Stage Company

### Stock options

The Company has a stock option plan ("the Plan") under which options to purchase common shares may be granted to officers, directors, employees and consultants of the Company. The term of any options granted under the Plan will be fixed by the board of directors at the time such options are granted, provided that options will not be permitted to exceed a term of five years. The exercise price of any option granted under the Plan may not be less than fair market value (e.g., the prevailing market price) of the common shares at the time the option is granted, less any permitted discount.

All options are non-transferable. The options are subject to earlier termination upon the termination of the optionee's employment, upon the optionee ceasing to be a director, officer, or consultant of the Company, or upon the retirement, permanent disability or death of an optionee.

In October, 2007 the stock option plan was amended to that of a "rolling" stock option plan whereby the aggregate number of common shares of the Company to be delivered upon the exercise of all stock options granted thereunder is limited to 10% of the Company's issued and outstanding shares at the date of grant. Currently, a maximum of 9,272,926 common shares may be issued under the Plan from time to time.

The number of common shares issuable under options and the average option prices per share, are as follows:

The fair value of the options has been estimated using the Black-Scholes pricing option model. The assumptions used for the valuation of the respective options were:

<b>Option Assumptions</b>	<b>2010</b>	<b>2009</b>
Dividend yield	-	-
Expected volatility	72.4%	99%
Risk free interest rate	1.74%	4.03%
Expected option term – years	5.0	5.0
Fair value per share of options granted	\$0.10	\$0.05

	<b>Six months ended June 30, 2010</b>		<b>Six months ended June 30, 2009</b>	
	Number of options	Average Exercise Price	Number of options	Average Exercise Price
		\$		
Balance, December 31	6,240,000	0.17	4,690,000	0.29
Granted during the period	400,000	0.10	2,450,000	0.05
Expired/cancelled during the period	(60,000)	(0.25)	(1,010,000)	(0.11)
Balance, June 30	6,580,000	0.17	6,130,000	0.27

<b>Weighted Average Remaining Contractual Life</b>	<b>Fair Value of Options</b>	<b>Number of options</b>	<b>Option price per share</b>	<b>Expiry Date</b>
<b>Years</b>		<b>#</b>	<b>\$</b>	
2.00	116,395	2,120,000	0.25	June 11, 2012
2.00	10,086	160,000	0.25	June 19, 2012
2.00	700	400,000	0.10	June 21, 2012
2.25	3,152	50,000	0.25	September 5, 2012
2.25	36,637	800,000	0.15	October 2, 2012
2.67	87,753	600,000	0.23	February 13, 2013
2.83	20,415	100,000	0.215	April 23, 2013
3.75	58,972	2,100,000	0.05	March 10, 2014
4.25	7,100	250,000	0.05	October 26, 2014
2.67	341,210	6,580,000	0.17	

## Mantis Mineral Corp.

An Exploration Stage Company

### Warrants

No share purchase warrants have been issued or exercised in the six months ended June 30, 2010 (2009 – Nil).

<b>Warrant Assumptions</b>	<b>2010</b>	<b>2009</b>
Dividend yield	-	-
Expected volatility	72.4%	66%
Risk free interest rate	1.74	1.81%-2.1%
Expected warrant term – years	1,3 and 5	1,3 and 5
Fair value per share of warrants granted	\$0.013	\$0.013

<b>Expiry date quarter ended</b>	<b>Exercise price</b>	<b>Number of warrants outstanding and exercisable</b>	<b>Black Scholes value</b>
	<b>\$</b>		<b>\$</b>
June-10	0.50	1,232,500	52,193
June-10	0.15	6,510,000	7,300
September-10	0.50	3,980,934	168,582
September-10	0.35	1,348,591	138,100
June-11	0.50	360,400	21,785
September-11	0.50	772,000	46,665
December-11	0.50	248,000	14,991
October-12	0.15	2,000,000	25,220
December-12	0.15	200,000	1,400
<b>Balance, December 31, 2009</b>		<b>16,652,425</b>	<b>476,236</b>

<b>Expiry date quarter ended</b>	<b>Exercise price</b>	<b>Number of warrants outstanding and exercisable</b>	<b>Black Scholes value</b>
	<b>\$</b>		<b>\$</b>
September-10	0.50	3,980,934	168,582
September-10	0.35	1,348,591	138,100
June-11	0.50	360,400	21,785
September-11	0.50	772,000	46,665
December-11	0.50	248,000	14,991
October-12	0.15	2,000,000	25,220
December-12	0.15	200,000	1,400
June-13	0.15	1,232,500	4,500
June-13	0.15	5,650,000	20,900
<b>Balance, June 30, 2010</b>		<b>15,792,425</b>	<b>442,143</b>

## Mantis Mineral Corp.

An Exploration Stage Company

### Results of Operations

The Company had a net loss before future income tax recoveries of \$477,426 in the six months ended June 30, 2010 vs. a net loss of \$734,075 in the same period of 2009 before a future income tax recovery of \$644,080 (\$89,995 net loss after future income tax recovery), a net change of \$256,649. The main reasons for the difference are:

- 1) stock options issued in 2009 were valued at \$51,000 – options issued in the second quarter of 2010 have a valuation of \$700, therefore a reduction in expense of \$50,300 year over year.
- 2) Capitalization in the second quarter of 2010 of the gain on the sale of the Case Pegmatite option. There were no write-downs of mineral properties in the first six months of 2010 – 2009 was \$294,031, resulting in a positive change of \$294,031 for the first six months over the same six months in 2009.
- 3) In 2009, a \$14,952 gain on sale of investments was recorded 2010 - \$Nil. In 2010 a net unrealized loss of \$11,000, on the valuation of shares received for the sales of the options on mineral properties, was recorded (2009 - \$ Nil).
- 4) Other category changes are explained below.

Due to the recording of future income tax recoveries - \$644,080 in the first quarter of 2009 and \$422,000 in the last quarter of 2008, the last eight quarters results appear to fluctuate, however net losses from day to day operations have, in fact, been very similar from 2008 through to 2010. The only major change has been the increase in costs relating to the use of investor relation contractors through 2009 and 2010.

### Selected Annual Information

	2009	2008
	\$	\$
<b>Total revenues</b>	-	-
<b>Net Loss and comprehensive loss after discontinued operations and income taxes</b>		
Total	(5,907,283)	(800,693)
Per share basis	(0.06)	(0.06)
Diluted - per share basis (note 8 to the financial statements)	-	-
<b>Net loss and comprehensive loss for year</b>		
Total	(5,263,203)	(378,693)
Per share basis	(0.02)	(0.06)
Diluted - per share basis (note 8 to the financial statements)	-	-
<b>Total assets</b>	<b>4,573,904</b>	9,716,556
<b>Total long term financial liabilities</b>	-	-

### Summary of quarterly results

Quarter ended	Net revenue	Net Loss and Comprehensive Loss			Total assets	Working Capital
		Net loss from operations	Total net income(loss) after future income tax recoveries and mineral property writedowns	Per Share		
June 30,2010	-	(251,151)	(251,151)	(0.003)	3,955,916	(561,364)
Mar 31,2010	-	(226,275)	(226,275)	(0.002)	4,160,355	(301,423)
Dec 31,2009	-	(304,214)	(4,103,916)	(0.06)	4,573,904	(142,753)
Sept 30,2009	-	(206,210)	(1,474,473)	(0.02)	7,967,520	149,957
June 30,2009	-	(201,145)	(89,995)	(0.01)	9,351,141	657,144
Mar 31,2009	-	(238,899)	405,181	0.01	9,362,161	468,183
Dec 31,2008	-	(321,449)	100,551	0.001	9,716,556	728,708
Sept 30,2008	-	(235,375)	(235,375)	(0.01)	9,621,045	1,483,714

**Additional disclosure for Venture Issuers without Significant Revenue**

Breakdown of material components pursuant to 5.3 of national Instrument 51-102:

**General and administrative costs**

	<b>June 30,</b>	
	<b>2010</b>	<b>2009</b>
	<b>\$</b>	<b>\$</b>
Occupancy	40,666	35,492
Consulting fees (i)	122,693	65,250
Acquisition development costs (ii)	10,393	-
Other	48,575	42,013
Communications	10,087	13,121
Corporate secretary and custodian	2,954	9,481
Fees and dues	5,311	5,365
	<u>240,680</u>	<u>170,722</u>

**General and administrative costs**

*(i) Consulting Fees*

An increase from 2009 to 2010 of \$57,443 due to contracts for investor relations entered into in late 2009 and 2010.

*(ii) Acquisition development costs*

Costs incurred to explore new opportunities.

**Wages and benefits**

No material change from 2009 to 2010.

**Sales and marketing**

A decrease from 2009 to 2010 of \$12,755 is due to reduced marketing activities in this period.

**Stock Option Compensation**

This expense is based on the Black Scholes formula valuation for stock options issued in the period.

**Professional fees**

The decrease of \$4,008 from 2009 to 2010 due to a reduction in legal fees.

**Outstanding Share Data**

There are 92,729,264 common shares outstanding as at the date of this Management's Discussion and Analysis.

## **Mantis Mineral Corp.**

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### **Disclosure Controls and Internal Control over Financial Reporting**

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting and disclosure controls. Any system of internal control over financial reporting, no matter how well designed, has inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

Management has completed an evaluation of the design effectiveness of the Company's internal control over financial reporting. Based on this assessment, management has concluded that as at June 30, 2010, the Company's design internal control over financial reporting was effective.

Management has also evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures as of June 30, 2010. Based on this evaluation, management has concluded that the Company's disclosure controls and procedures are effective in ensuring that information required to be disclosed in reports filed or submitted by the company under Canadian securities legislation is recorded, processed, summarized and reported within the time periods specified in those rules.

### **Changes in Internal Control over Financial Reporting**

There have been no changes in the Company's internal control over financial reporting during period ended June 30, 2010, that have materially affected, or are reasonably likely to materially affect, its internal control over financial reporting.

### **Future accounting changes**

### **Business Combinations and Consolidated Financial Statements**

In January 2009, the CICA issued Handbook Section 1582 "Business Combinations", Section 1601 "Consolidated Financial Statements" and section 1602 "Non-controlling Interests". These sections replace the former Handbook Section 1581 "Business Combinations" and Section 1600 "Consolidated Financial Statements" and establish a new section for accounting for non-controlling interest in a subsidiary.

Sections 1582 and 1601 will require net assets, non-controlling interests and goodwill acquired in a business combination to be recorded at fair value and non-controlling interests will be reported as a component of equity. In addition, the definition of a business is expanded and is described as an integrated set of activities and assets that are capable of being managed to provide a return to investors or economic benefits to owners. Acquisition costs are not part of the consideration and are not to be expensed when occurred. Section 1601 establishes standards for the preparation of consolidated financial statements.

These new sections apply to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Earlier adoption of these sections is permitted as of the beginning of a fiscal year. All three sections must be adopted concurrently. The Company is currently assessing the future impact of this new standard on its consolidated financial statements.

### **Critical Accounting Estimates**

Critical accounting estimates used in the preparation of the financial statements include the Company's estimate of recoverable value on its mineral properties as well as the value of stock-based compensation. Both of these estimates involve considerable judgment and are, or could be, affected by significant factors that are out of the Company's control.

The Company's recorded value of its mineral properties is based on historical costs that it expects to be recovered in the future. The Company operates in an industry that is exposed to a number of risks and uncertainties, including exploration risk, development risk, commodity price risk, operating risk, ownership, funding, as well as environmental risk. All of these factors are potentially subject to significant change, out of the Company's control, however such changes are not determinable. Failure to conduct additional work on its exploration properties may result in their loss. Accordingly, there is always the potential for a material adjustment to the value assigned to mineral properties.

The factors affecting stock-based compensation and valuation of stock-based securities include the use of a Black-Scholes option pricing model which has its limitations and the use of estimates when stock options might be exercised and stock price volatility. While these factors could have a material impact on stock-based compensation expense and hence the results of operations, stock-based compensation is a non-cash item and there would be no impact on the Company's financial condition.

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### **RISK FACTORS AND FORWARD LOOKING STATEMENTS**

#### **Risks and Uncertainties**

##### *General Economic Conditions*

The recent unprecedented events in global financial markets have had a profound impact on the global economy. Many industries, including the mining sector, are impacted by these market conditions. Some of the key impacts of the current financial market turmoil include contraction in credit markets resulting in a widening of credit risk, devaluations and high volatility in global equity, commodity, foreign exchange and precious metal markets and a lack of market liquidity. A continued or worsened slowdown in the financial markets or other economic conditions, including, but not limited to, consumer spending, employment rates, business conditions, inflation, fuel and energy costs, consumer debt levels, lack of available credit, the state of the financial markets, interest rates, and tax rates may adversely affect the Company.

##### *Limited Operating History*

The Company's history of operations leads to the evaluation of the Company as a start-up. As such, the Company is subject to many risks common to such enterprises, including under-capitalization, cash shortages, limitations with respect to personnel, financial and other resources and the lack of revenues. There is no assurance that the Company will be successful in achieving a return on shareholders' investment and the likelihood of success must be considered in light of its early stage of operations. The Company has no history of earnings.

##### *No History of Earnings*

The Company has limited financial resources, has not earned any revenue since commencing operations, has no source of operating cash flow, in addition there is no assurance that additional funding will be available to it for exploration and development of its mineral properties or for required future property payments. Furthermore, additional financing will be required to continue the development of the Company's properties even if the Company's exploration programs are successful. 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 favourable. Failure to obtain such additional financing could result in delay or indefinite postponement of further exploration and development of the Company's properties with the possible loss of such properties.

##### *Competitive Conditions*

The mineral exploration and mining business is competitive in all phases of exploration, development and production. The Company competes with a number of other entities in the search for and the acquisition of productive mineral properties. As a result of this competition, the majority of which is with companies with greater financial resources than the Company, the Company may be unable to acquire attractive properties in the future on terms it considers acceptable. The Company also competes for financing with other resource companies, many of whom have greater financial resources and/or more advanced properties. There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, the terms of such financing will be favourable to the Company.

The ability of the Company to acquire properties depends on its success in exploring and developing its present properties and on its ability to select, acquire and bring to production suitable properties or prospects for mineral exploration and development. Factors beyond the control of the Company may affect the marketability of gold mined or discovered by the Company.

##### *Exploration, Development and Operating Risks*

The exploration for, discovery and development of mineral deposits involves significant risks which even a combination of careful evaluation, experience and knowledge may not eliminate. While the discovery of gold and other minerals may result in substantial rewards, few properties which are explored are ultimately developed into producing mines. Major expenses may be required to locate and establish mineral reserves, to develop metallurgical processes, and to construct mining and processing facilities at a particular site.

It is impossible to ensure that the exploration or development programs planned by the Company will result in a profitable commercial mining operation. 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 quantity and quality of the minerals and proximity to infrastructure; mineral prices, which are highly cyclical; and government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals, and environmental protection. The exact effect of these factors cannot be accurately predicted but could have a material adverse effect upon the Company's operations and financial results.

## **Mantis Mineral Corp.**

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Mining operations generally involve a high degree of risk. The operations of the Company are subject to all the hazards and risks normally encountered in the exploration, development and production of precious metals and other minerals, including unusual and unexpected geologic formations, seismic activity, rock bursts, cave-ins, flooding and other conditions involved in the drilling and removal of material, any of which could result in damage to, or destruction of, mines and other producing facilities, damage to life or property, environmental damage and possible legal liability. Although adequate precautions to minimize risk will be taken, milling operations are subject to hazards such as equipment failure or failure of retaining dams around tailings disposal areas which may result in environmental pollution and consequent liability. Unauthorized removal of Company property could adversely affect operating results.

There is no certainty that the expenditures made by the Company towards the search and evaluation of gold and other minerals will result in discoveries of mineral reserves and resources (as defined by applicable securities laws), or any other mineral occurrences.

### *Title Risks*

Although the nature and extent of the interests of the Company in the properties in which it holds an interest has been reviewed by or on behalf of the Company, and title opinions have been obtained by the Company with regard to the property, there may still be undetected title defects affecting such property. Title insurance generally is not available, and the ability of the Company to ensure that it has obtained secure claim to the mineral property or mining concessions may be severely constrained. Furthermore, the Company has not conducted surveys of the claims in which it holds direct or indirect interests and, therefore, the precise area and location of such claims may be in doubt.

Accordingly, the property in which the Company is earning an interest may be subject to prior unregistered liens, agreements, transfers or claims, and title may be affected by, among other things, undetected defects which could have a material adverse impact on the Company's operations. In addition, the Company may be unable to operate its property as permitted or to enforce its rights with respect to its property.

The Company's interest in the properties, title to which is currently held by third parties, is derived pursuant to option agreements and joint venture agreements relating to the respective property. Any non-compliance with the terms of these agreements by the Company could affect the ability of the Company to earn its interests in the property. Such terms include the satisfaction of the option payments due to property owners under such agreements, and the requirements to undertake minimum exploration expenditures during certain periods. Failure to meet these requirements could result in a loss by the Company of its interest in the options, which could in turn have an adverse impact on the Company.

No assurances can be given that title defects to the property in which the Company has an interest do not exist. The properties may be subject to prior unregistered agreements, interests or native land claims and title may be affected by undetected defects. If title defects do exist, it is possible that the Company may lose all or a portion of its right, title, estate and interest in and to the property to which the title defect relates. There is no guarantee that title to the property will not be challenged or impugned.

### *Government Regulation Risks*

The mining, processing, development and mineral exploration activities of the Company are subject to various laws governing prospecting, development, production, taxes, labour standards and occupational health, mine safety, toxic substances, land use, water use, land claims of local people, and other matters. Although the exploration and development activities of the Company are currently carried out in accordance with all applicable rules and regulations, no assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner which could limit or curtail production or development. Amendments to current laws and regulations governing operations and activities of exploration, development, mining and milling or more stringent implementation thereof could have a substantial adverse impact on the Company.

### *Additional Capital*

The development and exploration of the properties in which the Company currently holds an interest will require substantial additional financing. Failure to obtain sufficient financing may result in the delay or indefinite postponement of exploration, development or production on any or all such properties, or even a loss of property interest. There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, the terms of such financing will be favourable to the Company. In addition, any future financing may be dilutive to existing shareholders of the Company.

## **Mantis Mineral Corp.**

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### *Infrastructure*

Mining, processing, development and exploration activities depend, to one degree or another, on adequate infrastructure. Reliable roads, bridges, power sources and water supply are important determinants, which affect capital and operating costs. Unusual or infrequent weather phenomena, sabotage, government or other interference in the maintenance or provision of such infrastructure could adversely affect the operations, financial condition and results of operations of the Company.

### *Regulation*

Mining operations and exploration activities are subject to various federal, state, provincial and local laws and regulations governing prospecting, development, mining, production, importing and exporting of minerals; taxes; labour standards; occupational health; waste disposal; protection of the environment; mine safety; toxic substances; and other matters. In many cases, licenses and permits are required to conduct mining operations and are subject to periodic renewal. There is no assurance that such permits will be granted or that they will be renewed in a timely manner. Furthermore, once a permit is granted, compliance with the permit conditions must be maintained, otherwise the permit could be revoked.

### *History of Mineral Production*

There is no assurance that commercial quantities of minerals will be discovered at any of the properties of the Company or any future properties, nor is there any assurance that the exploration programs of the Company thereon will yield any positive results. Even if commercial quantities of minerals are discovered, there can be no assurance that any property of the Company will ever be brought to a stage where mineral resources (as defined in NI 43-101) can profitably be produced thereon. Factors which may limit the ability of the Company to produce mineral resources from its properties include, but are not limited to, the price of the mineral resources which are currently being explored for, availability of additional capital and financing and the nature of any mineral deposits.

### *Insurance and Uninsured Risks*

The business of the Company is subject to a number of risks and hazards generally, including adverse environmental conditions, industrial accidents, labour disputes, unusual or unexpected geological conditions, ground or slope failures, cave-ins, changes in the regulatory environment and natural phenomena such as inclement weather conditions, floods and earthquakes. Such occurrences could result in damage to mineral properties or production facilities, personal injury or death, environmental damage to properties of the Company or others, delays in mining, monetary losses and possible legal liability.

Although the Company may maintain insurance to protect against certain risks in such amounts as it considers reasonable, its insurance will not cover all the potential risks associated with a mining company's operations. The Company may also be unable to maintain insurance to cover these risks at economically feasible premiums. Insurance coverage may not be available or may not be adequate to cover any resulting liability. Moreover, insurance against risks such as environmental pollution or other hazards as a result of exploration and production is not generally available to the Company or to other companies in the mining industry on acceptable terms. The Company might also become subject to liability for pollution or other hazards which it may not be insured against or which the Company may elect not to insure against because of premium costs or other reasons. Losses from these events may cause the Company to incur significant costs that could have a material adverse effect upon its financial performance and results of operations.

### *Hedging*

The Company does not have a hedging policy and has no current intention of adopting such a policy. Accordingly, the Company has no protections from declines in mineral prices which could have a material adverse effect on the financial condition of the Company.

### *Fluctuations in Metal Prices*

The consolidated financial results and exploration, development and mining activities of the Company may in the future be significantly and adversely affected by declines in the price of gold or other minerals. The price of gold or other minerals fluctuates widely and is affected by numerous factors beyond the control of the Company such as the sale or purchase of commodities by various central banks and financial institutions, interest rates, exchange rates, inflation or deflation, fluctuation in the value of the United States dollar and foreign currencies, global and regional supply and demand, the political and economic conditions and production costs of major mineral producing countries throughout the world, and the cost of substitutes, inventory levels and carrying charges.

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In addition to adversely affecting the reserve estimates of the Company and its financial condition, declining commodity prices can impact operations by requiring a reassessment of the feasibility of a particular project. Such a reassessment may be the result of a management decision or may be required under financing arrangements related to a particular project. Even if a project is ultimately determined to be economically viable, the need to conduct such a reassessment may cause substantial delays or may interrupt operations until the reassessment can be completed.

### *Key Executives*

The Company is dependent upon the services of key executives, including the directors of the Company and a small number of highly skilled and experienced executives and personnel. Due to the relatively small size of the Company, the loss of these persons or the inability of the Company to attract and retain additional highly-skilled employees may adversely affect its business and future operations.

### *Conflicts of Interest*

Certain of the directors and officers of the Company also serve as directors and/or officers of other companies involved in natural resource exploration and development and, consequently, there exists the possibility for such directors and officers to be in a position of conflict. Any decision made by any of such directors and officers involving the Company should be made in accordance with their fiduciary duties and obligations to deal fairly and in good faith with a view to the best interests of the Company and its shareholders.

In addition, each of the directors is required to declare and refrain from voting on any matter in which such directors may have a conflict of interest in accordance with the procedures set forth in the *Business Corporations Act* and other applicable laws. The Company has also adopted a formal code of ethics to govern the activities of its directors, officers and employees.

### *Litigation*

From time to time, the Company may be involved in lawsuits. The outcomes of any such legal actions may have a material adverse affect on the financial results of the Company on an individual or aggregate basis.

### *Price Volatility of Publicly Traded Securities*

In recent years, the securities markets in the United States and Canada have experienced a high level of price and volume volatility, and the market prices of securities of many companies have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that continual fluctuations in price will not occur. It may be anticipated that any quoted market for the Common Shares will be subject to market trends generally, notwithstanding any potential success of the Company in creating revenues, cash flows or earnings.

### *Dividends*

The Company has no earnings or dividend record and does not anticipate paying any dividends on its Common Shares in the foreseeable future.

Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results to differ from those anticipated, estimated or intended. Forward-looking statements contained herein are made as of the date of this Report and the Company disclaims any obligation to update any forward-looking statements, whether as a result of new information, future events or results or otherwise, except as required by law. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.

## **MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL INFORMATION**

The Company's financial statements are the responsibility of the Company's management, and have been approved by the board of directors. The financial statements were prepared by the Company's management in accordance with generally accepted Canadian accounting principles. The Financial statements include certain amounts based on the use of estimates and assumptions. Management has established these amounts in a reasonable manner, in order to ensure that the financial statements are presented fairly in all material respects.

### *Disclosure controls and procedures*

Management has evaluated the effectiveness of our disclosure controls and procedures and have concluded that, based on our evaluation, they are sufficiently effective as of June 30, 2010 to provide reasonable assurance that material information relating to the Company and its consolidated subsidiaries is made known to management and disclosed in accordance with applicable securities regulations.

## **INTERNAL DISCLOSURE CONTROLS AND PROCEDURES**

Disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed by the Company in annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in the securities legislation and include controls and procedures designed to ensure that information required to be disclosed by the Company in annual filings, interim filings or other reports filed or submitted under securities legislation is accumulated and communicated to the Company's management, including its Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), as appropriate to allow timely decisions regarding required disclosure. Due to the inherent limitations in all control systems, an evaluation of the disclosure controls and procedures can only provide reasonable assurance over the effectiveness of controls. As a result, disclosure controls and procedures are not expected to prevent and detect all misstatements due to error or fraud. Based on the evaluation of disclosure controls and procedures, the CEO and CFO have concluded that the Company's disclosure controls and procedures are effective as at June 30, 2010. Internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian generally accepted accounting principles.

The assessment includes a risk evaluation and documentation of key processes. Due to the inherent limitations in all control systems, an evaluation of internal control over financial reporting can only provide reasonable assurance over the effectiveness of controls. As a result, the system of internal control over financial reporting is not expected to prevent and detect all misstatements due to error or fraud. Based on the assessment of internal control over financial reporting, the CEO and CFO have concluded that the Company's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian generally accepted accounting principles as at June 30, 2010.

**On behalf of the Board** (signed)... "Robin Ross" .....

Robin Ross

Chairman and Chief Executive Officer

## **Cautionary Statement Regarding Forward-Looking Statements**

This release contains forward-looking statements and projections. Such statements and projections are subject to a number of risks and uncertainties. The company has made every reasonable effort to ensure that the information and assumptions on which these statements and projections are based are current, reasonable and complete. However, actual results in the future could differ materially from those described in the forward-looking statements.