# MAGNA RESOURCES LTD.

## MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

## JULY 31, 2008

### BACKGROUND

The following information, prepared as of October 29, 2008 should be read in conjunction with the audited financial statements of Magna Resources Inc. (the "Company") for the year ended July 31, 2008 as well as the audited financial statements of the Company for the year ended July 31, 2007. The financial statements are prepared in accordance with Canadian generally accepted accounting principles.

The Company's critical accounting estimates, significant accounting policies and risk factors have remained substantially unchanged and are still applicable to the Company unless otherwise indicated. All amounts are expressed in Canadian Dollars unless noted otherwise.

This discussion and analysis for the year ended July 31, 2008 is prepared as of, and contains disclosure of material changes occurring up to and including October 29, 2008.

### FORWARD-LOOKING STATEMENTS

Certain statements contained in the Management Discussion & Analysis (the "MD&A") document constitute forward-looking statements. These forward-looking statements can generally be identified as such because of the context of the statements, including such words as "believes", "anticipates", "expects", "plans", "may", "estimates", or words of a similar nature. Such forward-looking statements involve a number of known and unknown risks, uncertainties and other factors, which may cause the actual results, performance or achievements of the Company to be materially different from anticipated future results and/or achievements expressed or implied by such forward-looking statements, which speak only as of the date the statements were made. Readers are therefore advised to consider the risks associated with any such forward-looking statements, which speak only as of the date the statements were made, and readers are advised to consider such forward-looking statements in light of the risks set forth herein.

### DESCRIPTION OF BUSINESS

The Company was incorporated on June 5, 2006 pursuant to the *Business Corporations Act*, British Columbia. The Company's principal business activity is the exploration of mineral properties and the Company currently has an interest in three mining claims located in Dent Township, Red Lake Mining Division, Ontario.

### RESOURCE PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES

#### Shanty Bay Mining claims – Dent Township, Ontario

During the fiscal 2007, the Company signed an assignment agreement with Triple Dragon Resources Inc. (Assignor) and Rubicon Minerals Inc. (Optionor) on October 27, 2006. The Optionor is the owner of three mining claims: #4200361 to #4200363 inclusive located in Dent Township, claim map M-2155, Red Lake Mining Division, Ontario. On March 14, 2006, the Optionor granted an option to the Assignor to acquire an undivided 100% interest in and to the property. The Optionor retained a 2% Net Smelter Return. One half (1/2) of the NSR (1%) can be purchased from the Optionor at any time for $1,000,000. The exercise terms of the Shanty Bay Option Agreement are $96,000 and 100,000 common shares to the Optionor as follows:

| Date | Cash | Shares |
|---|---|---|
| Upon signing | $8,000 (paid) | 30,000 (issued at $0.125 per share) |
| First anniversary of signing | $12,000 (paid) | 30,000 (issued at $0.125 per share) |
| Second anniversary of signing | $16,000 (paid) | 40,000 (issued at $0.125 per share) |
| Third anniversary of signing | $20,000 | - |
| Fourth anniversary of signing | $40,000 | - |
| | $96,000 | 100,000 |

During the fiscal 2008, the Company paid $16,000 and issued 40,000 common shares pursuant to the option agreement in deferred exploration expenses and incurred exploration expenditures of $18,972 on the property.

## PERFORMANCE SUMMARY DURING THE PERIOD

The following discussion of the Company's financial performance is based on the audited financial statements for the years ended July 31, 2008 and 2007.

The Balance Sheet as of July 31, 2008 indicates a cash position of $114,836 (2007 - $276,844). The Company had other current assets of $4,900 at July 31, 2008 (2007 - $601) for total current assets of $119,736 (2007 - $277,445). The decrease in current assets is mainly due to general and administrative expenses incurred during the fiscal 2008.

Deferred charges at July 31, 2008 total $48,500 (2007 - $Nil). The increase in deferred charges is due to costs incurred in the preparation of the Company's prospectus to complete its initial public offering.

Other assets consist of $48,500 (2007 - $27,500) in mineral properties, with the fiscal 2008 increase due to payment of $16,000 and the issuance of 40,000 common shares at a deemed price of $0.125 per share to Rubicon Minerals Inc. for a total price of $5,000 pursuant to the option agreement, and deferred exploration expenditures of $18,972 (2007 - $Nil), the expenses being made up of professional fees, assaying fees and geological studies.

Current liabilities at July 31, 2008 total $750 (2007 - $1,423). Shareholders' equity is comprised of share capital of $1,001,250 (2007 - $996,250) and a deficit of $766,292 (2007- $692,728) for a net of $234,958 (2007 - $303,522). The increase in capital stock is due to the issuance of 40,000 common shares to Rubicon Minerals Inc. pursuant to the option agreement.

Working capital, which is current assets less current liabilities, is $118,986 (2007 - $276,022).

During the year ended July 31, 2008 the Company reported a net loss of $73,564 ($0.01 basic and diluted loss per share) compared to a net loss of $692,728 ($0.57 basic and diluted loss per share) reported for the year ended July 31, 2007. The loss in fiscal 2008 represents operating expenses of $78,049 net of interest income of $4,485. The loss in 2007 represents operating expenses of $693,803 net of interest income of $1,075. The large operating expenses in 2007 mostly related to stock based compensation expenses of $682,500. The stock-based compensation expenses resulted from the re-valuation of 6,500,000 common shares issued at a price of $0.02 per share to $0.125 per share.

The weighted average number of common shares outstanding for the period ended July 31, 2008 was 7,984,932 (2007 – 1,216,082. The weighted average number of common shares outstanding changed in fiscal 2008 from the prior year as the Company issued 40,000 common shares at a deemed price of $0.125 per share to Rubicon Minerals pursuant to the option agreement.

The deficit at the beginning of the year was $692,728 and increased to $766,292 due to the net loss for the year of $73,564.

## RESULTS OF OPERATIONS

During the year ended July 31, 2008 the Company reported a net loss of $73,564 ($0.01 basic and diluted loss per share) compared to a net loss of $692,728 ($0.57 basic and diluted loss per share) reported for the year ended July 31, 2007. Expenses for the year ended July 31, 2008 include accounting and legal of $64,981 (2007 - $10,683), transfer agent and filing fees of $14,014 (2007 - $540) and office and general expenses of $404 (2007 - $80) and a reduction in stock based compensation of $1,350 (2007 – stock based compensation expense of $682,500), offset by interest income of $4,485 (2007 - $1,075). The difference in expenses in 2008 ($73,564) and 2007 ($692,728) is mainly due to stock-based compensation of $682,500 expensed in 2007. The stock-based compensation expenses resulted from the re-valuation of 6,500,000 common shares issued at a price of $0.02 per share to $0.125 per share.

# MAGNA RESOURCES LTD.

## MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

## JULY 31, 2008

### SELECTED ANNUAL INFORMATION

The following table sets out selected financial information derived form the Company's audited financial statements for the most recently completed financial years:

| | Year Ended July 31, 2008 $ | Year Ended July 31, 2007 $ | Previous Year $ |
|---|---|---|---|
| **OPERATIONS** | | | |
| Revenue | N/A | N/A | N/A |
| Net Loss | (73,564) | (692,728) | N/A |
| Basic and diluted loss per share | (0.01) | (0.57) | N/A |
| **BALANCE SHEET** | | | |
| Working capital | 118,986 | 276,022 | N/A |
| Total assets | 235,708 | 304,945 | N/A |

During the year ended July 31, 2008 the Company incurred a net loss of $73,564 ($0.01 basic and diluted loss per share) compared to a net loss of $692,728 ($0.57 basic and diluted loss per share) for the same period in 2007. The decrease in net loss of $619,164 was mainly due non-cash stock based compensation of $682,500 expensed in 2007 which was offset by increased accounting and legal expenses and transfer agent and filing fees. Stock-based compensation has been recorded in the statements of operations and credited to share capital. (Refer to Note 4b – Share Capital in the audited financial statements for the year ended July 31, 2008 for additional explanation of the stock-based compensation)

### LIQUIDITY AND CAPITAL RESOURCES

The Company has financed its operations to date through the issuance of common shares. The Company will continue to seek capital through the issuance of common shares and/or debt.

The financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future.

| | July 31, 2008 | July 31, 2007 |
|---|---|---|
| Working capital | $ 118,986 | $ 276,022 |
| Deficit | (766,292) | (692,728) |

Net cash used by operating activities for the year ended July 31, 2008 was $98,858 (2007 - $9,406). The cash used by operating activities for fiscal 2008 consisted primarily of the loss of $73,564 (2007 - $692,728), stock based compensation reduction of $1,350 (2007 – stock based compensation expense $682,500), increases in receivables and deferred exploration expenses of $23,271(2007 - $601) offset by a decrease in accounts payable and accrued liabilities of $673 (2007 – increase in accounts payable of $1,423).

Net cash used for investing activities for the year ended July 31, 2008 was $16,000 (2007- $20,000). The cash used for investing activities consisted of property payments.

Net cash used in financing activities for the year ended July 31, 2008 was $47,150 consisting of an increase in deferred charges of $48,500 relating to the preparation of the Company's prospectus offset by proceeds of share issuances of $1,350. Net cash raised for the year ended July 31, 2007 was $306,250 from share issuances.

The Company's aggregate operating, investing and financing activities for the year ended July 31, 2008 resulted in a cash decrease of $162,008 (2007 – cash increase of $276,844). As at July 31, 2008 the Company's cash and cash equivalents balance was recorded as $114,836 (2007 - $276,844) and the Company had a working capital of $118,986. At July 31, 2008 the Company had share capital of $1,001,250 representing 8,010,000 common shares and a deficit of $766,292.

The Company will continue to require funds for ongoing exploration work on its properties as well as to meet its ongoing day-to-day operating requirements and will have to continue to rely on equity and debt financing during such period. There can be no assurance that financing, whether debt or equity will always be available to the Company in the amount required at any particular period or if available, that it can be obtained on terms satisfactory to the Company. The Company does not have any other commitments for material capital expenditures over both the near or long term and none are presently contemplated other than as disclosed herein and /or over normal operating requirements.

## SUMMARY OF QUARTERLY RESULTS

The following table presents unaudited selected quarterly financial information of the Company for the eight most recently completed quarter of operation. This information is derived from unaudited quarterly financial statements prepared by management. The Company's interim financial statements are prepared in accordance with Canadian GAAP and expressed in Canadian dollars.

| | 2008 | | | | 2007 | | | |
|---|---|---|---|---|---|---|---|---|
| | **Qtr 4** | **Qtr 3** | **Qtr 2** | **Qtr 1** | **Qtr 4** | **Qtr 3** | **Qtr 2** | **Qtr 1** |
| | **$** | **$** | **$** | **$** | **$** | **$** | **$** | **$** |
| Revenue | - | - | - | - | - | - | - | - |
| Net Loss | (15,757) | (29,079) | (9,836) | (18,892) | (685,790) | (6,911) | (19) | (8) |
| Basic and diluted Loss per share | (0.002) | (0.004) | (0.001) | (0.002) | (0.57) | (0.00) | (0.00) | (0.00) |

Losses for Quarter 4 of fiscal 2007 was mainly due to stock based compensation expense totally $682,500 due to the re-valuation of common share issuances. (Refer to Note 4b - Share Capital of the audited financial statements)

## RELATED PARTY TRANSACTIONS

One of the directors of the Company was a promoter of Triple Dragon Resources Inc. During the fiscal 2007, the Company signed an assignment agreement with Triple Dragon Resources Inc. (Refer to Note 5 of the audited financial statements for the year ended July 31, 2008)

## SHARE CAPITAL

**Authorized**: Unlimited common shares with no par value

**Issued and Outstanding:** As at July 31, 2008 the Company has 8,010,000 common shares issued and outstanding and its share capital is $1,001,250.

**Escrow Shares**
The Company has 7,260,000 common shares held in escrow by the Company's transfer agent. All of the common shares in escrow will be released as follows: 10% on the date the Company's securities are listed on a Canadian exchange and 15% every six months thereafter.

**Stock Options**
The Company has a stock option plan whereby the Company is authorized to grant options to executive officers and directors, employees and consultants enabling them to acquire up to 10% of the issued and outstanding common shares of the Company. Under the plan, the exercise price of each option equals the market price of the Company's shares as calculated on

the date of grant. The options can be granted for a maximum term of 5 years. As at July 31, 2008 the Company has not granted any stock options.

## INVESTOR RELATIONS

The Company has not entered into any investor relations contracts and all investor relation activity is carried out by directors, officers and consultants of the Company.

## OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements that would potentially affect current of future operations or the financial condition of the Company.

## PROPOSED TRANSACTIONS

The Company does not currently have any proposed transactions approved by the Board of Directors. All current transactions are fully disclosed in the audited financial statements for the year ended July 31, 2008.

## SIGNIFICANT ACCOUNTING POLICIES

All significant accounting policies are fully disclosed in Note 2 of the audited financial statements for the year ended July 31, 2008.

### Recent accounting pronouncements

In June 2007, the CICA amended Section 1400 to include requirements to assess an entity’s ability to continue as a going concern and disclose any material uncertainties that cast doubt on its ability to continue as a going concern. The mandatory effective date is for annual and interim financial statements for years beginning on or after January 1, 2008. This new requirement will be adopted by the Company effective August 1, 2008. The adoption of this Section will not have an impact on the financial statements.

The CICA issued a new accounting standard, Section 1535, Capital Disclosures, which requires the disclosure of both qualitative and quantitative information that provides users of financial statements with information to evaluate the entity’s objectives, policies and processes for managing capital. This new section will be effective for the Company beginning March 1, 2008. The Company does not expect the impact of the adoption of this new section on the financial statements to be significant.

Two new accounting standards were issued by the CICA, Section 3862, Financial Instruments – Disclosures (“Section 3862”) and Section 3863, Financial Instruments – Presentation (“Section 3863”). The objective of Section 3862 is to provide users with information to evaluate the significance of the financial instruments on the entity’s financial position and performance, the nature and extent of risks arising from financial instruments, and how the entity manages those risks. The provisions of Section 3863 deal with the classification of financial instruments, related interest, dividends, losses and gains, and the circumstances in which financial assets and financial liabilities are offset. These new sections are effective for the Company beginning March 1, 2008. The Company does not expect the impact of the adoption of these new sections on the financial statements to be significant.

In January 2006, the CICA Accounting Standards Board (AcSB) adopted a strategic plan for the direction of accounting standards in Canada. As part of that plan, accounting standards in Canada for public companies are expected to converge with International Financial Reporting Standards (“IFRS”) by the end of 2011. The impact of the transition to IFRS on the Company’s financial statements has not yet been determined.

## FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash and cash equivalent and accounts payable and accrued liabilities. The Company has classified its cash and cash equivalents as held for trading, which is measured at fair value. Accounts payable and accrued liabilities are classified as other financial liabilities, which are measured at amortized cost. As at July 31, 2008, the carrying and fair value amounts of the Company's financial instruments related to cash and cash equivalents and accounts payable and accrued liabilities are the same due to their short terms to maturity. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments.

## RISKS AND UNCERTAINTIES

Resource exploration is a speculative business and involves a high degree of risk. There is no certainty that the expenditures made by the Company in the exploration of properties will result in discoveries of commercial quantities of minerals. Exploration for mineral deposits involves risks which even a combination of professional evaluation and management experience may not eliminate. Significant expenditures are required to locate and estimate ore reserves, and further the development of the property. Capital expenditures to bring a property to a commercial production stage are also significant. There is no assurance the Company has, or will have, commercially viable ore bodies. There is no assurance that the Company will be able to arrange sufficient financing to bring ore bodies into production. The following are some of the risks to the Company, recognizing that it may be exposed to other additional risks from time to time.

- Limited business history of the Company, including lack of revenues and no assurance of profitability
- Dependence on key management personnel
- Reliance on availability and performance of independent contractors
- Challenges by other unknown parties to property title
- Environmental issues
- Federal and provincial political risk
- Commodity price risk
- Financial markets

The Company is diligent in minimizing exposure to business risk, but by the nature of its activities and size, will always have some risk. These risks are not always quantifiable due to their uncertain nature. Should one or more of these risks and uncertainties materialize, or should underlying assumptions prove incorrect, then actual results may vary materially from those described on forward-looking statements.

## EVENTS SUBSEQUENT TO THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED JULY 31, 2008

On October 16, 2008 the Company completed its initial public offering of 2,000,000 common shares at a price of $0.16 per share. The gross proceeds of the offering were $320,000. The proceeds will be used to finance exploration work on the Shanty Bay mining claims. The financing agent's fees and commissions consisted of a corporate finance fee of $25,000, warrants to purchase 200,000 common shares at a price of $0.16 per share, expiring October 16, 2010, and a cash commission of $32,000. The Company's common shares commenced trading on the Canadian Trading & Quotation System ("CNQ") on October 22, 2008 under the trading symbol "MNA".

From October 1 to October 10, 2008 the Shanty Bay showing was trenched. A 125 m and 35 m area (3,800 sq m) was stripped of overburden via an excavator and high-pressure water pump. Assays were taken. The total cost was $24,175 plus GST.

## OTHER MD&A DISCLOSURE REQUIREMENTS

### Information available on SEDAR

As specified by National Instrument 51-102, the Company advises readers of this MD&A that important additional information about the Company is available on the SEDAR website – www.sedar.com.

### Disclosure by venture issuer

An analysis of the material components of the Company's general and administrative expenses is disclosed in the financial statements to which this MD&A relates. An analysis of the material components of the acquisition and deferred exploration costs of the Company's mineral properties for the two most recently completed financial years is disclosed in Note 3 to the financial statements to which this MD&A relates.

**Outstanding share data**

Common shares, stock options and share purchase warrants issued and outstanding as at the year end are described in detail in Note 4 to the audited financial statements for the year ended July 31, 2008.

As at the date of this document, October 29, 2008, these items are disclosed as follows:

| | Number of shares | $ | Number of options | Exercise price | Expiry date |
|---|---|---|---|---|---|
| **Issued and outstanding** | 10,010,000 | 1,321,250 | None | None | NA |
| | | | **Number of warrants** | **Exercise price** | **Expiry date** |
| | | | 200,000 | $0.16 | October 16, 2010 |