

INSPIRATION MINING CORPORATION
FORM 51-102F1
MANAGEMENT DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED SEPTEMBER 30, 2008

The following Management Discussion and Analysis, prepared as of December 10, 2008, should be read together with the Company's audited Consolidated Financial Statements for the fiscal year ended September 30 of 2008, and related notes attached thereto, which are prepared in accordance with Canadian generally accepted accounting principles. All amounts are stated in Canadian dollars unless otherwise indicated.

The reader should also refer to the annual consolidated financial statements for the years ended September 30, 2007 and September 30, 2006, and the Management Discussion and Analysis for those years.

Certain statements included in this Management Discussion and Analysis are 'forward-looking statements'. These statements are based on the opinions, estimates and anticipated occurrence of management at the date the statements are made. Accordingly, those are subject to a variety of risks, uncertainties and other factors which could cause actual events or results to differ materially from those projected in those forward-looking statements. These factors include, but are not limited to, the inherent risks involved in project planning and execution, the estimations of time of occurrences, estimations of costs and expenditures, changes in management priorities, availability of personnel, equipment and services, interpretation of coring and assay results, the geology, grade and continuity of mineral deposits and conclusions of economic evaluations, metallurgical recovery rates, currency exchange rates, exploratory and other expenditures on property, increases and decreases in reserves and/or resources and anticipated grades and recovery rates and are or may be based on assumptions and/or estimates related to future economic, market and other conditions and other factors.

The Company disclaims any obligation to update or revise any forward-looking statements if circumstances or management's estimates or opinions should change. Actual results may differ materially from those anticipated. The reader is cautioned not to place undue reliance on forward-looking statements due to these and other obvious inherent uncertainty.

Brief Corporate History

The Company was incorporated on November 15, 1972 pursuant to the *Company Act* of British Columbia upon amalgamation of two predecessor companies. On August 19, 1996, after various changes during the interim, the Company changed its name to Inspiration Mining Corporation under which it now operates. On March 2, 2004, the Company's stock commenced trading on Tier 2 of the TSX Venture Exchange under the symbol "ISM". On April 26, 2007, its stock became listed for trading on the Toronto Stock Exchange under that same symbol. It is also trades on the Frankfurt Exchange under the symbol O18.

Additional information related to the Company is available for viewing on the Company's website at www.inspirationmining.com and on SEDAR at www.sedar.com.

Overview of the Company's Business

The Company is a junior mining company. The business models with which the general public is most familiar are those which produce a present income stream through the sales of a product or service. The business model of most junior mining entities, on the other hand, is distinctly different in that their business model does not contemplate an income stream during a significant portion of their existence. Junior Mining entities acquire mineral claims which are in the earlier stages of their geological exploration. The junior mining company then undertakes the geological exploration to prove and define the economical minable mineral reserves, if any, which are present on those properties. No revenue stream occurs during this exploration phase. Profit or revenues will occur in the future at such time as those ore reserves are either sold outright to a senior mining entity or, as an alternative, when one or more of such properties are brought into production through some form of a joint venture arrangement with a senior mining entity.

As the exploratory phase requires significant expenditures of cash, the survivability of a junior mining company is wholly dependent upon its cash reserves. Thus, the ability to acquire capital from the outside on favorable terms is fundamental to all junior mining companies. Different from senior mining, and most other production, companies, the only income which a

junior mining company expects during this phase is the generally insignificant amount of interest earnings on any cash reserves which it might have.

This business model is reflected in its accounting statements. Applying generally accepted accounting standards, a junior mining company's operating and balance sheet statements generally reflect two major financial categories. All direct expenditures for the acquisition and exploration of the mineral properties are treated as investments and accumulated as assets on the company's balance sheet. All other expenses – generally defined as general and administrative costs – are treated as current expenses (offset by any earned interest, etc.) and are accrued during this stage as an accumulating operating loss.

The worth of companies which produce a present or projected positive revenue stream is generally evaluated against that revenue stream. Since junior mining entities generally do not produce that revenue stream, their worth must be evaluated against the projected future net value, discounted back to the present, of the mineral reserves which are being explored and defined. The differences between these two distinct business models must be kept in mind in analyzing the data reflected in the financial statements of each model.

Description of Mineral Properties

The Company owns, through its 100% owned subsidiary Metal Mines Inc., a 100% interest in 28 unpatented claims consisting of 69 contiguous claim units (the "Langmuir Claims") covering approximately 1,090 hectares in the north-central part of Langmuir Township, Porcupine Mining Division, Ontario. All of those claims are subject to a 1% NSR. The property is approximately 25 km southeast of Timmins, Ontario, and hosts the past producing Langmuir # 1 Mine, and the majority of the past producing Langmuir # 2 Mine. More information on this property is compiled and discussed in a technical report dated May 17, 2004, which is available from the SEDAR website.

The Company also owns a 100% interest in a group of mineral claims on Vancouver Island, British Columbia (the "Jasper Property") covering approximately 6,615 hectares. Prior to 2004, four separate (4) exploration programs had been conducted on the Jasper Property on behalf of the Company. The results of this exploration work are compiled and discussed in a technical report dated October 28, 2003, which is also available from the SEDAR website, and are deemed sufficiently encouraging to warrant additional exploration of the Jasper Property for poly-metallic massive sulphide mineralization. In 2004, further ground and stream sediment geochemical surveys and ground geophysical surveys were conducted. The results of those surveys, are contained in an Assessment Report dated February 16, 2005, and are available on the Company's website.

The Company also owns, a lease on, and an option to acquire a 100% interest (less a 5% Net Smelter Return but, by special definition, that NSR also includes deduction of costs associated with mining, milling, processing, transportation and refining, etc. expenses), ownership in, 31 contiguous lode claims (the "Barton Syndicate Property") covering 246 ha located approximately 35 km southwest of Salt Lake City, Utah, in the United States. (the "Barton Syndicate" or "Dry Fork" Property). This lease and option are held in its wholly owned subsidiary, Inspiration Mining–Utah, Inc., which was incorporated under the laws of the State of Utah on July 15, 2004. To date, exploration of these mineral claims has not commenced. However, the results of the initial geological qualification report which was compiled and discussed in a technical report dated June 30, 2004, is available from the SEDAR website, and are deemed sufficiently encouraging to warrant additional exploration of the Barton Syndicate Property for gold mineralization.

During the fiscal year ended September 30, 2007, the Company acquired two more claim groups south of Timmins, Ontario, area. On June 13, 2007, the Company has entered into an option agreement to acquire certain rights and mineral claims located in the Porcupine Mining Division in the Province of Ontario (the "Cleaver Property"). This property consists of 13 mining claims containing 192 mining claim units and is located in the northeastern portion of Cleaver Township, the southeastern portion of Fallon Township, the southwestern portion of Fasken Township and the northwestern portion of McNeil Township. The vendor has agreed to grant an exclusive option to the Company to acquire 100% interest of the mineral claims. The Company agreed to:

- i) Pay the sum of \$38,000 on the date of execution of the option agreement; (paid) \$60,000 by December 13, 2007, (paid), \$90,000 by June 13, 2008 (paid), \$150,000 by June 13, 2009 and \$300,000 by June 13, 2010; and
- ii) Expend on exploration and development of the mineral claims the following amounts: \$200,000 by December 13, 2007 (incurred), \$300,000 by June 13, 2008 (incurred); \$400,000 by June 13, 2009 and \$500,000 by June 13, 2010;

In the event that the option is fully exercised, the Company will then own a 100% undivided interest in the mineral claims, free and clear of all liens and encumbrances, subject only to 3% NSR in favor of the vendor. The Company also has the option to purchase 2% of the 3% NSR for the sum of \$2,000,000 expiring June 13, 2017.

On August 1, 2007, the Company has entered into an option agreement to acquire certain rights and mineral claims located in the Porcupine Mining Division in the Province of Ontario (the "Douglas Property"). This property consists of 1 mining claim containing 16 mining claim units and is located in the southeast corner of Douglas Township, Porcupine Mining Division, Ontario. The vendor has agreed to grant an exclusive option to the Company to acquire 100% interest of the mineral claims and any additional claim acquired by the vendor. The Company agreed to:

- i) Pay the sum of \$10,000 on the date of execution of the option agreement (paid); \$30,000 by August 1, 2008 (paid), \$50,000 by August 1, 2009 and \$75,000 by August 1, 2010; and
- ii) Expend on exploration and development of the mineral claims the following amounts: \$20,000 by August 1, 2008 (incurred), \$50,000 by August 1, 2009; \$100,000 by August 1, 2010; and
- iii) Pay the sum of \$5,000 on the date that is 30 days from the date that the vendor acquires any additional claim and registers same with the appropriate government authorities.

In the event that the vendor does not acquire the additional claim, the Company shall continue to have the right to acquire a 100% undivided interest in and to the mineral claims free and clear of all liens and encumbrances provided that the payments listed above are made by the Company, subject only to 3% NSR in favor of the vendor. The Company has the option to purchase 2% of the 3% NSR for the sum of \$1,000,000 expiring August 1, 2027. At the date of this writing, the exploration commitment set out under item ii) above to be performed by August 1, 2008, has been completed.

Overview of Current Operations

Exploration Operations

- *Langmuir Property:* Due to the more advanced state of exploration and the promising results of the Company's Langmuir Property, this project has become, and continues to be, the principal focus of the Company's resources and attention. The current diamond drilling program, now consisting of two active diamond core drills, will continue to explore the currently detected ore bodies as well as to test other anomalies. At the time of this writing, three separate ore bodies have been identified on the Langmuir property. One is the area of the past producing Langmuir No. 2 mine area and extending to the northeast from there. The other is in the area surrounding the past producing Langmuir no. 1 mine.

During 2006, core drilling focused on the Northern Zone. Although extensive drilling occurred there, neither the northern limits nor the depth of parts of the North Zone have yet been defined. However, the fill-in exploration holes on the known upper part of the North Zone were substantially completed prior to the beginning of 2007. Drilling during the fiscal year just ended has focused on the South Zone and on the Langmuir No. 1 mine area. A more detailed discuss on this drilling appears below. (See: "Performance Summary".)

- *Jasper Property:* The Jasper Property originally consisted of 2,050 hectares. In December, 2007, the Company acquired additional claims consisting of 4,565 hectares surrounding the original claims, bringing the total area currently held to approximately 6,615 hectares. The additional claims were acquired to provide a buffer zone around the original claims. Prior to that expansion, the Company had expended sufficient exploration costs in the past to cover all current assessment obligations on its Jasper Properties on Vancouver Island, B.C. until October, 2010. The assessments for the additional claims are current at the time of this writing.

Although that project is considered quite interesting, due to the world price of base metals detected as potentially present on that project, limited time of management and geological services have continued to limit exploration activities on the Jasper property during the past quarter. The Company did update its technical report on that property. Currently, discussions are underway for a possible spin-off of that property to an arms-length entity.

- *Dry Fork Property:* As set out in past reports, the Company's Barton Syndicate/Dry Fork Property in Utah also has indications of potentially significant resources. But for the same reasons as apply to the Company's Jasper Property, the Company's activities relating to the Dry Fork Claims have been limited to the present time. Management is attempting to set

aside time within 2008 to pursue resolving and clarifying its access to that property and, as time and human resources allow, possibly undertaking a few months exploration on that property.

- *Cleaver Property*: The Cleaver Property, which is one of the claim groups whose rights were recently acquired, consists of 13 mining claims containing 192 mining claim units and is located in the northeastern portion of Cleaver Township, the southeastern portion of Fallon Township, the southwestern portion of Fasken Township and the northwestern portion of McNeil Township. The property is accessed by an all weather gravel logging road approximately 46.75km south of Highway 101 at South Porcupine, Ontario. The Company has only recently begun mapping and surface studies on this property, which is largely unexplored at this time. Previous exploration activities utilizing Reverse Circulation Drilling (RCD) within the central portion of the property returned values in the overburden ranging from 0 ppm up to 3,110 ppm (0.30%) of copper and from 0 ppb up to 521,460 ppb (15.209 oz/t) gold. The known Flinsky copper-zinc showing is located approximately 2.3km southwest of the property.

- *Douglas Property*: This property, which is the second of the claim groups recently acquired, consists of 1 mining claim containing 16 mining claim units and is located in the southeast corner of Douglas Township, Porcupine Mining Division, Ontario. The property is accessed by an all weather gravel logging road approximately 43.97km south of Highway 101 at South Porcupine, Ontario, and is approximately 4.1km west of the Cleaver Property. Exploration of the property is just now underway. Three known copper showings consisting of disseminated chalcopyrite in quartz carbonate veining occur within a strongly foliated mafic metavolcanics in the west central portion of the property. Minor amount of molybdenite along fracture surfaces within quartz veins intruding a porphyritic granodiorite occurs 1.3km to the northwest of the property.

- *Desrosiers Property*. In November 2008 the Company acquired all of the issued and outstanding securities of 1691063 Ontario Ltd. 1691063 Ontario Ltd. owns a 100% interest in 42 claim units located in Desrosiers Township, Ontario. The Desrosiers Property is approximately 150 km southwest of the City of Timmins and contains 6 staked mining claims. The Property hosts quartz – feldspar pegmatites and pegmatitic veins that contain molybdenite concentrations of potential economic value along with elevated concentrations of bismuth and silver. Previous work has reported a total of 33 showings or occurrences, four (4) of which have been the subject of systematic work including trenching, stripping and drilling.

Molybdenum grades in the pegmatites are very irregular, with reported sample results ranging from 0.03% to 10.64% Mo across true widths from 2 cm to 2 meters. The primary objective of the work programs proposed is confirmation and expansion of these potential targets and delineation of new potential. In addition to the Molybdenum prospects, anomalous silver concentrations, with documented values in the range of 14.7 grams per tonne to 114.4 grams per tonne are present in the molybdenite bearing zones. Bismuth has also been considered as a byproduct by some previous workers. Published regional geochemical data also indicate the presence of anomalous lithium, cesium, beryllium and tantalum concentrations and suggest by association that some pegmatite bodies in the are more complex zoning and development of rare metal pegmatites. As the property has just been acquired, exploration is not yet underway.

- *Keefe Cooke Property*: Also in November 2008, the Company acquired two patented land claims abutted the Langmuir Property to the west. These claims likewise have potential for hosting commercial grades of nickel, but no exploration has yet commenced at the time of this document.

Financing Activities

At this time, the Company has no long term debt, nor has it even had any during the past decade. During the fiscal year ended September 30, 2008, the Company undertook no public offering of its securities nor did it do any private placement of any of its stock, either for cash, property or settlement of debt.

During that period, the Company did, however, issue incentive stock options for services and also received just over \$840,000 in exercise of its outstanding warrants and incentive options, for which it issued just over 1,035,000 shares of common stock. (*For more detail, see “Company Securities” below.*)

Selected Financial Information

The following table provides a brief summary of the Company’s financial operations for both the Fiscal Year ended September 30, 2008, and for the two fiscal previous fiscal years ended September 30, 2007 and 2006 (For more detailed information, refer to the Financial Statements for each of the respective periods.)

Selected Annual Information	Fiscal Year Ended September 30		
	2006	2007	2008
Interest Income	\$ 45,185	\$ 548,852	\$ 1,433,731
Net income (loss) before stock based compensation	(557,971)	(573,736)	332,510
Net loss	(1,265,200)	(8,062,597)	(8,635,457)
Basic and diluted loss per share	(0.03)	(0.14)	(0.13)
Total Assets	5,884,662	47,439,389	48,545,881
Total Long-term liabilities	-	-	(5,269,390)
Cash dividends	-	-	-

The Company's accounting policy is to record its mineral properties at cost. Exploration and development expenditures relating to mineral properties are deferred until either the properties are either brought into production, at which time they are amortized on a unit of production basis, or until the properties are sold or abandoned, at which time the deferred costs are written off.

The Company's sole cash earnings are interest revenue from cash held in financial institutions. The significant increase in total interest income for the fiscal years ended September 30, 2007, and 2008, compared to those of the previous fiscal years, represents the increased capital reserves held by the Company generated through its private placements closed within those time periods.

It also reflects the increase in exploratory expenditures on the Langmuir Property, all of which are treated as an investment, and not as an expense, item.

The Company's Net Loss is the result of growing administrative expenses as its exploration and shareholder base has grown. However, when calculated simply on cash expenses actually paid, has not only remained approximately level, but has actually decreased, over the past three fiscal years. The most pronounced change has occurred as a result of stock based compensation (i.e. expenses paid through the granting of options). This factor is discussed in more detail later in this analysis. (See: "Results of Financial Operations" below.)

The Long-term debt shown relates to future income taxes which will be owed but are not yet due. The Company does not have, nor has it ever had, long term debt to any non-governmental party.

The Company has no present intention of paying dividends on its common shares as it anticipates that all available funds will be invested to finance the growth of its business.

Summary of Quarterly Results (unaudited except for periods ending September).

The following charts summarize the quarterly results of the Company's past eight fiscal quarters of operations.

Summary of Quarterly Results	Three Month Period Ended				Three Month Period Ended			
	December 31	March 31	June 30	September 30	December 31	March 31	June 30	September 30
	2006	2007	2007	2007	2007	2008	2008	2008
Total Assets	\$ 8,759,330	\$ 10,068,312	\$ 15,985,615	\$ 47,439,389	\$48,081,131	\$ 48,741,035	\$ 49,237,780	\$ 48,545,881
Mineral property costs	3,999,529	4,754,503	5,566,280	8,817,153	10,556,262	12,136,262	14,727,417	16,667,486
Working capital (deficiency)	4,408,637	4,924,131	10,113,601	38,278,389	37,268,824	35,691,154	33,523,026	30,577,345
Shareholders' Equity	8,414,804	9,685,182	15,686,338	47,100,827	47,867,005	42,730,215	43,176,175	42,128,462
Revenues	40,298	49,030	78,170	394,945	384,541	420,589	365,934	(194,800)
Net Income (Loss)	(191,864)	(845,747)	(4,246,597)	(2,778,389)	(4,276,692)	174,481	(2,068,446)	(2,464,800)
Loss per share	(0.00)	(0.02)	(0.07)	(0.05)	(0.06)	(0.00)	(0.03)	(0.04)

A major increase in total assets occurred in the fourth fiscal quarter of 2007/2008, ended September 30, 2007, during which the Company completed a major capital infusion through a public offering and private placements. Throughout the current fiscal year ended September 30, 2008, total assets remained substantially level, as no public offerings or private placements were undertaken during this period.

During the last eight fiscal quarters, mineral properties show a steady increase, reflecting the Company's exploratory expenditures, principally on the Langmuir and Cleaver Claims.

Shareholder equity generally parallels the increase in total assets through the first quarter of fiscal year 2007/2008, ended December 31, 2007. It was in that, and the preceding, fiscal quarter that financings were completed which included tax pass-through provisions. Such offerings require the Company to establish a reserve for future income tax liability. However, applying Generally Accepted Accounting Procedures, rather than recognizing that reserve within the same time period that the offering proceeds are received, provides that reserve to be established in the future time period when Management declares a waiver of the tax effects on future expenditures.

Thus, the reserve in the range of \$5,220,000 future liability was established in the second fiscal quarter (ended March 31, 2008). Had that reserve been made in the two previous fiscal quarters, the Shareholders Equity for the fiscal quarters ended September 30, 2007 (\$41,880,827) and December 31, 2007 (\$42,647,005) would have reflected the steady, and not artificially high) increase historically recorded by the Company for its shareholders equity.

Net losses vary incurred quite substantially and are most directly to related to stock-based compensation. This is discussed in detail below. (See: "Results of Financial Operations – Cash Expenditures vs Stock Based Expenditures".)

Results of Financial Operations

The following lists the Company's income, its general and operating expenses and its Net Operating Loss for the fiscal year ended September 30, 2008 and the two previous fiscal years.

RESULTS OF OPERATION <i>(Including Stock Based Compensation)</i>	Fiscal Year Ended September 30		
	2006	2007	2008
INCOME ITEMS			
Foreign exchange gain	\$ 1,008	\$ 13,591	\$ (2,802)
Interest income	45,185	548,852	1,433,731
Taxes (Flow-Through Expense)	-	-	(454,665)
TOTAL	\$ 46,193	\$ 562,443	\$ 976,264
GENERAL & ADMINISTRATIVE EXPENSES			
Amortization	\$ 1,548	\$ 1,546	\$ -
Directors & management stock-based compensation	707,229	4,578,903	3,556,829
Investor relations	91,076	2,168,620	628,264
Management fees	144,000	175,000	280,000
Office and miscellaneous	6,150	15,354	50,310
Professional fees	160,922	1,089,287	5,667,434
Rent and telephone	35,183	43,976	64,015
Shareholders information	53,462	116,792	52,164
Transfer agent and filing fees	43,334	273,808	96,481
Travel and related	68,489	161,754	95,634
TOTAL G & A	\$ 1,311,393	\$ 8,625,040	\$ 10,491,131
NET LOSS FOR THE YEAR	\$ (1,265,200)	\$ (8,062,597)	\$ (9,514,867)

Accounting Procedures Background: Under general accounting procedures, the net operating income or loss for a junior mining entities results differently that those commonly expected for other operating entities. First, as a developmental entity, little or no significant income is expected to occur during the periods, which can extend for a number of years, while the mineral properties are being explored. Secondly, the largest expenditures occurring during the developmental stages of each property are the exploratory costs. Rather than being accounted as operating expenses, those are accumulated during the developmental periods as commensurate increases in the Company's asset base, identified as "mineral properties".

Thus, during the developmental period of each respective mineral property, a junior mining entity's operating loss is the recordation of its general and administrative expenses, which are generally significant, offset against its rather insignificant income from such miscellaneous items such as interest on its cash reserves. Thus, during the development period of junior mining companies, net operating losses are expected to occur. A profit will not occur until the exploration of one or more mineral properties has been completed so that sales of those mineral properties can occur. Due to fact that the acquisition, exploration and disposition of mineral properties does not occur within a single (fiscal) yearly cycle, net operating losses are expected to occur during the interim fiscal periods.

In that regard, the Company incurred an operating loss of \$9,514,867 for the fiscal year ended September 30, 2008. During the two preceding fiscal years, the Company incurred a net operating loss (2007 - \$8,062,597) and (2006 - \$1,265,200) respectively. Apart from the accounting procedure applicable to junior mining entities, that is a significant increase. Thus, the context in which that loss increase was incurred is important.

Valuation of Stock Based Compensation: Other significant factors are also important during this developmental period. Acquisition and exploration, as well as general administrative expenses, occur and are ongoing at significant amounts during these interim periods. Since no significant income is occurring at this time, survival and success in the longer term is directly connected to a junior mining entity's ability to both raise and conserve cash. Precisely, this is done through the placement of its securities and, when possible, to substitute payment through the issuance of its securities when possible.

This introduces another major accounting issue which is placing a value on the securities being issued. If those securities are being issued in exchange for cash, that valuation is straightforward. However, in the case of options exercisable in the future, the current value of those options is more nebulous. Determining a reliably correct value is increased significantly when, as in the case of the majority of junior mining entities, the company is in its earlier stages of public trading, its asset base is both yet changing and not fully stabilized, and the public market for its stock is not fully seasoned.

To meet this issue as best it can, the accounting profession has adopted a standard in which it applies a calculation, known as the Black-Scholes Formula, applying various factors. The formula, when applied to seasoned companies with a positive revenue stream whose asset base is relatively stable and whose stock has been traded within a defined range for a number of years, provides a relatively reliable measure of value. The result, when that formula is applied to entities where those factors may not exist, is more questionable. However, it is the standard of the accounting field.

The Black-Scholes valuation includes four factors, namely, risk-free interest rate, expected life of options, annualized volatility and dividend rate (a factor not applicable to the Company). During the fiscal year most recently ended, six different series of options were granted. On those, the factors applied and the resulting valuations were as follows:

Option Series		Black-Scholes Assumptions				Resulting Value
Exercise Price	Expiry Date	Risk-Free Interest Rate	Expected life of options	Annualized volatility	Dividend Rate	Black-Scholes Valuation Per Option
\$ 3.87	9-Oct-2012	4.43%	5	121.87%	0	\$3.466
\$ 2.22	25-Jan-2013	3.49%	5	121.12%	0	\$1.946
\$ 1.90	29-Feb-2013	3.26%	5	120.12%	0	\$1.651
\$ 1.43	24-Mar-2013	3.05%	5	120.88%	0	\$1.224
\$ 2.28	21-Apr-2013	3.16%	5	118.55%	0	\$1.946
\$ 1.25	4-Jul-2013	3.41%	5	124.84%	0	\$1.156

To knowledgeable understand the results of General & Administrative operations, it is important to understand how imprecise, and possibly arbitrary, the process necessarily is in assessing an actual cash value of the options which are a part of those expenditures. Both Management, in granting options for services and officers, directors and professional consultants and investor relations firms receiving those as compensation in lieu of cash, inherently must apply their own subjective opinions with respect to that value. In a volatile market, the variance of those opinions can be significant.

In order to more fully grasp the actual impact of the expenditures measured using the Black-Scholes formula, it is helpful to sort out the direct cash impact to the Company vs the accounting figures applied.

Cash Expenditures vs. Stock Based Expenditures: Although the Company recorded \$10,491,131 in total general and administrative expenditures during the fiscal year 2007/2008, (\$8,625,040 for fiscal year 2006/2007; \$1,311,393 for 2005/2006), less than 15% of that was paid in the form of cash. The remainder (\$8,967,967) was recorded in stock-based expenditures. Similar proportions occurred in the previous two fiscal years. The following chart separates cash expenditures vs. stock-based expenditures recorded for the three most recently completed fiscal years:

RESULTS OF OPERATION (Excluding Stock-Based Compensation)	Fiscal Year 2005/2006			Fiscal Year 2006/2007			Fiscal Year 2007/2008		
	Including Stock-Based Compensation	Stock-Based Compensation	Excluding Stock-Based Compensation	Including Stock-Based Compensation	Stock-Based Compensation	Excluding Stock-Based Compensation	Including Stock-Based Compensation & Non-recurring Items	Stock-Based Compensation and Non-Recurring Items	Excluding Stock-Based Compensation & Non-recurring Items
INCOME ITEMS									
Foreign exchange gain	\$ 1,008	N.A.	\$ 1,008.00	\$ 13,591	N.A.	\$ 13,591	\$ (2,802)	N.A.	\$ (2,802)
Interest income	45,185	N.A.	45,185	548,852	N.A.	548,852	1,433,731	N.A.	1,433,731
TOTAL	\$ 46,193	N.A.	\$ 46,193	\$ 562,443	N.A.	\$ 562,443	\$ 1,430,929	N.A.	\$ 1,430,929
GENERAL & ADMINISTRATIVE EXPENSES									
Amortization	\$ 1,548	-	1,548	\$ 1,546	\$ -	\$ 1,546	\$ -	\$ -	-
Directors & management stock-based compensation	707,229	707,229	-	4,578,903	4,578,903	-	3,556,829	3,556,829	-
Investor relations	91,076	-	91,076	2,168,620	1,943,760	224,860	628,264	140,531	487,733
Management fees	144,000	-	144,000	175,000	-	175,000	280,000	-	280,000
Office and miscellaneous	6,150	-	6,150	15,354	-	15,354	50,310	-	50,310
Professional fees	160,922	-	160,922	1,089,287	966,198	123,089	5,667,434	5,270,607	396,827
Rent and telephone	35,183	-	35,183	43,976	-	43,976	64,015	-	64,015
Shareholders information	53,462	-	53,462	116,792	-	116,792	52,164	-	52,164
Taxes (Flow-Through Expense)	-	-	-	-	-	-	454,665	-	454,665
Transfer agent and filing fees	43,334	-	43,334	273,808	-	273,808	96,481	-	96,481
Travel and related	68,489	-	68,489	161,754	-	161,754	95,634	-	95,634
Website maintenance	-	-	-	-	-	-	-	-	-
TOTAL G & A	\$ 1,311,393	\$ 707,229	\$ 604,164	\$ 8,625,040	\$ 7,488,861	\$ 1,136,179	\$ 10,945,796	\$ 8,967,967	\$ 1,977,829
NET LOSS FOR THE YEAR	\$ (1,265,200)	N.A.	\$ (557,971)	\$ (8,062,597)	N.A.	\$ (573,736)	\$ (9,514,867)	N.A.	\$ (546,900)
Excluding Non-Recurring Item							\$ 454,665	\$ 454,665	\$ 454,665
Comparative Net Loss for the Year							\$ (9,060,202)	\$ 9,422,632	\$ (92,235)

The past year witnessed a substantial (approximately 66%) decline in the spot price for nickel, which up to the present has been the Company's principal targeted mineral. That decline has had a major impact on the stock price of all junior mining companies, including that of Inspiration, whose principal mineral target has been nickel. In more difficult times, the operation and decision making become of upper most importance. Next to that is the acceptance of its stock within the securities trading community, not just for the immediate benefit which it provides to our shareholders but equally for the ability of the Company to provide for its ongoing operating needs in the capital market. The comparative soundness of our liquidity is a significant factor in our stability and ability to survive, function and grow.

The expenses for fiscal year 2007/2008 in two categories of expenditures directly relate to the costs of operations, namely, (cash and stock based compensation) for management fees and professional services. The total compensation for those occurred in categories were \$280,000 for management fees (compared with \$175,000 for fiscal year 2006/2007 and \$144,000 for fiscal year 2005/2006), \$3,556,829 for management and directors stock-based compensation (compared with \$4,578,903 for fiscal year 2006/2007 and \$707,229 for fiscal year 2005/2006), and professional fees of \$5,667,434 (compared with \$1,089,287 for fiscal year 2006/2007 and \$160,992 for fiscal year 2005/2006). Apart from those, expense for investor relations were \$628,274 for the 2007/2008 fiscal year (compared with \$2,168,620 in fiscal year 2006/2007 and \$91,076 for fiscal year 2005/2006).

Some variation of expenditures in these three categories relate to a change in the classification of expenditures among those three categories. However, as any changes dealt only within those categories, the combined total of classification item within those three remained constant and thus, the combined total of those remained the unchanged.

Expenditures occurring in each those categories relate, in whole or in part, to stock-based compensation (i.e. incentive stock options). All of the direct payments to directors and officers (i.e. \$3,556,829) in fiscal year 2007/2008 were made in the form of stock-based compensation. Of the \$5,667,434 paid in professional fees in fiscal year 2007/2008, \$5,270,607 or 93% of that amount was paid in the form of stock-based compensation. Those payments compared with directors and management compensation of \$4,578,903 (all stock-based compensation) in fiscal year 2006/2007; \$1,089,278 in

professional fees in 2006/2007 of which \$966,198 or 90% was paid in the form of incentive stock options; and \$2,168,620 paid for investor relations in fiscal year 2006/2007 of which \$1,943,760 or 90% was in the form of stock options.

A Non-Recurring Item: One other factor occurring in the Company's net operating income in fiscal year 2007/2008 was a tax expense incurred with regard to the tax pass-through investment program completed near the end of fiscal year 2005/2006. In respect to that investment there is a tax expense calculated against the amount and rate at which that money is expended. This one-time charge is nonrecurring and is in the amount of \$454,885.

As that is actually an expense against the net amount of money raised, it could be expected to be considered simply as a reduction of the net amount of the offering. For accounting purposes, however, the audited financial statements show that as a negative item in annual income, thereby distorting the actual gross income of the Company. For purpose of these discussions, it is being shown as a tax item under general and administrative expenses, thereby giving identical results in net operations. As it is not recurring, for comparative purposes it is also shown in the table above as an anomalous item not grouped with the normal "cash" expenditures. This allows the reader to more clearly visualize the ongoing general net operations of the Company and also to compare it more directly with previous years of operation.

Actual Cash Activity: Accordingly, when the non-cash expense payments are extracted from the expenditures, the variance between the expenditures occurring in the last three fiscal years ended in September 30, 2008, 2007 and 2006, are quite significantly reduced. For fiscal year 2007/2008, the Net Operating Income is \$332,510. When the anomalous expense discussed above is further extracted, the net operating income realized for fiscal year 2007/2008 is \$787,175 compared to a net operating loss of \$573,736 for fiscal year 2006/2007 and \$557,971 for fiscal year 2005/2006. The services for which non-cash payments were used (management, professional and investor relations) are those whose performance is most related fostering a realistic stock price in a volatile market, obtaining financial resources and the execution of a successful business decisions.

The use of stock options as a key means of obtaining services of professionals and qualified management can be vital to a company which has no earnings and is at the earlier stages of property exploration. It is often crucial to preserving available cash reserves for operating expenditures. It also has the advantage of attracting or keeping key personnel and, by giving them a stake in the Company's wellbeing, tie their own interests to those of all other shareholders.

In that regard it should also be noted that the largest block of options were granted at a strike price of \$3.87, with three other option series having a strike price of \$2.28, \$2.22 and \$1.90 respectively. Each of these is significantly above the price at which the stock is trading at the time of the issuance of this Management Discussions & Analysis. The other two series have a strike price of \$1.43 and \$1.25 which are in a range closer to the current trading price. Unless the current Management and service providers, who were the recipients of that block of options, provide the management performance necessary to have the Company's shares reach or exceed each of those strike prices before their respective termination dates, some or all of those options will expire unexercised at the cost to the Company of no dilution and no expense for the services it acquired.

Should that circumstance occur, the Directors & Management expense for the fiscal year ended September 30, 2008, will have been effectively reduced retroactively by as much as \$3,556,829 to as little as zero. Similarly, Investor Relations expense for that same fiscal year will have been effectively reduced retroactively from \$628,264 by \$140,531 to \$487,773. Also similarly, Professional Fees expense for the same fiscal year will have been reduced from \$5,667,434 by \$5,270,607 to only \$396,827.

In total should that occur, the Company's Net Loss for fiscal year ended September 30, 2008 will have been effectively reduced retroactively from (\$9,514,867) by \$8,967,967 to only (\$546,900). For comparative purposes, if the anomalous tax item discussed above is further excluded, the effective net cash loss for fiscal year 2007/2008 is only (\$92,235) compared with a net cash loss of (\$573,736) for fiscal year 2006/2007 and (\$557,971) for fiscal year 2005/2006.

In fact, as of November 30, 2008, over 57% in Black Scholes option pricing model valuation of those options granted during the fiscal year ended September 30, 2008, had expired or been terminated unexercised. This factor alone retroactively diminishes the true cost of the Company's general operating expenses during the fiscal year by over \$5,100,000, reducing stock-based compensation for the year just ended from the range of \$9,000,000 to the range of \$4,000,000, with no dilutive effect upon the Company's outstanding securities.

It is also worth noting that, should all the remaining options granted during the past fiscal year be exercised, the exercise payment of those options will result in additional net capital to the Company in over \$7,800,000 unencumbered cash. That amount, of course, exceeds by almost \$1,500,000 the current expense, based on the Black Scholes pricing model, which the services for which those were granted cost the Company.

Performance Summary

Activity During July 1, 2008 through September 30, 2008: The Company's main priority of the Company on its Langmuir Property was the completion of the assaying for nickel, copper, gold, platinum, pladium and the determination of the specific gravity required by Micon International Ltd. of Toronto, Ontario for a preliminary resource estimation at the North Zone and Langmuir No.1 Mine. SGS Mineral Services of Lakefield, Ontario has been contracted to complete metallurgical analysis of the nickel mineralization zones encountered at the North Zone and Langmuir No.1 Mine. The results are expected in the 1st quarter of 2008-2009.

Inspiration submitted a request to the Ministry of Northern Development and Mines for the leasing of the mining and surface rights of the Langmuir Property. In that regard, it retained Sutcliffe Rody Quesnel Inc., Ontario Land Surveyors, of Timmins, Ontario to conduct the necessary land surveys for the leasing process. The company is waiting final comments from the Ministry of Natural Resources and the Surveyor General.

The company also commenced the process of applying for Advance Exploration status with the Ministry of Northern Development and Mines for the Langmuir No.1 Mine site. This process involves numerous environmental permits and constructive discussions with representative of the First Nations in the Timmins area. Inspiration has engaged Blue Heron Solutions for Environmental Management Inc. of Timmins to assist in the permitting process.

Geotech Ltd. of Aurora, Ontario completed an airborne electromagnetic VTEM and magnetic surveys in July, which covered of the Langmuir, Cleaver and Douglas properties. The final survey results and report are expected in late 2008.

The geo-technical support for the Langmuir Project is being provided locally. This includes down-hole 3 directional surveying conducted by Reflex Instrument North America of Porcupine, Ontario; the geodetic collar locations surveyed by Talbot Engineering Services of Timmins, Ontario; surface water sampling by Blue Heron Solutions for Environmental Management Inc. of Timmins; diamond drill core samples analyzed by Swastika Laboratories Ltd. of Swastika, Ontario; and check assaying for nickel and additional elements such as copper, gold, platinum, palladium and specific gravity by Activation Laboratories Ltd. of Ancaster, Ontario.

Table 1 summarizes the number of drill holes completed on the various properties during July 1 to September 30, 2008, while Table 2 summarizes the cumulate footage drill on the various properties since 2005.

Table 1: Fourth Quarter Diamond Drilling Totals (July 1 to September 30, 2008)

Location	Drill Program Commencement	Drill Program Completion	Drill Holes	Core Size	Total Footage (m)	Total Samples
Langmuir No. 1 Mine	1-Jul-2008	30-Sep-2008	0		0	0.00
Langmuir No. 2 - North Zone	1-Jul-2008	30-Sep-2008	15	NQ	4,488	2443.00
Langmuir Exploration	1-Jul-2008	30-Sep-2008	18	NQ	5,752	2940.00
Cleaver Project	1-Jul-2008	30-Sep-2008	6	NQ	1,483	0.00
Totals for Three Month Period			39		11,723	5,383

The above report for the North Zone includes the footage for five drill holes that were extended.

Table 2: Diamond Drilling Totals for the Projects on the Langmuir Property.

Location	Commencement	Completion	Holes	Core Size	(m)	Total Samples
Langmuir No. 1 Mine	11-Dec-05	11-Jan-06	6	BQ	1,053	511
	10-Oct-06	15-Dec-06	12	NQ	2,827	2,114
	07-Jan-07	15-Dec-07	83	NQ	24,143	11,780
	01-Jan-08	31-Mar-08	17	NQ	4,720	2,337
	01-Apr-08	30-Jun-08	5	NQ	2,616	2,034
Totals for Langmuir No. 1 Mine			123		35,359	18,776
Langmuir No. 2 - North Zone	20-Jul-05	08-Dec-05	22	BQ	3,741	2,923
	16-May-06	08-Dec-06	41	NQ	4,754	2,979
	17-Sep-07	15-Dec-07	38	NQ	5,459	2,049
	01-Jan-08	31-Mar-08	22	NQ	7,096	4,200
	01-Apr-08	30-Jun-08	-	-	-	-
14-Jul-08	30-Sep-08	15	NQ	4,487	2,443	
Totals for Langmuir No. 2 - North Zone			138		25,537	14,594
Langmuir South Zone	09-Jan-07	14-Feb-07	3	NQ	1,518	281
Totals for Langmuir South Zone			3		1,518	281
Langmuir Exploration	11-Dec-06	25-Apr-07	9	NQ	2,664	1,496
	13-Apr-08	30-Jun-08	22	NQ	8,320	5,158
	01-Jul-08	30-Sep-08	18	NQ	5,246	2,888
Totals for Langmuir Exploration			49		16,230	9,542
TOTALS FOR LANGMUIR PROJECT			313		78,644	43,193
Location	Commencement	Completion	Holes	Core Size	(m)	Total Samples
Cleaver Project	01-Jul-08	30-Sep-09	6	NQ	1,483	0
TOTALS FOR CLEAVER PROJECT			6		1,483	-

A diamond drill program commenced during the 4th quarter on the Cleaver Property, which is located approximately 15 km south of the Langmuir Property. A total of 1,483 metres of diamond drill were completed in 6 drill holes on the Cleaver Property. The main targets tested were ground geophysical anomalies. During the 4th quarter, the corporation had utilized five diamond drills on the Langmuir Property and Cleaver Property completing a total of 11,722.95 metres in 39 drill holes and 5 extensions of previously drilled holes at the North Zone from 2006 and 2007 drill programs.

Five drill holes completed in 2006 and 2007 on the Langmuir - North Zone were extended and intersected additional nickel mineralization. Fifteen additional drilling has been completed in the northern portion of the North Zone, which intersected the nickel mineralization between 100 metres to 200 metres vertically below surface with a total footage drill of 4,075 metres.

The total metal content value of the nickel bearing mineralization for the Langmuir Property is currently being evaluated. Inspiration has sent 9,982 pulps (4,249 samples from Langmuir No. 1 and 5,733 samples from Langmuir No. 2 – North Zone) for re-assaying of nickel (Ni), copper (Cu), gold (Au), platinum (Pt), palladium (Pd) and specific gravity at Activation Laboratories Ltd. of Ancaster, Ontario.

The company continued the exploration diamond drill program to evaluate several of the high nickel, copper, cobalt and zinc soil geochemical anomalies and ground geophysical anomalies located on the Langmuir Property, which totaled 5,752 metres in 18 exploration drill holes.

Geological mapping and sampling of the sulphide mineralization was completed on the Douglas Property during July and is currently being compiled and evaluated for a diamond drill program.

Summary of Field Activity during Fiscal Year 2007-2008

Inspiration is continuing with the drilling at the Langmuir Project – North Zone with the total number of drill holes and footages to the end of the 4th quarter (September 30, 2008) are summarized below:

Year	Holes	Total(m)	From	To
2005	22	3,741	LN05-1	LN05-22
2006	41	4,753	LN06-23	LN06-63
2007	38	5,839	LN07-64	LN07-101
2008	22	6,727	LN08-102	LN08-123
		618	Extension Holes	
2008	15	4,074	LN08-124	LN08-138
		413	Extension Holes	
Totals	138	26,165		

Several of the early 2006 and 2007 drill holes have been extended resulting in an expanded zone of nickel mineralization. The company is continuing the diamond drill program between 100 metres to 200 metres vertically below surface.

Inspiration completed the diamond drilling at the Langmuir No.1 Mine area and the total number of drill holes and footages to the end of the 4th quarter (September 30, 2008) are summarized below:

Year	Holes	Total(m)	From	To
2005	6	1,053	LN05-1	LN05-6
2006	12	2,827	LN06-7	LN06-18
2007	83	22,354	LN07-19	LN07-101
2008	22	7,336	LN08-102	LN08-123
Totals	123	33,570		

The total metal content value of the nickel bearing mineralization for the Langmuir Property is currently being evaluated. Inspiration has sent 9,982 pulps (4,249 samples from Langmuir No. 1 and 5,733 samples from Langmuir No. 2 – North Zone) for re-assaying of nickel (Ni), copper (Cu), gold (Au), platinum (Pt), palladium (Pd) and specific gravity at Activation Laboratories Ltd. of Ancaster, Ontario.

Micon International Ltd. of Toronto, Ontario has been engaged to complete a 43-101 compliant Resource Estimate Report for both the Langmuir No. 1 Mine and Langmuir No. 2 – North Zone and will utilize the current diamond drilling results and the results of the re-assaying.

SGS Mineral Services of Lakefield, Ontario is currently working on the metallurgical analysis of the nickel mineralization zones encountered at the Langmuir No. 2 – North Zone.

Inspiration Mining Corp. has conducted an aggressive exploration program on their Langmuir Property since 2005 and has completed line cutting, ground geophysical surveys consisting of total field and vertical gradient magnetic and electromagnetic surveys, soil geochemical survey and extensive diamond drilling programs, which is summarized below by area of interest:

Vacinity	Holes	Total (m)
Langmuir No. 1 Mine Area	123	33,570
Langmuir No. 2 Mine Area	138	26,166
Exploration - Allerston Grid	16	5,212
Exploration - Central Grid	11	3,879
Exploration - Lanmiur 1 Grid	21	7,433
Exploration - North Grid	1	212
Exploration - South Zone	3	1,518
	313	77,990

During July 2008, Geotech Ltd. of Aurora, Ontario completed an airborne electromagnetic VTEM and magnetic surveys, which covered of the Langmuir, Cleaver and Douglas properties. The final survey results and report are expected in late 2008.

Financial Results of Exploratory Operations

As mentioned earlier, the Company's accounting policy is to record its mineral properties at cost. Exploration and development expenditures relating to mineral properties are deferred until either the properties are brought into production, at which time they are amortized on a unit of production basis, or until the properties are sold or abandoned, at which time the deferred costs are written off.

The following table sets out the expenditures of the Company on its five mineral properties during the most recently ended fiscal year and the two preceding fiscal years.

TOTAL EXPENDITURES Mineral Properties	Fiscal Year Ended September 30					
	2006		2007		2008	
	Expenditures during Period	Cumulative from Inception	Expenditures during Period	Cumulative from Inception	Expenditures during Period	Cumulative from Inception
Jasper Property - Vancouver Island, BC	\$ -	\$ 630,223	\$ 3,012	\$ 633,235	\$ 4,921	\$ 638,156
Langmuir Property - Timmins, ON	\$ 1,366,937	\$ 2,650,274	\$ 5,145,038	\$ 7,795,312	\$ 6,883,663	\$ 14,678,975
Barton / Dry Forks Property - Utah	\$ 21,285	\$ 226,059	\$ 14,319	\$ 240,378	\$ 11,851	\$ 252,229
Cleaver Property - Timmins Area, ON	\$ -	\$ -	\$ 98,000	\$ 98,000	\$ 898,177	\$ 996,177
Douglas Property - Timmins Area, ON	\$ -	\$ -	\$ 50,228	\$ 50,228	\$ 51,721	\$ 101,949
Total Exploratory Expenditures - All Properties	\$ 1,388,222	\$ 3,506,556	\$ 5,310,597	\$ 8,817,153	\$ 7,850,333	\$ 16,667,486

To allow more detailed comparisons over the last two fiscal years, the following sets out the expenditures on the mineral properties on a quarterly basis over the past eight quarters:

Quarterly Mineral Expenditures Mineral Properties	Three Month Period Ended				Three Month Period Ended			
	Dec. 31 2006	Mar 31 2007	June 30 2007	Sept 30 2007	Dec. 31 2007	Mar 31 2008	June 30 2008	Sept 30 2008
Jasper Property - Vancouver Island	\$ 2,317	\$ 431	\$ -	\$ 264	\$ 4,921	\$ 7,827	\$ -	\$ (7,827)
Langmuir Property - Timmins, ON	\$ 490,508	\$ 754,543	\$ 811,777	\$ 3,088,210	\$ 1,322,344	\$ 1,564,554	\$ 2,436,878	\$ 1,559,887
Barton / Dry Forks Property - Utah	\$ 148	\$ -	\$ -	\$ 14,171	\$ 11,091	\$ 869	\$ 1,277	\$ (1,386)
Cleaver Property - Timmins Area, ON	\$ -	\$ -	\$ -	\$ 98,000	\$ 370,745	\$ 6,750	\$ 153,000	\$ 367,682
Douglas Property - Timmins Area, ON	\$ -	\$ -	\$ -	\$ 50,228	\$ -	\$ -	\$ -	\$ 51,721
Total Mineral Property Expenditures	\$ 492,973	\$ 754,974	\$ 811,777	\$ 3,250,873	\$ 1,709,101	\$ 1,580,000	\$ 2,591,155	\$ 1,970,077

Of the expenditures on the Langmuir Property during the last fiscal quarter of 2007, ended September 30, 2007, \$1,900,000 of those represent the purchase from the original vendors of 2% of the 3% reserved net smelter return (i.e. overriding royalty) previously outstanding. Thus, the exploratory portion of expenditures for that fiscal quarter are \$1,188,210 for that property. Details of the acquisition and exploration expenses on all of the properties are contained in the Company's annually Audited Consolidated Financial Statements and the applicable unaudited interim consolidated financial statements published by the Company on its SEDAR website.

As discussed in various other places in this document, this chart high-lights the focus of the Company on its most advanced exploratory property, the Langmuir Project. On a quarterly basis, it also demonstrates a progressively larger expenditure quarterly over the most recently completed eight quarters since the Company's completion of its largest private placement in October of 2006.

As the Company is now in final stages of the divestiture of the Jasper through the sale of the Jasper Property to an arms-length third party, that property is recorded on the Company's balance sheet in a separate category designated "Mineral Property Held for Sale". Notwithstanding that, it is included on the foregoing table without distinction from the other mineral properties.

Capital Resources

As a junior mining company, no significant source of revenues will occur to the Company until either it sells one or more of its properties or brings one into production. Since none of the Company's properties have yet reached that stage, its only income is realized from interest on its capital reserves deposited in financial institutions. During the most recent two fiscal years, those earnings were nearly sufficient to off-set much, but not all, of the Company's general and administrative cash expenditures. It also realized some new cash resources from the exercise of warrants and stock options which have previously been granted.

The remainder of those general and administrative expenses, as well as all acquisition and exploratory expenditures, must therefore come from cash generated from the exercise of its outstanding options and warrants, the use of existing cash reserves or new public or private placements of its securities. The Company's outstanding warrants from previous private placements as well as unexercised incentive stock options are detailed in the Financial Statements as well as below in this Management's Discussion and Analysis.

Liquidity & Working Capital

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. As the Company has no revenues from operations (except for interest on deposits in financial institutions), its continuing operations are being funded by its cash reserves either carried over from previous fiscal years or generated, and being generated, from its various financing activities. (See: "Overview of Current Operation – Financing Activities" above and "Stock Options" and "Warrants" below.) The uses of its cash occurs in two places, namely, funding of its general and administrative cash expenditures and cash expended in its investment activities. Those investing activities include the cash expended in paying the cash portions of undertaking its private placements, on the one hand, and the cost of its acquisition and exploration of its mineral claims.

Working Capital (Deficiency)	Fiscal Year Ended September 30		
	2006	2007	2008
Current Assets			
Cash	\$ 2,323,335	\$ 596,015	\$ 814,896
Short-term Investments	-	37,799,312	30,010,844
Receivables	48,225	190,704	780,998
Prepaid Expenses	-	30,950	118,636
Total Current Assets	\$ 2,371,560	\$ 38,616,981	\$ 31,725,374
Current Liabilities			
Accounts Payable & Accrued Liabilities	\$ (468,989)	\$ (334,062)	\$ (1,140,080)
Due to Related Parties	(22,746)	(4,500)	(7,949)
Total Current Liabilities Etc.	\$ (491,735)	\$ (338,562)	\$ (1,148,029)
Working Capital (Deficiency)	\$ 1,879,825	\$ 38,278,419	\$ 30,577,345
Increase (Decrease) from Preceding Fiscal Year	\$ 1,941,641	\$ 36,398,594	\$ (7,701,074)

As shown on this table, at year ended September 30, 2008 fiscal year, the Company had available working capital of just over \$30,730,000. That is a decrease of approximately \$7,700,000 from that available at the end of the previous fiscal year.

That amount, which was generated through various private placements and the exercise of outstanding warrants and option over the past three years, is held partly in cash and partly in short-term investments, as shown on the balance sheet of the Company's audited consolidated financial statements for each of those financial periods. (Those are available and may be accessed through the website: www.sedar.com.) It is expected that working capital to the Company are, and will be adequate for the Company to continue its operations at its present level for a number of years into the future.

Related Party Transactions Not Disclosed Elsewhere

During the fiscal year ended September 30, 2008, the following transactions occurred with related parties:

- Paid or accrued management fees of \$280,000 (2007 - \$175,000) and rent of \$nil (2007 - \$13,500) to a company controlled by the president and director of the Company. The president and director of the Company was also reimbursed for out-of-pocket expenses. As at September 30, 2008, the amount due to the related party was \$nil (2007 - \$4,500).
- Paid or accrued consulting fees of \$88,527 (2007 - \$19,700) to a director of the Company. As at September 30, 2008, the amount due to the director was \$7,949 (2007 - \$nil).

These transactions with related parties were in the normal course of operations and were measured at the exchange value which represented the amount of consideration established and agreed to by the related parties.

Supplemental Disclosures With Respect to Cash Flows:

The significant non-cash transactions during the year ended September 30, 2008 were as follows:

- The Company allocated \$175,677 for stock options exercised during the year to share capital from contributed surplus.
- The Company allocated \$141,900 for warrants exercised during the year to share capital from contributed surplus.
- The Company reclassified \$638,156 from mineral property held for sale to receivables.
- Included in mineral property costs is \$472,520 which related to accounts payable and accrued liabilities.
- The Company recorded a future income tax liability of \$6,148,800 which results from the renunciation pursuant to the flow-through agreements.

Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the year. Actual results could differ from these estimates. Significant accounts that require estimates as the basis for determining the stated amounts include mineral properties, stock-based compensation and valuation of warrants in private placements.

Financial Instruments, Comprehensive income and Hedges

In January 2005, the Canadian Institute of Chartered Accountants ("CICA") issued Handbook Sections 3855, "Financial Instruments - Recognition and Measurement", 1530, "Comprehensive Income", 3861 "Financial Instruments Presentation and Disclosure" and 3865, "Hedges". These new standards are effective for interim and annual financial statements relating to fiscal years commencing on or after October 1, 2006 on a prospective basis; accordingly, comparative amounts for prior periods have not been restated. The Company has adopted these new standards effective October 1 2006,

Financial instruments - recognition and measurement

Section 3855 prescribes when a financial instrument is to be recognized on the balance sheet and at what amount. It also specifies how financial instrument gains and losses are to be presented, This Section requires that:

- All financial assets be measured at fair value on initial recognition and certain financial assets to be measured at fair value subsequent to initial recognition;
- All financial liabilities be measured at fair value if they are classified as held for trading purposes. Other financial liabilities are measured at amortized cost using the effective interest method; and
- All derivative financial instruments be measured at fair value on the balance sheet, even when they are part of an effective hedging relationship.

Comprehensive Income (loss)

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

Hedges

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

Under adoption of these new standards, the Company designated its cash and cash equivalents, short-term investments and reclamation bond as held-for-trading, which are measured at fair value. Receivables are classified as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities and due to related parties are classified as other financial liabilities, which are measured at amortized cost.

The Company did not have any hedging during this year.

Comparative Figures

Certain comparative figures have been reclassified to conform with the current years presentation.

Changes in Accounting Policies

Capital Disclosures

Handbook Section 1535 specifies the disclosure of (i) an entity’s objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance. The Company has included disclosures recommended by the new Handbook section in Note 3 of the consolidated financial statements for the fiscal year ended September 30, 2008.

Financial Instruments

Handbook Sections 3862 and 3863 replace Handbook Section 3861, Financial Instruments – Disclosure and Presentation, revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks. The Company has included disclosures recommended by the new Handbook section in Note 4 to these interim consolidated financial statements for the fiscal year ended September 30, 2008..

Future Accounting Changes

International Financial Reporting Standards ("IFRS")

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

Goodwill and Intangible Assets

Section 3064, Goodwill and intangible assets, establishes revised standards for recognition, measurement, presentation and disclosure of goodwill and intangible assets. Concurrent with the introduction of this standard, the CICA withdrew EIC 27, Revenues and expenses during the pre-operating period. As a result of the withdrawal of EIC 27, the Company will no longer be able to defer costs and revenues incurred prior to commercial production at new operations.

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

The Company's Securities

The Company has three forms of securities outstanding, namely, shares of its common stock, options issued to its directors, officers, employees and contractors to purchase those shares, and stock purchase warrants issued as part of its private placements and now held by the public.

Common Shares:

The following sets out the issuance of the Company's common stock during the fiscal year ended September 30, 2008, and the previous two fiscal years, together with the outstanding shares at the end of each such period.

Common Stock Outstanding Unlimited (No Par) Shares Authorized	Fiscal Year Ended		
	30-Sep-2006	30-Sep-2007	30-Sep-2008
Balance Outstanding at Beginning of Period	35,113,109	47,217,108	66,889,520
Shares Issued in Public Offerings	-	-	-
Shares Issued in Private Placements	4,600,089	10,800,250	-
Shares Issued to Acquire Mineral Properties	50,000	-	-
Shares Issued for Debt Settlement	148,147	-	-
Shares Issued for Services	-	-	-
Shares Issued for Finders' Fees	-	218,775	-
Exercise of Incentive Stock Options	400,000	1,172,500	640,000
Exercise of Warrants	6,905,763	7,480,887	395,750
Balance Outstanding at End of Period	47,217,108	66,889,520	67,925,270

Stock Options

The Company has an incentive stock option plan in place which, while listed with the Toronto Venture Exchange, complied with the rules and regulations of that exchange. Under that plan, the Company was authorized to grant options to executive officers, directors, employees and consultants. The Company has implemented a fixed plan, whereby it may not exceed a total of 12,892,500 common shares under the plan. Options granted under the plan will have a term not to exceed 10 years and are granted at an option price and on other terms which the directors determine necessary to achieve goals of the plan and in accordance with regulatory policies. The options vest as determined by the board of directors.

The following chart sets out the number of option to purchase shares outstanding at the beginning and end of the fiscal year ended September 30, 2008, for each series outstanding, together with all changes occurring in those series during that period.

Option Series		Start of Fiscal Year	Activity During Fiscal Year			Fiscal Year End
Strike Price	Expiry Date	Options Outstanding October 1, 2007	Granted	Exercised	Expired or Canceled	Options Outstanding September 30, 2008
\$ 0.30	18-Nov-2008	400,000	-	400,000	-	-
\$ 0.81	24-Nov-2008	200,000	-	90,000	-	110,000
\$ 0.20	31-Aug-2009	250,000	-	-	-	250,000
\$ 0.20	20-Jun-2010	1,100,000	-	-	-	1,100,000
\$ 0.35	8-Mar-2011	1,000,000	-	150,000	-	850,000
\$ 1.08	17-May-2011	40,000	-	-	-	40,000
\$ 2.00	8-Mar-2012	1,412,500	-	-	-	1,412,500
\$ 6.12	16-May-2012	1,875,000	-	-	1,875,000	-
\$ 3.87	9-Oct-2012	-	1,788,014	-	200,000	1,588,014
\$ 2.22	25-Jan-2013	-	509,750	-	-	509,750
\$ 1.90	28-Feb-2013	-	900,000	-	-	900,000
\$ 1.43	24-Mar-2013	-	2,100,000	-	500,000	1,600,000
\$ 2.28	21-Apr-2013	-	400,000	-	-	400,000
\$ 1.25	4-Jul-2013	-	1,500,000	-	-	1,500,000
TOTALS		6,277,500	7,197,764	640,000	2,575,000	10,260,264

Warrants

The following chart sets out the number of common stock share warrants outstanding at the beginning and end of the fiscal year ended September 30, 2008.

Warrant Series		Start of Fiscal Year	Activity During Fiscal Year			Start of Fiscal Year
Strike Price	Expiry Date	Warrants Outstand-ing October 1, 2007	Granted	Exercised	Expired or Terminated	Warrants Outstand-ing September 30, 2008
\$ 1.10	12-Oct-2007	327,750	-	327,750	-	-
\$ 3.50	8-May-2009	2,372,625	-	68,000	-	2,304,625
\$ 6.50	5-Jan-2009	1,150,000	-	-	-	1,150,000
TOTALS		3,850,375	-	395,750	-	3,454,625

Income Taxes

A reconciliation of income taxes (recovery) at statutory rates with the reported taxes (recovery) is as follows:

	2008	2007
Loss before income taxes	\$ (8,635,457)	\$ (8,062,597)
Expected income tax recovery at statutory rates	(2,949,872)	(2,791,271)
Non-tax deductible items	2,764,999	2,703,300
Deductible items	(226,053)	(231,230)
(Recognized) unrecognized benefit of non-capital losses	(468,484)	319,201
Total income tax recovery	\$ (879,410)	\$ -

The significant components of the Company's future income tax assets are as follows:

	2008	2007
Future income tax assets:		
Equipment	\$ 1,110	\$ -
Share issue costs	503,320	827,000
Non-capital loss carried forward	1,192,851	910,000
Investment tax credit	159,852	-
Mineral properties	<u>-</u>	<u>494,000</u>
Future income tax assets	1,857,133	2,231,000
Less: valuation allowance	<u>(1,408,288)</u>	<u>(2,231,000)</u>
Net future income tax assets	<u>448,845</u>	<u>-</u>
Future income tax liabilities:		
Mineral properties	(2,561,588)	-
Future income taxes on exploration expenditures renounced to shareholders	<u>(3,156,647)</u>	<u>-</u>
Net future income tax liabilities	<u>\$ (5,269,390)</u>	<u>\$ -</u>

The Company has non-capital losses for Canadian income tax purposes of approximately \$4,100,000, which can be carried forward to reduce taxable income in future years. Unless utilized, these losses will expire through 2028. The tax benefits of these non-capital losses and other tax assets have not been recognized in the consolidated financial statements except to the extent that they can be used to offset future income tax liabilities that existed at the fiscal year end.

During the year ended September 30, 2007, the Company issued 3,000,000 common shares on a flow-through basis for gross proceeds of \$18,000,000. The flow-through agreements require the Company to renounce certain tax deductions for Canadian exploration expenditures incurred on the Company's mineral properties to the flow-through participants. During the year ended September 30, 2008, the Company renounced exploration expenditures of \$18,000,000 resulting in a charge to capital stock of \$6,148,800 with a related increase in future income tax liability. As of September 30, 2008, the Company has not incurred the required qualifying exploration expenditures, of which approximately \$9,240,000 is unexpended, and has recorded a flow-through share tax expense of an estimated amount of \$454,665 (2007 - \$Nil).

The Company is committed to incurring approximately \$9,240,000 in qualifying exploration expenditures in Canada by December 31, 2008. If the Company does not expend these funds in compliance with the government of Canada flow-through regulations, it will be subject to further penalties and interest.

Commitments

Significant commitments at September 30, 2008 are as follows:

The Company has entered into a management services agreement for a term of two years expiring on January 21, 2010, paying \$25,000 per month for the services of the President.

Contingencies

The Company is involved in various claims and legal actions in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have an adverse effect on the Company.

Significant Events Occurring Subsequent to Fiscal Year End

Subsequent to the fiscal year ended September 30, 2008, the following significant events have occurred:

- On November 27, 2008, the Company canceled all 1,788,014 options, not previously terminated, which were granted October 9, 2008, being exercisable at a strike price of \$3.87 and expiring October 9, 2012.
- The Company announced on October 27, 2008, that it has received regulatory approval from TSX to launch a normal course issuer bid (the "Bid"), pursuant to the terms set out in the notice of intention to make a normal course issuer bid (the "Notice") filed with the TSX. The Board of Directors of the Corporation believes that the current market price of the Corporation's common shares does not properly reflect the underlying value of the Corporation, and that, accordingly, the purchase of its common shares is appropriate and in the best interests of the Corporation and its stakeholders.

The Company has 67,925,270 common shares issued and outstanding as of October 22, 2008. The Notice provides that under the Bid, the Corporation may purchase up to 6,439,314 common shares, being 10% of the public float. The Notice further provides that, subject to the Corporation's ability to make "block" purchases through the facilities of the TSX in accordance with the TSX rules, the aggregate number of common shares that the Corporation may purchase during any trading day will not exceed 16,315 shares, being 25% of the average daily trading volume of the shares based on their trading volume on the TSX for the most recently completed six calendar months preceding the date of the Notice.

The Bid began on October 29, 2008 and will terminate on the earlier of October 28, 2009 or such date as the Corporation may complete its permitted purchases under the normal course issuer bid. The common shares will be acquired on the open market through the facilities of the TSX, at the discretion of management of the Corporation, and the purchase and payment for the common shares will be made in accordance with the requirements of the TSX and all other applicable laws. First Canada Capital Partners Inc. will conduct the normal course issuer bid on behalf of the Corporation. The price that the Corporation will pay for any common shares acquired will be the market price of the common shares at the time of acquisition. All common shares acquired by the Corporation under this Bid will be cancelled.

To date, the Company cancelled 152,500 shares pursuant to the Bid.

- The Company acquired two patented land claims located adjacent to the existing Langmuir claims pursuant to an asset purchase agreement dated November 21, 2008. As consideration for the land claims, the Company paid the vendors \$75,000 and issued 105,000 common shares.

The common shares are subject to a four-month hold period expiring March 25, 2009.

- The Company acquired its interest in the mining claims through the acquisition of 1691063 Ontario Ltd. ("1691063"), a privately held company. These mining claims are located in Desrosiers Township, Ontario. The Company acquired these interests by payment of \$250,000 and issuance of 5,000,000 common shares in exchange for all of the outstanding and issued shares of 1691063.