

**Mill Bay Ventures Inc.**  
**Management's Discussion & Analysis**  
**For the period ended July 31, 2007**  
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The following discussion and analysis of the operations, results, and financial position of Mill Bay Ventures Inc. (the "Company") for period ended July 31, 2007 should be read in conjunction with the July 31, 2007 consolidated financial statements and the related notes thereto. The effective date of this report is September 25, 2007. Additional information relating to the Company is available on SEDAR at [www.sedar.com](http://www.sedar.com).

**Forward Looking Statements**

Except for historical information, the Management's Discussion and Analysis ("MD&A") may contain forward looking statements. These statements involve known and unknown risks, uncertainties, and other factor that may cause the Company's actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievement expressed or implied by these forward looking statements.

**Business Description**

The Company's principal business activities are the exploration and development of mineral properties.

**Overall Performance**

***E&E Group and DH Group***

During 2005, the Company, through its wholly owned subsidiary, Golden Reef granted a ten year mining lease to Vasquir Mines Inc., a subsidiary of CMQ Resources Inc. ("CMQ") of the E&E Group and the DH Group, consisting of 54 unpatented mining claims, all located in Eureka County, Nevada, subject to 3% net smelter return, in consideration of the following minimum advance royalty payments (in US dollars), CMQ shares and minimum work commitments:

<b>Date</b>	<b>Advance Royalty</b>	<b>Common Stock</b>	<b>Minimum Work Commitment</b>
October 1, 2005	\$ 35,000	100,000	-
October 1, 2006	\$ 40,000	100,000	None
October 1, 2007	\$ 50,000	100,000	10,000 feet
October 1, 2008	\$ 75,000	100,000	12,000 feet
October 1, 2009	\$ 75,000	500,000	15,000 feet
October 1 <sup>st</sup> of each subsequent year	\$150,000		

The common stock will be made in the form of CMQ shares valued at the fair market price of the shares at the time received.

During the fall of 2006, CMQ completed 3 holes totaling 4,248 feet of drilling, including 1,441 feet of coring in the Valmy Hill focus area approximately two miles north of Hot Springs North. The Valmy Hill area exhibits surface mineralization that may indicate leakage from potential ore bodies in carbonate rocks at depth.

The gold concentrations in these drill holes are not significant commercially, but the thicknesses are very encouraging. CMQ believes that considering the presence of highly altered lower plate carbonates and the substantial thicknesses of low concentrations of gold, continued nearby exploration could yield significant results.

Drill hole V06-05, CMQ's first hole in the Valmy Hill focus area, was completed to a depth of 2,023 feet. This hole was originally targeted for a total depth of 1,600 feet and was not expected to encounter the sought-after lower-plate carbonate formations for at least the first thousand feet. CMQ was very encouraged to find that drilling encountered highly carbonaceous lower plate dolomitic siltstones and mudstones from approximately 180 feet and continuing to the total depth drilled. The hole was drilled using a mud rotary system to 1,680 feet and with core drilling thereafter. From approximately 1,850 feet to 1,980 feet, the observed core was highly altered and appeared to have experienced significant fluid transmission, dissolution and collapse. Eight geochemically anomalous intervals (from 11 ppb to 432 ppb gold) occur from five to 190 feet in thickness, the best interval being a continuous 60-foot interval from 130 to 190 feet in depth averaging 299 parts per billion gold. For this section of the hole 10-foot intervals were sampled using mud rotary drilling methods.

Drill hole V06-06 was drilled to a depth of 1,162 feet, where the hole was terminated due to severe caving. The mud rotary portion of the hole was drilled to a depth of 760 feet, and from 760 feet to 1,162 feet was cored. Lower-plate dolomite was encountered at a depth of 650 feet. From 760 feet to the bottom of the hole, decalcified micritic limestones, muddy limestones, black carbonaceous limestones, mudstones, and limestones with significant debris flows and collapse breccias occur, with some intervals containing up to 5% pyrite. The hole contained a 20-foot interval from 110 to 130 feet averaging 356 ppb gold. The samples were 10-foot samples acquired by mud rotary drilling methods.

Drill hole V06-07 was completed to a depth of 1,063 feet, where the hole was terminated due to severe caving. Mud rotary drilling methods were used to a depth of 367 feet, and the hole was continued using coring to the depth of 1,063 feet. The hole was drilled in conglomerates, cherts, siltstones, quartzites, sandstones, siltstones and minor limestones to a depth of 1,035 feet, where lower-plate decalcified, moderately silicified and highly carbonaceous mudstones were encountered. These sediments continued to the bottom of the hole. This hole was again geochemically anomalous in gold and other Carlin-suite elements over long intervals.

John Hogg, VP of Exploration for Vasquir Mines and a qualified person, as defined by National Instrument 43-101, supervised the drilling.

In September 2007, CMQ commenced drilling on a four hole exploration program of the lower plate carbonates at Valmy Hill with completion expected by November 15, 2007.

### ***Golden Repeat Claims***

During 2006 fiscal year, the Company named Mr. Ed Bryant, Consulting Geologist, as Project Manager of the Golden Repeat Property located near Midas, Nevada. Mr. Bryant is highly qualified and has worked in the area for many years.

Mr. Bryant's recommendations were as follows:

#### **Phase one**

1. Research property history
2. Mapping to 1"-500' scale showing claims and topography
3. Collecting up to 100 rock chip samples for assay

**Phase Two**  
**Further work (based on observations of Phase one)**

1. Geochemical survey
2. Outcrop-scale mapping in selected areas with good geochemical response or visible alteration and/or mineralization

During the quarter ended April 30, 2006, the Company received encouraging results from 37 rock chip samples collected by Mr. Bryant in March 2006. The 37 rock chip samples were taken from various parts of the property and returned assays as high as 100 pbb of gold.

Mr. Bryant notes widespread propylitic alteration, as well as quartz-calcite veining, silicification and anomalous gold and trace element assays on the Golden Repeat project are indications of a gold-bearing, mineralizing event. The project's proximity, and geologic similarity, to known commercial gold deposits further suggest such an event.

Mr. Bryant recommended further work be done and proposed an US\$85,000 program consisting of additional sampling and mapping along with an extensive MMI survey but this program was not started.

During the quarter ended July 31, 2007, the Company and its wholly owned subsidiary, Golden Reef Mining Co, Inc. entered into a letter of intent with Meridian Minerals Corp. ("Meridian") for the exploration and earn-in of the Golden Repeat Claims. Within 180 days of acceptance of the letter of intent, the Company and Meridian will subscribe to an Exploration and Earn-In Agreement in consideration of the following minimum payments and exploration expenditures:

<b>Date</b>	<b>Payment</b>	<b>Expenditures</b>
Execution	US\$75,000	-
1 <sup>st</sup> Anniversary	US\$100,000	US\$200,000
2 <sup>nd</sup> Anniversary	US\$200,000	US\$300,000
3 <sup>rd</sup> Anniversary	US\$300,000	US\$400,000
4 <sup>th</sup> Anniversary	US\$1,000,000	US\$500,000

Within 90 days after the completion of the payments and expenditures, Meridian will have earned a 51% interest in the Golden Repeat Claims and the Company and Meridian will enter into a formal joint venture. Meridian will have the option to increase its interest in the joint venture from 51% to 70% by paying US\$2,000,000 to the Company within 90 days of the formation of the joint venture.

Upon commencement of commercial production of the Golden Repeat Claims, the Company shall be entitled to receive from Meridian, a Net Smelter Return Royalty ("NSR") for gold and gold equivalent from silver mined and sold from the Golden Repeat Claims, according to the following table:

<b>Price of Oz/Gold</b>	<b>NSR</b>
< 300	2.0%
300 - 375	2.5%
376 - 450	3.0%
451 - 525	3.5%
> 525	4.0%

The Company shall also be entitled to receive from Meridian since the 1<sup>st</sup> Anniversary of the formation of the Joint Venture a yearly advance NSR cash payment of US\$100,000 ("Advance NSR"). The Advance NSR will be increased yearly by US\$100,000 to a maximum of US\$300,000. Advance NSR will be credited and deducted for any NSR payable to the Company starting commercial production of the Golden Repeat Claims.

Meridian will have an agreed upon period of time following the effective date of the letter of intent to perform legal due diligence examination of the title of the project and the environment and business circumstances surrounding them and if Meridian is dissatisfied with the results of its examination, Meridian may terminate the offer. Meridian is currently performing their due diligence.

### ***Ivanpah Property***

During the quarter ended July 31, 2006, the Company entered into an agreement with a related party to acquire 16 placer mining claims located in Clark County, Nevada, known as the Ivanpah Property, covering up to 640 acres, more or less, for consideration of the issuance of 2,200,000 common shares of the Company and US\$128,000. The transaction was accepted by the TSX Venture Exchange during the quarter ended January 31, 2007.

The Company filed a NI 43-101 compliant technical report dated October 4, 2006 on the Ivanpah Property on SEDAR. The report was prepared by Frederick C. Johnson, P. Geo., who is the qualified person for the project.

The related party vendors of the Ivanpah Property are Boss Sand & Rock, Inc. and Lee Canyon Mining Company, LLC. Dale Andersen, a director of the Company, is also a principal shareholder and director of the vendors. The shares were issued to the related party vendors for the acquisition is subject to escrow restrictions as required by the TSX Venture Exchange, and released in instalments over the next 6 years.

The Ivanpah Property has a potential inferred mineral deposit of sand and gravel, estimated to be approximately 77.4 million cubic yards. This estimate is based upon the existence of a broad alluvial drainage with surface exposures of more than 15 feet deep, two closely spaced drill holes that show 150 to 200 feet of gravel depth, the existence of an operating sand and gravel quarry adjacent to the Ivanpah Property with the same drainages, and surface sampling that indicated good quality gravel. Accordingly, the estimate is only conceptual in nature. There has been insufficient exploration to define a mineral resource, and it is uncertain if further exploration will result in the target being delineated as a mineral reserve. Interested persons are referred to the complete text of the technical report for further information.

The Company has applied for a water permit and is waiting on approval from the State of Nevada's Division of Water Resources. The Company must also apply for and obtain a sand and gravel extraction permit from the Bureau of Land Management ("BLM"), who has the authority to sell or dispose of the sand and gravel for a royalty (usually US \$1.00 per cu. yard), in order to commence any commercial sand and gravel mining operations on the Ivanpah Property. In the U.S., the holder of mining claims can apply to the BLM for permission to purchase and dispose of the sand and gravel on such claims, provided that the applicant submits a report from a geologist or mining engineer that describes the proposed disposal and its location, and sets out a preliminary draft mining plan, and the claim holder waives any interference with its work on any other potential mineralization on the claims. The Company has requested a sand and gravel purchase from the BLM for two of the claims comprising the Ivanpah Property, and is prepared to waive this area for sand and gravel mining.

### ***BRX Claims***

During 2003, the Company signed an option agreement with Levon to acquire a 50% joint venture interest in 77 reverted Crown granted claims and 4 modified grid claims in the Lillooet Mining Division, British Columbia, by issuing 100,000 common shares and incurring exploration expenditures of \$100,000 on or before each of December 17, 2003, 2004 and 2005.

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Effective September 1, 2003, Mill Bay signed an amending option agreement with Levon, deferring the issuance of 100,000 common shares and incurring of \$100,000 of exploration expenditures due by December 31, 2003 to December 31, 2004.

During 2005, the Company exercised its option to acquire the 50% joint venture interest in the BRX claims, by issuing 100,000 common shares and incurring total exploration expenditures of \$300,000. Under the joint venture agreement with Levon each of the participants is required to fund their proportionate share of further exploration expenditures, failing of which will dilute their interest. On dilution to 10%, the non-contributor's interest will convert to a 10% net profits royalty interest.

During 2007, the Company incurred \$67,198 of deferred exploration expenditures on the BRX claims, which were not proportionately funded by Levon. During 2007, the Company waived the requirement of proportionate funding by Levon on these specific expenditures; notwithstanding this waiver, the terms of the Joint Venture Agreement were ratified by the Company and Levon to remain in effect.

During the quarter ended July 31, 2007, the Company had completed 2,187 feet of drilling in hole #SB01-07 and is awaiting assaying results.

**AC Claims**

During the quarter ended July 31, 2007, the Company entered into an option agreement to acquire 119 mining claims located in Lander County, Nevada, known as the AC Gold Property, covering up to about 2 square miles, more or less, in consideration of paying US\$1,500,000 in instalments to the option or and incurring US\$1,500,000 in exploration work on the property over the next 15 years as follows:

<b>Due Date</b>	<b>Advance Minimum Royalty Payments</b>	<b>Expenditure Commitments on the Property</b>
Execution	US\$5,000	Nil
1 <sup>st</sup> Anniversary	US\$15,000	US\$10,000
2 <sup>nd</sup> Anniversary	US\$25,000	US\$25,000
3 <sup>rd</sup> Anniversary	US\$40,000	US\$50,000
4 <sup>th</sup> Anniversary	US\$50,000	US\$100,000
5 <sup>th</sup> Anniversary	US\$60,000	US\$100,000
6 <sup>th</sup> Anniversary	US\$60,000	US\$250,000
7 <sup>th</sup> Anniversary	US\$70,000	US\$250,000
8 <sup>th</sup> Anniversary	US\$70,000	US\$240,000
9 <sup>th</sup> Anniversary	US\$80,000	US\$50,000
10 <sup>th</sup> Anniversary	US\$90,000	US\$50,000
11 <sup>th</sup> Anniversary	US\$100,000	US\$50,000
12 <sup>th</sup> Anniversary	US\$100,000	US\$50,000
13 <sup>th</sup> Anniversary	US\$100,000	US\$50,000
14 <sup>th</sup> Anniversary	US\$100,000	US\$50,000
15 <sup>th</sup> Anniversary	US\$535,000	US\$175,000
<b>Total</b>	<b>US\$1,500,000</b>	<b>US\$1,500,000</b>

The Company has also granted to the optionor a 3% net smelter returns royalty, of which the Company has the option to buy-down one-third (i.e. 1%) at any time for the payment of US\$1,000,000.

The Company will be issuing finder's fees of 100,000 common shares to an arm's length finder.

**Results of Operations**

***Three months ended July 31, 2007 ("Q1-2008") compared with the three months ended July 31, 2006 ("Q1-2007")***

The loss for the period for Q1-2008 was \$81,462 compared to a loss of \$156,881 for Q1-2007, a decrease of \$75,419. The decrease in loss for the period was primarily due to a decrease of \$21,223 in general and administrative expenses and no write-off of mineral property interests compared to \$60,151 written off in Q1-2007. Reducing the impact of those items was a decrease of \$5,955 in interest income in Q1-2008 due to less cash being held in the current period compared to the comparative quarter.

General and administrative expenses were \$90,020 in Q1-2008 compared to \$111,243 in Q1-2007, a decrease of \$21,223. There were increases of \$ 4,956 in general exploration expenses, \$561 in investor relations and shareholder information, \$2,361 in legal fees and \$2,588 in administrative and office services and supplies. These cost increases were more than offset by decreases of \$24,000 in consulting fees, \$5,019 in listing and filing fees, \$753 in transfer agency fees, and \$1,975 in travel and accommodation. That consulting fees in the period of Q1-2008 was significantly lower because only one consultant was used in the current period compared to three in Q1-2007. The listing and filing fees were higher in the comparative quarter due to private placements occurring in Q1-2007 and none occurring in Q1-2008. Costs associated with evaluating, exploring and managing new and existing properties continued to put upward pressure on items such as administration and office services and travel and accommodation in addition to certain general exploration costs that are charged to operations instead of being deferred.

**Summary of Quarterly Results**

	2007	2007	2007	2006	2006	2006	2006	2005
Period ended	Jul. 31 Q1	Apr. 30 Q4	Jan. 31 Q3	Oct. 31 Q2	Jul. 31 Q1	Apr. 30 Q4	Jan. 31 Q3	Oct. 31 Q2
Loss for the period	\$ 81,462	\$ 78,661	\$ 81,891	\$ 51,898	\$ 156,881	\$ 414,631	\$ 63,401	\$ 61,224
Loss per share	0.00	0.01	0.00	0.00	0.00	0.03	0.00	0.00
Assets	2,199,598	2,216,475	2,300,140	2,140,398	2,268,931	2,171,531	783,721	774,027

Losses for the period trend higher during those quarters when the company has more cash on hand. These periods experience an increase in expenditures for exploration on mineral properties and promotional efforts. This results in higher general and administrative expenses for those periods and ultimately the higher losses for each period. The quarter ended April 30, 2006 had significant funds raised through private placements and experienced a much higher loss for the period than all the other quarters due to stock based compensation of \$267,600 that was charged to that particular period compared to nil in all following periods. Royalty revenue earned from the Vasquir Mines Inc. lease agreement has reduced the overall loss in the Q2-October 31, 2005, Q4-April 30, 2006 and Q2-October 31, 2006 quarters. Future royalty income should continue to have a positive impact on the second quarter of each year until the lease agreement expires or is terminated.

**Liquidity and capital resources**

At July 31, 2007, the Company had cash of \$762,211 and working capital of \$708,502. The Company's only current source of revenue, excluding interest income, is lease revenue it receives on an annual basis from the agreement with CMQ on the E&E claims. The next scheduled payment of USD\$50,000 in cash has been received and the Company is expecting another 100,000 common stock of CMQ in October 2007. The Company has already received 200,000 common stock of CMQ with an estimated market value of \$80,000 as at July 31, 2007. The Company has sufficient cash and resources on hand at this time to finance the limited exploration work on its mineral properties and maintain administrative operations through April 30, 2008.

The Company is in the exploration stage. The investment in and expenditures on the mineral property comprise substantially all of the Company's assets. The recoverability of amounts shown for its mineral property interest and related deferred costs and the Company's ability to continue as a going concern is dependent upon the continued support from its directors, the discovery of economically recoverable reserves, the ability of the Company to obtain the financing necessary to complete development and achieve profitable operations in the future. The outcome of these matters cannot be predicted at this time.

Mineral exploration and development is capital extensive, and in order to maintain its interest the Company will likely be required to raise new equity capital in the future. There is no assurance that the Company will be successful in raising additional new equity capital.

#### **Off-balance sheet arrangements**

The Company has no off-balance sheet arrangements.

#### **Transactions with related parties**

During three months ended July, 2007 the Company paid or made provision for the future payment of \$22,500 to a Director for managing the exploration activities, \$26,148 to a Director for geological consulting services, and \$7,500 to an individual related to a Director of the Company for promotional and administrative services.

The amount due to related parties consists of \$1,403 due to Directors of the Company, \$461 due to a director of a related company, \$192 due to a private company controlled by a director of a public company, \$2,931 due to a public company with common directors and management, \$1,454 due to Oniva International Services Corp. ("Oniva"), and \$13,258 due to ABC Drilling Services Inc. ("ABC Drilling"), a private company owned by Oniva. Oniva is a private company with common management. It provides the Company with administrative and office services and owns a subsidiary that provides drilling services to the Company.

The Company paid or made provision for the future payment of \$32,090 during the three months ended July 31, 2007 for administrative services and expenses to Oniva.

The Company paid or made provision for the future payment of \$12,507 during the three months ended July 31, 2007 for drilling services to ABC Drilling.

All related party transactions are recorded at the value agreed upon by the Company and the related party.

#### **Disclosure of Management Compensation**

During the year, \$22,500 was paid to the President for services as director and officer of the Company, and \$2,547 was paid to the Secretary for services as an officer of the Company.

#### **Critical Accounting Estimates**

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions which affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses for the periods reported. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in operations in the period in which they become known.

### **Financial Instruments**

The Company's financial instruments include cash and cash equivalents, interest receivable, reclamation bonds, accounts payable and accrued liabilities, and amounts due to related parties. The carrying values of these financial instruments approximate their fair values due to their short term nature. The Company is not exposed to significant interest, credit or currency risk arising from these financial instruments.

### **Changes in Accounting Policies**

In early 2005, the CICA issued new standards for Comprehensive Income (CICA 1530), Financial Instruments (CICA 3855) and Hedges (CICA 3865), which are effective for fiscal years beginning on or after October 1, 2006. The new standards bring Canadian rules more into line with current rules in the United States. These new standards do affect the Company at present and consequently a statement of comprehensive income is included in the Consolidated Statements of Loss, Comprehensive Income (Loss) and Deficit.

Section 1530 introduces the concept of comprehensive income, which includes net income and other comprehensive income. Other comprehensive income represents changes in shareholders' equity during a period arising from such items as unrealized foreign currency translation gains or losses arising from self-sustaining foreign operations, unrealized gains and losses on available-for-sale investments, and changes in the fair value of the effective portion of cash flow hedging instruments. The application of this new standard affected investment securities on the consolidated balance sheet. The result was an increase of \$42,750 to investment in shares and to accumulated other comprehensive income in shareholders' equity.

Section 3855 establishes standards for recognizing and measuring financial assets, financial liabilities and non-financial derivatives. It also specifies how financial instrument gains and losses are to be presented. All financial instruments must be classified as held-for-trading, available-for-sale, held-to-maturity, loans and receivables, or other financial liabilities. Initial and subsequent recognition and measurement of changes in the value of financial instruments depends on their initial classification. The application of Section 3855 did have an impact on the Company's interim consolidated financial statements as the Company's investment securities have been designated as available-for-sale investments.

Section 3865 provides alternative treatments to Section 3855 for entities which choose to designate qualifying transactions as hedges for accounting purposes, and specifies how hedge accounting is applied and what disclosures are necessary when it is applied. The application of Section 3865 did not have an impact on the Company's interim consolidated financial statements as there are no transactions which have been designated as hedges for accounting purposes.

### **Outstanding Share Data**

As at September 25, 2007, there were 47,249,698 common shares outstanding.

The following is a summary of outstanding share options as at September 25, 2007:

<b>Exercise Price Per Share</b>	<b>Expiry Date</b>	<b>Number of Shares Remaining Subject to Options</b>
\$0.20	January 28, 2009	735,000
\$0.12	December 15, 2009	100,000
\$0.12	March 15, 2010	70,000
\$0.12	April 25, 2011	2,375,000
<b>Total</b>		<b>3,280,000</b>

The following is a summary of the outstanding warrants as at September 25, 2007:

<b>Exercise Price Per Share</b>	<b>Expiry Date</b>	<b>Number of Underlying Shares</b>
\$0.100	November 2, 2007	2,799,999
\$0.100	March 27, 2008	16,525,500
\$0.125	May 30, 2008	4,210,000
<b>Total</b>		<b>23,535,499</b>

### **Contingency**

In fiscal 2004, the Company filed a claim in the amount of \$300,000 against Excel Valley Petroleum Ltd. ("Excel") in a dispute relating to the Legal well in the Province of Alberta. Subsequently, Excel has filed a counterclaim in the amount of \$105,572 against Mill Bay. The Company can not presently estimate the likelihood that it will succeed in its claim against Excel or that Excel will succeed in its counterclaim. Mill Bay accordingly did not record a contingent gain on account of its \$300,000 claim or a contingent loss on account of the \$105,572 counterclaim in its operations in the years ended April 30, 2004, 2005, 2006 and 2007.

### **Commitment**

The Company entered into a cost sharing agreement dated October 1, 1997, and amended November 1, 2003 to reimburse Oniva for a variable percentage of its overhead expenses, to reimburse 100% of its out-of-pocket expenses incurred on behalf of the company, and to pay a percentage fee based on the total overhead and corporate expenses. The agreement may be terminated with one month notice by either party.

### **Disclosure Controls and Procedures**

The Chief Executive Officer and the Chief Financial Officer of the Company are responsible for evaluating the effectiveness of the Company's disclosure controls and procedures and have concluded, based on our evaluation, that they are effective as at July 31, 2007 to ensure that information required to be disclosed in reports filed or submitted under Canadian securities legislation is recorded, processed, summarized and reported within the time period specified in those rules and regulations.

**Internal Controls Over Financial Reporting**

The Chief Executive Officer and the Chief Financial Officer of the Company are responsible for designing internal controls over financial reporting, or causing them to be designed under their supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP. The Company assessed the design of the internal controls over financial reporting as at July 31, 2007 and concluded that there are material weaknesses in internal controls over financial reporting, which are as follows:

- a) Due to the limited number of staff resources, the Company believes there are instances where a lack of segregation of duties exist to provide effective controls; and
- b) Due to the limited number of staff resources, the Company may not have the necessary in-house knowledge to address complex accounting and tax issues that may arise.

The weaknesses and their related risks are not uncommon in a company the size of the Company because of limitations in size and number of staff. The Company believes it has taken steps to mitigate these risks by consulting outside advisors and involving the Audit Committee and Board of Directors in reviews and consultations where necessary. However, these weaknesses in internal controls over financial reporting could result in a more than remote likelihood that a material misstatement would not be prevented or detected. The Company believes that it must continue to take steps to further mitigate these risks by consulting outside advisors on a regular and timely basis.

There have been no changes in the Company's internal controls over financial reporting that occurred during the quarter ended July 31, 2007 that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.