ARMISTICE RESOURCES CORP.

MANAGEMENT DISCUSSION AND ANALYSIS

June 30, 2008

Dated September 26, 2008

INTRODUCTION

Armistice Resources Corp. ("Armistice" or the "Corporation") is a Canadian exploration company focused on developing a resource property located near Virginiatown, Ontario and on locating other exploration properties to add to its existing resource base.

The following management discussion and analysis (the "June-2008 MD&A") should be read in conjunction with the audited financial statements for the year ended June 30, 2008 (the period being referred to herein as "June-2008") and June 30, 2007 and the notes related thereto, which were prepared in accordance with Canadian generally accepted accounting principles. **The effective date of this MD&A is September 26, 2008.**

All amounts herein are expressed in Canadian dollars unless otherwise indicated.

Forward Looking Disclaimer

Certain statements in this document constitute "forward-looking statements", which statements are made as of the date hereof. Management believes that any forward-looking statements are based upon reasonable assumptions, but can give no guarantees or assurances that actual results will be consistent with such statements.

Forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such risks, uncertainties and other factors include, but are not limited to, the following:

- the risks inherent in the natural resource exploration business generally;
- the lack of cash flow and the Corporation's dependency on new capital;
- the competition in the mineral exploration industry with respect to, among other things, the acquisition of additional resource properties;
- the risks associated with governmental regulation and environmental liability;
- the risk of title problems related to resource properties; and
- the results of legal claims made by or against the Corporation.

Readers should not place undue reliance on any forward-looking statements contained herein.

CORPORATE OVERVIEW AND STRATEGY

Corporate Summary

The Corporation was incorporated on June 29, 1984 under the *Business Corporations Act* (Ontario). The Corporation continued under the *Canada Business Corporations Act* on November 9, 1987 and amalgamated with Armistice Mines Limited on December 1, 1998 as Armistice Resources Ltd. The amalgamated corporation continues to be governed by the *Canada Business Corporations Act*. On April 28, 2006 the Corporation consolidated its outstanding shares on a basis of 4 old common shares for 1 new common share and changed its name from Armistice Resources Ltd. to Armistice Resources Corp. The registered office of the Corporation is in the City of Toronto. Since incorporation, the Corporation has been an exploration company engaged in the acquisition and exploration of gold properties. The Corporation owns the rights to a mineral property (the "Resource Property") located in the south-western part of McGarry Township, Ontario lying immediately west of the municipality of Virginiatown. A drilling and bulk sampling program is currently underway. The Resource Property, which remains at the exploration stage, consists of 34 contiguous patented mining claims and licences of occupation totalling 484 hectares. The Corporation does not have any subsidiaries.

June-2008 Corporate Highlights

This has been an important year of accomplishments and success for the Corporation. Below is a summary of significant events over the last year:

- The underground workings, mining plant and several pieces of key equipment were completely rehabilitated in preparation for underground operations. Included in this work were the recertification of the hoisting plant; rebuilding, installation and certification of a new shaft conveyance; installation of a new mine air heater; rehabilitation and/or replacement of underground infrastructure; and rebuilding of two underground loaders.
- To date, approximately 42,000 feet of drilling has been completed. This drilling includes approximately 50 holes with a mix of shorter definition drill holes and deeper exploratory holes. Full analyses for many of these holes are still pending.
- During the year approximately 2,800 feet of underground development took place. This included 1750 feet in two access cross-cuts and 1050 feet of drifting along potential gold zones. The objective of this development mining is to obtain bulk samples from previously identified gold zones on the 2250 Level.
- Several additional gold zones have been located that were not identified in previous drilling.
- The Closure Plan submitted to the Ministry of Northern Development and Mines ("MNDM") was accepted and filed. A closure plan for advanced exploration projects is mandated by the *Mining Act* (Ontario) (the "Act"). As outlined in Part VII, section 145 of the Act, the closure plan was accompanied by a financial assurance in the amount of $410,400. The closure plan was prepared by N.A.R. Environmental Consultants Inc.
- Bulk sampling of two zones representing the two dominant styles of mineralization known at the Kerr-Addison, nears completion. Early results illustrate the overall potential of the project once the best mining method is identified.

- The Corporation has engaged Python Mining Consultants to complete a development and production plan for the upper levels from about 1250 to 2250 feet below surface. This report should be complete later this year.

Corporate Strategy

The Corporation's strategy continues to be to increase shareholder value and enhance its position in the junior gold exploration group by focusing efforts on: (a) exploring the Resource Property; and (b) building upon its current portfolio through investing in new high-quality resource assets. The Corporation intends to achieve these objectives by making sound business decisions based on disciplined financial criteria that appropriately balance costs, benefits and risks.

Outlook

In 2008/2009, the Corporation will focus on further underground exploration and development at its McGarry advanced exploration project. This will involve shorter close-spaced in-fill definition drilling, some deeper exploratory drilling along drilling in some new areas as well as additional development work with more bulk sampling planned. Also, the Corporation expects to implement the results of the mine development plan being produced by Python Mining Consultants.

The Corporation also will look at expanding its portfolio with an eye to exploiting synergies with other properties in the region.

OVERALL PERFORMANCE

The Corporation incurred a net loss for June-2008 of $99,011 compared to a loss of $153,886 and a loss of $417,712 for the same periods in 2007 and 2006 respectively. This resulted in a cumulative deficit of $30,520,831 and a loss per share of $0.00 as at the end of June-2008.

The Corporation's total assets were $20,168,720 (as at June 30, 2008), $14,460,820 (as at June 30, 2007) and $9,429,838 (as at June 30, 2006).

As the Corporation's business primarily involves mining exploration, the Corporation does not have a source of revenue. The trend of losses from operations, therefore, is expected to continue for the foreseeable future until the Resource Property is brought into commercial production or is sold. As is the case with resource properties of other junior exploration companies, it is impossible to determine the likelihood or estimated time frame for commercial production of the Resource Property.

EXPLORATION SUMMARY

There was $4,863,758 of deferred expenditures capitalized to the Resource Property during the last quarter.

MINING PROPERTY

Below is a summary of funds spent on the Resource Property up to June 30, 2008:

	2008	2007
Exploration and development expenditures		
Balance, beginning of year	$ 16,364,493	$ 15,036,720
Diamond drilling	1,081,148	343,151
Bulk sampling	4,339,032	714,190
Technical Services	500,288	23,655
Environmental	42,327	76,069
Present value of mine closure costs	-	170,708
Balance, end of year	22,327,288	16,364,493
Property acquisition costs:		
Balance, beginning of year	$ 6,067,013	$ 5,973,924
Royalty payments	92,255	93,089
Balance, end of year	$6,159,268	$6,067,013
Write-down of mineral property	$(11,750,000)	$(11,750,000)
Total mineral property, end of year	$ 16,736,556	$ 10,681,506

The Corporation has an undivided 75% interest in 31 mining claims and 3 licenses of occupation in the McGarry Township within the Larder Lake Mining Division of Ontario through an agreement with Sheldon-Larder Mines Limited ("Sheldon-Larder"). The remaining 25% interest is a carried interest entitling Sheldon-Larder to a royalty as outlined in Contractual Obligations. This results in complete control by the Corporation including 100% of any proceeds of production subject only to the royalty interest.

The amounts shown for the mineral property represent costs to date and do not necessarily reflect present or future values except when there is a permanent decline in value or an abandonment of a mining property. Future development of the mineral property, recovery of related costs and the ability to meet financial commitments on existing claims will depend upon the development of commercially viable reserves, capital financing arrangements, mineral market conditions, environmental considerations and general economic conditions.

SUMMARY OF QUARTERLY RESULTS

The following information relates to the Corporation's eight most recently completed quarters. The Resource Property is not at the stage of commercial production and, therefore, the Corporation does not have a source of revenue.

2008 Quarterly Results

	Q1 2007-Sep-30 (Unaudited) ($)	Q2 2007-Dec-31 (Unaudited) ($)	Q3 2008-Mar-31 (Unaudited) ($)	Q4 2008-Jun-30 (Unaudited) ($)
Expenses (Recoveries)	171,260 (36,358)	179,737 (22,991)	521,351 (30,739)	63,020 (17,715)
Net Income (Loss) before undernoted	(134,902)	(156,746)	(490,612)	(45,306)
Income Tax Rec.	0	750,972	0	(22,417)
Comp. Income (Loss)	(134,902)	594,226	(490,612)	(67,723)
(Loss) Income Per Share*	(0.00)	0.01	(0.01)	(0.00)

*Loss per share on a diluted basis is not reported as it is anti-dilutive.

2007 Quarterly Results

	Q1 2006-Sep-30 (Unaudited) ($)	Q2 2006-Dec-31 (Unaudited) ($)	Q3 2007-Mar-31 (Unaudited) ($)	Q4 2007-Jun-30 (Unaudited) ($)
Expenses (Recoveries)	150,477 (10,708)	828,316 (61,285)	355,128 (44,738)	295,665 (48,935)
Net Income (Loss) before undernoted	(150,477)	(767,031)	(310,390)	(246,730)
Income Tax Rec.	0	1,320,743	0	0
Comp. Income (Loss)	(150,477)	553,712	(310,390)	(246,730)
(Loss) Income Per Share*	(0.00)	0.01	(0.01)	(0.01)

*Loss per share on a diluted basis is not reported as it is anti-dilutive.

The Corporation incurred a loss from operations for June-2008 of $99,011

The following is a descriptive summary of the last eight quarters:

- September 2006 – professional and consulting fees were incurred in dealing with the financing and listing on the TSX along with ongoing regulatory requirements of the Corporation.
- December 2006 – costs were incurred primarily related to the mobilization of equipment and work related to the water treatment and dewatering. Significant upgrades and rehabilitation have

also been undertaken. There were legal, accounting and management expenses related to the equity financing, annual audit and shareholders meeting.

The Corporation granted stock options during the quarter. Due to the fact that the options vested immediately, the accounting standards required that the full value of the options be expensed in the quarter. This resulted in an expense of $646,639 in this quarter.

In accordance with the Corporation's accounting policy and Canadian Generally Accepted Accounting Practices (GAAP), the Corporation recognizes the foregone tax benefit of the Flow-Through shares when the tax benefit is renounced to subscribers. This had resulted in a future income tax recovery of $1,320,743 in the quarter.

- March 2007 – costs capitalized to the mining property were comprised primarily of expenses related to dewatering and upgrades at the McGarry project.

  The Corporation granted stock options during the quarter. Due to the fact that the options vested immediately, the accounting standards required that the full value of the options be expensed in the quarter. This resulted in an expense of $88,178 in this quarter.

- June 2007 – costs were incurred primarily related to the expense of rehabilitation of the underground workings and new construction underground as well numerous upgrades both underground and on surface in preparation for drilling and eventual bulk sampling.

  The Corporation granted stock options during the quarter. Due to the fact that the options vested immediately, the accounting standards required that the full value of the options be expensed in the quarter. This resulted in an expense of $167,279 in this quarter.

- September 2007 – costs were incurred this quarter related to the continued rehabilitation and upgrading of the underground infrastructure including the installation of pumping systems, repair facilities and refuge station in preparation for sustainable underground operations. Also during this quarter underground drilling began and work commenced on drifting toward the bulk sampling areas.

- December 2007 – costs were incurred this quarter related to primarily to underground activities including: definition drilling, deep drilling, drifting, rehabilitation, repairs and upgrades.

  The Corporation granted stock options during the quarter. Due to the fact that the options vested immediately, the accounting standards required that the full value of the options be expensed in the quarter. This resulted in an expense of $89,938 in this quarter.

  In accordance with the Corporation's accounting policy and Canadian Generally Accepted Accounting Principals (GAAP), the Corporation recognizes the foregone tax benefit of the Flow-Through shares when the tax benefit is renounced to subscribers. This had resulted in a future income tax recovery of $750,392 in the quarter.

- March 2008 – costs were incurred this quarter related to underground work including: deep exploration drilling, definition drilling, drifting, repairs and upgrades.

  During the quarter the Corporation granted stock options to a director and five employees of the Corporation. The Corporation also granted stock options to employees of the Corporation's mining contractor. Due to the fact that the options vested immediately, the accounting standards required that the full value of the options be expensed in the quarter. This resulted in an expense of $260,205 in this quarter.

- June 2008 – costs were incurred this quarter related to underground activities including drilling, bulk sampling, repairs and upgrades to infrastructure. There were also expenses related to the financing including brokerage fees and legal expenses.

During June-2008, the Corporation capitalized $6,055,050 as deferred exploration costs, increasing the amount of cumulative deferred exploration costs to $16,736,556 (as at June 30, 2008). For the same period in 2007, the capitalized deferred exploration costs were $1,420,862.

The corporation had no long term liabilities at June 30, 2008 and June 30, 2007.

GENERAL AND ADMINISTRATIVE COSTS

	2008	2007
Consulting	$166,050	$138,988
Legal fees	65,570	136,764
Accounting and audit fees	91,553	61,938
Office	190,331	138,278
Tax on unspent flow-through	65,745	90,293
Shareholder relations	67,748	89,988
Stock option compensation	218,912	938,096
Other expenses	69,459	45,950
	$935,368	$1,640,295

General and administrative costs are down $705,000 from 2007 primarily due to the reduction in option based compensation. The Office expenses have increased with the establishment of a Head Office in Kirkland Lake, Ontario with the attendant administrative salaries. Travel and insurance premiums are also up because of more comprehensive insurance and travel due to the cost associated with consultants and additional promotion. Professional fees have increased due to the cost of compliance with new standards and escalating auditing fees.

LIQUIDITY

The Corporation has incurred losses since inception as the Corporation is in the exploration stage of developing the Resource Property and therefore has no source of revenue. At June 30, 2008, the Corporation had working capital in the amount of $2,269,414 of which $589,100 was restricted to be spent on Canadian Exploration Expenses. Approximately $626,208 of the accounts payable was discharged with the restricted assets after year-end.

The Corporation’s ability to continue as a going concern is dependent on the continued financial support of its shareholders, the ability to arrange alternate financing, the discovery of economically recoverable reserves and the ultimate achievement of profitable operations. The outcome of these matters cannot be predicted at this time.

There are sufficient funds to complete the current exploration program. The remaining unrestricted funds should be sufficient to cover the general and administrative expenses into the 2009 fiscal year.

CAPITAL RESOURCES AND EXPENDITURES

In the event that the Corporation wishes to acquire an interest in another resource property, expand exploration on the Resource Property, make a significant capital expenditure or enter into an agreement with a third party requiring corporate expenditures, the Corporation will be required to raise additional capital. It is expected that any capital raised by the Corporation will be by way of an equity financing, likely in the form of a private placement, as opposed to issuing debt instruments or undertaking other forms of debt financing.

The Corporation does not currently make use of any other financial instruments and does not anticipate making use of any such instruments in the short term. During June-2008, the Corporation did not make any material capital expenditures other than in the ordinary course of business.

SHARE CAPITAL SUMMARY

a) The Corporation is authorized to issue an unlimited number of common shares.

b) Common shares, warrants and options of the Corporation outstanding at September 26, 2008:

Security	Expiry Date	Exercise Price	Securities Outstanding	Common Shares on Exercise
Common shares			60,130,435	60,130,435
Warrants	June 27, 2009	$1.00	2,324,140	2,324,140
	Dec 13, 2009	$0.45	3,082,500	3,082,500
	Aug 18, 2010	$1.00	625,000	625,000
Broker Warrants	June 27, 2009	$0.70	464,828	464,828
	June 13, 2009	$0.35	829,268	829,268
Options	Nov 15, 2009	$0.68	2,200,000	2,200,000
Options	Jan 03, 2010	$0.68	300,000	300,000
Options	Apr 16, 2010	$0.68	150,000	150,000
Options	Jan 31, 2011	$0.70	570,000	570,000
Options	Mar 05, 2011	$0.68	300,000	300,000
Fully diluted common shares				70,976,171

RELATED PARTY TRANSACTIONS

One officer is a partner in a legal firm that provides legal services to the Corporation and another officer is a partner in an accounting firm that supplies non-audit services to the Corporation. The payments made to these firms during the year ended June 30, 2008, were $367,935 (2007 - $234,082).

During the year, the Corporation paid the Chief Executive Officer, who is also a director, for management and administrative services in the amount of $156,000 (2007 - $138,988). At June 30, 2008 $164,085 (2007 - $159,683) was owing to directors and related parties.
transactions during the year are as follows:

	June 30, 2008	June 30, 2007
Included in accounts payable and accrued liabilities	$ 164,085	$ 159,683
Included in consulting fees	$ 165,360	$ 138,988

These transactions are in the normal course of operations and are measured at the exchange amount which is the amount of consideration established and agreed to by the related parties.

CRITICAL ACCOUNTING ESTIMATES

The Corporation utilizes three critical accounting estimates in the preparation of the financial statements. These estimates are as follows: (i) the estimate of recoverable value on its mineral property, (ii) the value of stock based compensation and (iii) the estimate of the mine closure provision. All of these estimates involve considerable judgment and are, or could be affected by significant factors that are out of the Corporation's control.

The amounts shown for the mineral property represent costs to date that are expected to be recovered in the future. The Corporation's recoverability evaluation is based on the market conditions for minerals, current exploration results, project economics and management's assessment of the future probability of positive cash flow from the property through production or from its ultimate disposition. The Corporation operates in an industry that is exposed to a number of risks and uncertainties, including exploration and development risk, mineral price risk, environmental risk as well as the risk that future financings to fund the exploration program do not materialize.

The assumptions affecting stock based compensation are outlined in Financial Statement Note 8. Management utilizes the Black-Scholes valuation model in arriving at fair market value of these transactions.

The amount recorded for the mine closure provision include estimates of future inflation rates, the timing and amount of the related cash outflows and the credit-adjusted risk-free interest rate. There is always the potential for a material change from the recorded liability due to factors that are not presently determinable and out of the Corporation's controls.

OFF-BALANCE SHEET ARRANGEMENTS

The Corporation has no off-balance sheet arrangements and had no off-balance sheet arrangements during June - 2008.

CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION

1. Accounting Changes

   Handbook Section 1506, Accounting Changes permit voluntary changes in accounting policy only when they result in the financial statements providing reliable and more relevant information, require changes in accounting policy to be applied retrospectively unless doing so is impracticable, require prior period errors to be corrected retrospectively and require enhanced disclosures about the effects of changes in accounting policies, estimates and errors on the financial statements. These recommendations also require the disclosure of new primary sources of generally accepted accounting principles that have been issued but not yet effective (see Recent Accounting Pronouncements Issued and Not Yet Applied).

2. Financial Instruments, Comprehensive Income (Loss), Hedges and Capital Disclosure

In January 2005, the Canadian Institute of Chartered Accountants ("CICA") issued Handbook Sections 3855, "Financial Instruments - Recognition and Measurement", 1530, "Comprehensive Income", 3251, "Equity" 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 Corporation has adopted these new standards effective July 1, 2007.

a) 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.

b) Comprehensive income (loss)

Section 1530 "Comprehensive Income", along with section 3251 "Equity" which amends section 3250, "surplus", 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.

c) 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.

d) Capital Disclosures and Financial Instruments - Disclosures and Presentation

On December 1, 2006, the CICA issued three new accounting standards: Handbook Section 1535, Capital Disclosures, Handbook Section 3862, Financial Instruments - Disclosures, and Handbook Section 3863, Financial Instruments - Presentation. These new standards have been adopted effective November 1, 2007.

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. This information will enable financial statements' users to evaluate the entity's objectives, policies and processes for managing capital.

The new 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.

e) Impact Upon Adoption of Sections 1530, 1535, 3251, 3855, 3862, 3863 and 3865

Under the new standards all financial instruments are classified into one of the following five categories: held for trading, held-to-maturity, loans and receivables, available for sale financial assets, or other financial liabilities. All financial instruments, except other financial liabilities which are measured at cost, are included on the Balance Sheets and are initially measured at fair value. Loans and receivables, held-to-maturity investments and other financial liabilities are subsequently measured at amortized cost. Held for trading financial instruments are subsequently measured at fair value, and all gains and losses are included in net income in the period which they arise. Available-for-sale financial instruments are subsequently measured at fair value with revaluation gains and losses included in other comprehensive income until the instrument is derecognized or impaired. As a result of adoption of these standards, the Corporation has classified its cash and cash equivalents as held for trading. Short term investments are classified as held for trading. Accounts receivable and sundry assets are classified as loans and receivables. Accounts payable and accrued liabilities are classified as other financial liabilities. Other financial liabilities are initially measured at cost or at amortized cost depending on the nature of the instrument.

The Corporation has elected to account for transaction costs related to the issuance of financial instruments as a reduction of the carrying value of the related financial instruments.

The Corporation has evaluated the impact of the adoption of Sections 1530, 1535, 3251, 3855, 3862, 3863 and 3865 on its audited annual financial statements and determined that no adjustments are currently required.

Section 1535 has resulted in additional disclosures as outlined in the Notes to the Financial Statements.

3. Recent Accounting Pronouncements Issued and Not Yet Applied

i) In 2008, the CICA issued Handbook Section 3064, Goodwill and Intangible Assets ("CICA 3064"). CICA 3064, which replaces Section 3062, Goodwill and Intangible Assets, and Section 3450, Research and Development Costs, establishes standards for the recognition, measurement and disclosure of goodwill and intangible assets. This new standard is effective for the Corporation's interim and annual financial statements for periods commencing July 1, 2009. The Corporation is assessing the impact of the new standard on its financial statements.

ii) The CICA plans to converge Canadian Generally Accepted Accounting Principles with International Financial Reporting Standards ("IFRS") over a transition period expected to end in 2011, when IFRS will be fully adopted. The impact of the transition to IFRS on the Corporation's financial statments is not yet determinable.

iii) CICA Handbook Section 1400, General Standards of Financial Statement Presentation, is the new standard that clarifies what constitutes fair presentation in accordance with Canadian generally accepted accounting standards, going concern assessment and disclosures and comparative information disclosures. This new standard is effective for interim and annual financial statements beginning on July 1, 2008. This standard is expected to affect the Corporation's disclosures but is not expected to have a significant impact on the Corporation's financial position or results.

DISCLOSURE CONTROLS AND PROCEDURES

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported to senior management, including the Chief Executive Officer "CEO" and the Chief Financial Officer "CFO", on a timely basis so that appropriate decisions can be made regarding public disclosure. As at September 26, 2008, the CEO and CFO have evaluated the effectiveness of the Corporation's disclosure controls and procedures as defined in Multilateral Instrument 52-109 (Certification of Disclosure in Issuers' Annual and Interim Filings) of the Canadian Securities Administrators and has concluded that such controls and procedures are effective.

INTERNAL CONTROL OVER FINANCIAL REPORTING

The CEO and CFO are responsible for designing internal control over financial reporting or causing it 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 Generally Accepted Accounting Principals ("GAAP"). The Corporation has a limited number of employees and has determined that it is not appropriate to create segregation of duties such as may be expected in a larger organization, based on an analysis of the cost versus the benefit of hiring additional employees solely to address that issue. We have determined that the risks associated with the lack of segregation of duties are insignificant based on the close involvement of management in day-to-day activities. The Corporation has limited resources available and the limited amount of transactions and activities allow for sufficient compensating controls.

As required, the Corporation records complex and non routine transactions. Sometimes these are extremely technical in nature and require an in-depth understanding of GAAP. The Corporation's accounting staff has a reasonable knowledge of GAAP and the industry; however, there is risk that the reporting and the transaction may not be recorded correctly. To mitigate this potential risk, the Corporation consults with third party expert advisors as needed in connection with the recording and reporting of complex and non-routine transactions. In addition, the annual audit provides a review of these types of transactions which is presented to the audit committee for its review and approval of the annual financial statements.

RISKS AND UNCERTAINTIES

Following are the risk factors which the Corporation's management believes are most important in the context of the Corporation's business. It should be noted that this list is not exhaustive and that other risk factors may apply. An investment in the Corporation may not be suitable for all investors.

Exploration and Mining Risks

The business of mining and exploring for minerals involves a high degree of risk. Due in some cases to factors that cannot be foreseen, only a small proportion of the properties that are explored worldwide are ultimately developed into producing mines. At present, none of the Corporation's properties have proven or probable reserves and the proposed programs are an exploratory search for proven or probable reserves. The areas currently being assessed by the Corporation may not contain economically recoverable volumes of minerals or metals. The operations of the Corporation may be disrupted by a variety of risks and hazards which are beyond the control of the Corporation, including labor disruptions, the inability to obtain suitable or adequate machinery, equipment or labor and other risks involved in the conduct of exploration programs. Once economically recoverable volumes of minerals are found, substantial expenditures are required to establish reserves through drilling to develop metallurgical processes, and to develop the infrastructure at any site chosen for mining. Although substantial benefits may be derived from the discovery of a major mineralized deposit, no assurance can be given that minerals will be discovered in sufficient quantities or having sufficient grade to justify commercial operations or that funds required for development can be obtained on a timely basis. The economics of developing copper and other mineral properties is affected by many factors including the cost of operations, variations of the grade of ore mined, fluctuations in the price of minerals produced, costs of processing equipment and such other factors as government regulations, including regulations relating to environmental protection. In addition, the grade of mineralization ultimately mined may differ from that indicated by drilling results and such differences could be material.

Financing Risks

The Corporation has limited financial resources, has no source of operating cash flow and has no assurance that additional funding will be available to it for further exploration and development of its projects. Further exploration and development of one or more of the Corporation's properties will be dependent upon the Corporation's ability to obtain financing through joint ventures, equity or debt financing or other means, and although the Corporation has been successful in the past in obtaining financing through the sale of equity securities, there can be no assurance that the Corporation will be able to obtain adequate financing in the future or that the terms of such financing will be favorable. Failure to obtain such additional financing could result in delay or indefinite postponement of further exploration and development of its projects.

Credit Risk

Credit risk is the risk that a client or vendor will be unable to pay or receive any amounts owed or owing by the Corporation. Management's assessment of the Corporation's risk is low as it is primarily attributable to money market funds held in a Canadian bank, Goods and Services Tax due from the Federal Government of Canada and a deposit held with Ontario Hydro which are included in accounts receivable and sundry assets. The Corporation periodically monitors the investments it makes and is satisfied with the credit ratings of its bank.

Interest Rate Risk

The Corporation has cash balances and no interest-bearing debt. The Corporation's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institution.

Estimates of Mineral Resources and Production Risks

The mineral resource estimates of the Corporation included in this document are estimates only and no assurance can be given that any proven or probable reserves will be discovered, or that any particular level of recovery of minerals will in fact be realized or that an identified reserve or resource will ever qualify as a commercially mineable (or viable) deposit. Reserves that may ultimately be mined may differ from that indicated by drilling results and such differences could be material. Production can be affected by such factors as permitting regulations and requirements, weather, environmental factors, unforeseen technical difficulties, unusual or unexpected geological formations and work interruptions. Any estimated mineral resources should not be interpreted as assurances of commercial viability or potential or of the profitability of any future operations.

Mineral Prices

The principal activity of the Corporation is the exploration and ultimate development of mineral resource properties. The mineral exploration and development industry in general is intensely competitive and there is no assurance that, even if commercial quantities of proven and probable reserves are discovered, a profitable market may exist for the sale of the same. Factors beyond the control of the Corporation may affect the marketability of any substances discovered. Mineral prices have fluctuated widely, particularly in recent years. The feasible development of such properties is highly dependent upon the price of metals. A sustained and substantial decline in commodity prices could result in the write-down, termination of exploration work or loss of its interests in identified resource properties.

Competition

The Corporation competes with many companies that have substantially greater financial and technical resources than the Corporation for the acquisition of mineral properties as well as for the recruitment and retention of qualified employees.

Environment and other Regulatory Requirements

The activities of the Corporation are subject to environmental regulations promulgated by government agencies from time to time. Environmental legislation generally provides for restrictions and prohibitions on spills, releases or emissions of various substances produced in association with certain mining industry operations, such as seepage from tailings disposal areas, which would result in environmental pollution. A breach of such legislation may result in imposition of fines and penalties. In addition, certain types of operations require the submission and approval of environmental impact assessments.

Environmental legislation is evolving in a manner which means stricter standards, and enforcement, fines and penalties for non-compliance are more stringent. Environmental assessments of proposed projects carry a heightened degree of responsibility for companies and directors, officers and employees. The cost of compliance with changes in governmental regulations has a potential to reduce the profitability of operations. Companies engaged in exploration activities generally experience increased costs and delays as a result of the need to comply with applicable laws, regulations, and permits. There can be no assurance that all permits which the Corporation may require for exploration and development of its properties will be obtainable on reasonable terms or on a timely basis, or that such laws and regulations would not have an adverse effect on any project that the Corporation may undertake.

The Corporation believes it is in compliance with all material laws and regulations which currently apply to its activities. However, there may be unforeseen environmental liabilities resulting from exploration and/or mining activities and these may be costly to remedy.

Failure to comply with applicable laws, regulations, and permitting requirements may result in enforcement actions there under, including orders issued by regulatory or judicial authorities casing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in exploration operations may be required to compensate those suffering loss or damage by reason of the exploration activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations and, in particular, environmental laws. Amendments to current laws, regulations and permits governing operations and activities of exploration companies, or more stringent implementation thereof, could have a material adverse impact on the Corporation and cause increases in expenditures and costs or require abandonment or delays in developing new mining properties.

Title matters

Title to the Property and the area of the mining concessions comprising the Property may be disputed. Although the Corporation has taken steps to verify the title to mineral properties in which it has an interest in accordance with industry standards for the current state of exploration of such properties, these procedures do not guarantee the Corporation's title. Property title may be subject to unregistered prior agreements or transfers and title may be affected by undetected defects.

Dependence on Key Personnel

The Corporation's development to date has largely depended, and in the future will continue to depend, on the efforts of key management. Loss of any of these people could have a material adverse effect on the Corporation and its business. The Corporation has not obtained and currently does not intend to obtain key-person insurance in respect of any directors and other employees.

Share Price Fluctuations

In recent years, the securities markets have experienced a high level of price and volume volatility, and the market price of securities of many companies, particularly those considered exploration stage companies such as the Corporation, have experienced wide fluctuations in price which have not necessarily been related to the underlying asset values or prospects of such companies. Price fluctuations will continue to occur in the future.

No Dividends

Investors cannot expect to receive a dividend on their investment in the Corporation in the foreseeable future, if ever. Investors should not expect to receive any return on their investment in the Corporation's securities other than possible capital gains.

The Corporation currently depends significantly on a single project – the McGarry Project

The Corporation's activities are focused primarily on the McGarry Project. Any adverse changes or developments affecting this project would have a material and adverse effect on the Corporation's business, financial condition, results of operations and prospects

The Corporation has no operating history and a history of losses and there can be no assurance that the Corporation will ever be profitable

The Corporation has no mineral properties from which any ore has ever been extracted and sold and its ultimate success will depend on its ability to generate cash flow from producing properties in the future. The Corporation has not earned profits to date and there is no assurance that it will do so in the future.

CONTRACTUAL OBLIGATIONS

Sheldon-Larder, the royalty holder, is entitled to the greater of: (i) a Net Smelter Return Royalty of 2% for periods when the price of gold is less than U.S. $500 per troy ounce; 3% when such price is U.S. $500 or more and less than U.S. $800 per troy ounce; and 4% when such price is U.S. $800 per troy ounce or more; (ii) $1.00 per short ton of ore derived from the properties; (iii) an advance royalty payment of $21,573.61 per quarter year. Royalty expense capitalized during the year amounted to $92,255 (2007 - $90,089).

SUBSEQUENT EVENTS

On August 18, 2008, 8,362,500 of the remaining 8,987,500 warrants issued in 2004 expired. The remaining 625,000 warrants were extended to August 18, 2010 on the same terms and conditions.

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Additional information about Armistice Resources Corp. including the Corporation's AIF can be obtained by visiting the SEDAR public documents site at www.sedar.com or by contacting Todd J. Morgan, President, CEO and Chairman of the Corporation, at:

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