# ARMISTICE RESOURCES CORP.

## MANAGEMENT DISCUSSION AND ANALYSIS

**Interim Period Ended March 31, 2008**

**Dated May 15, 2008**

## INTRODUCTION

Armistice Resources Corp. (Formerly Armistice Resources Ltd.) ("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 "March-2008 MD&A") should be read in conjunction with the unaudited interim financial statements for the three and six month period ended March 31, 2008, (the period being referred to herein as "March-2008") and the notes related thereto, which were prepared in accordance with Canadian generally accepted accounting principles. **The effective date of this MD&A is May 15, 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 southwestern part of McGarry Township, Ontario lying immediately west of the municipality of Virginiatown. The Corporation has completed all the necessary dewatering and underground rehabilitation. Drilling is now underway and preparation is nearing completion for the start of a bulk sampling program. 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.

### March 2008 Corporate Highlights

Below is a summary of significant events over the last year:

- Dewatering of the mine to the bottom of the shaft was completed in early April 2007 by Paul Whelan Mining Contractors. Work commenced on the rehabilitation of the underground infrastructure system including pumping, electrical, compressed air, ventilation and water.
- A contract for Phase I underground diamond drilling was signed with Heath and Sherwood Drilling. The Phase I program is planned for 10,000 feet in 17 holes from the 2250 Level. The objective of this program is to test an area above the 2250 Level to the north. This area has a 600 foot drilling gap immediately west of the 185 and 260 Zones that were bulk sampled in the 1990's. The drilling will also consist of deep holes to identify and confirm potential gold ore zones above 4000'.
- On May 29, 2007, the Corporation announced the appointment of Paul J. Bennett as an advisor to the board of directors of Armistice. Mr. Bennett has over 37 years of experience in geoscience, mining and oil/gas exploration, development and producing. He is currently the President and CEO of Energus Resources Ltd. of Calgary, Alberta, and also serves as Director, President and COO for Officer Basin Energy Inc. At various times Mr. Bennett has held executive and senior management positions with ExxonMobil Canada, Sable Offshore Energy Project and Mobil Oil Canada. He has also served as a director of the Maritimes & NE Pipeline. Mr. Bennett is a director of Uranium Participation Corp. and President of Uranium Participation Alberta Corp. Mr. Bennett has done geoscience work in every province and territory in Canada over a 37 year period, and has lived and worked in Australia, Europe and the USA. His work experience has involved oil and gas companies, mining companies and several provincial resource surveys (Ontario and New Brunswick).
- The underground workings and mining plant have been rehabilitated to permit commencement of mining operations. The objective of this mining is to obtain bulk samples from previously identified gold zones on the 2250 and 2350 Levels. An access cross-cut is being driven to reach the 260N, 325N and 400N Zones in the west-central part of the previously established 2250 Level. Another cross-cut at 00W is also being driven to provide both bulk sample material and

drill access for vertical holes to test an identified zone of green carbonate (at the adjacent Kerr Addison Mine, green carbonate ore was notoriously difficult to evaluate by cross cutting drill holes because the gold mineralization was associated with near horizontal features).

- The Closure Plan submitted to the Ministry of Northern Development and Mines ("MNDM") has been accepted and filed. A closure plan for advanced exploration projects is mandated by the Mining Act of Ontario. 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.

- Underground work at the McGarry project is progressing well. Several additional gold zones have been located that were not identified in previous drilling. Three deep drill holes from the south cross cut have been completed. From each of these pilot holes several one or more wedge holes have been drilled. In-fill definition drilling from the 2250 level is nearing completion for a large gap in the middle of the property. Drill core sampling and results have been delayed while geological staff focus on the more important development work and mapping. It is expected that this logging and sampling will be completed in the coming months. A second drill rig was added at the beginning of January and a continuation contract was signed with Cabo Drilling.

  Both cross-cuts have been completed to their designed length. Several headings in the mineralized zones have been established including new zones that were not indicated in past drilling.

  A major upgrade to the ventilation system was completed during this quarter. Many additional mechanical upgrades were also completed during this quarter.

## 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; (b) moving the Resource Property toward production; and (c) 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, the Corporation will focus on underground exploration at its McGarry advanced exploration project. This will involve in-fill definition drilling, deeper exploratory drilling, along with a significant bulk sampling program. The Corporation has also commissioned a mining development plan with a view to a production decision.

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 had a loss from operations for the three months ended March-2008 of $490,612, as explained in the Summary of Quarterly Results, compared to a loss of $310,390 for the same period in 2007.

The Corporation's total assets were $16,997,893 (as at March 31, 2008), $14,354,847 (as at March 31, 2007) and $9,125,491 (as at March 31, 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 difficult to determine the likelihood or estimated time frame for commercial production of the Resource Property.

## EXPLORATION SUMMARY

There was $1,684,751 of deferred expenditures capitalized to the Resource Property during the last quarter.

## MINING PROPERTY

Below is a summary of expenditures on the mining property for the three month period to March 31, 2008:

| | 2008 |
|---|---|
| **Exploration and development expenditures** | |
| Balance, beginning of period | $18,887,326 |
| Diamond drilling | 386,190 |
| Bulk Sampling | 1,135,019 |
| Technical Services | 135,965 |
| Environmental | 6,003 |
| Balance, end of period | 20,550,503 |
| **Property acquisition costs:** | |
| Balance, beginning of period | $ 6,110,161 |
| Royalty payments | 21,574 |
| | 6,131,735 |
| Write-down of mine property (2000 fiscal yr.) | $(11,750,000) |
| Total mineral property, end of period | $14,932,238 |

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.

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**

| | March 31, 2008 (Unaudited) ($) |
|---|---|
| **Expenses (Recoveries)** | 521,351<br>(30,739) |
| **Net (Loss) Income** | 490,612 |
| **(Loss) Income Per Share*** | (0.01) |

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

**2007 Quarterly Results**

| | March 31, 2007 (Unaudited) ($) | June 30, 2007 (Unaudited) ($) | September 30, 2007 (Unaudited) ($) | December 30, 2007 (Unaudited) $ |
|---|---|---|---|---|
| **Expenses (Recoveries)** | 355,128<br>(44,738) | 295,665<br>(48,935) | 171,260<br>(36,358) | 156,746<br>**(750,972) |
| **Net (Loss) Income** | (310,390) | (246,730) | (160,191) | 594,226 |
| **(Loss) Income Per Share*** | (0.00) | (0.00) | (0.01) | 0.01 |

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

**2006 Quarterly Results**

| | March 31, 2006 (Unaudited) ($) | June 30, 2006 (Unaudited) ($) | September 30, 2006 (Unaudited) ($) |
|---|---|---|---|
| **Expenses (Recoveries)** | 30,405 | 182,643 | 150,477 |
| **Net (Loss) Income** | (30,405) | (182,643) | (150,477) |
| **(Loss) Income Per Share*** | (0.00) | (0.00) | (0.00) |

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

The Corporation had a loss for March-2008 of $490,612 as explained below.

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

- June 2006 – professional and consulting fees were incurred related to the financing, name change, share consolidation and other regulatory requirements of the Corporation.

- 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.

During March-2008, the Corporation capitalized $1,684,751 as deferred exploration costs, increasing the amount of cumulative deferred exploration costs to $14,932,238 (as at March 31, 2008). For the same period in 2007, the capitalized deferred exploration costs were $250,967.

The corporation had no long term liabilities at March 31, 2008 and March 31, 2007.

## GENERAL AND ADMINISTRATIVE COSTS

| | Three Month Period Ended March 31, 2008 | Three Month Period Ended March 31, 2007 |
|---|---|---|
| Consulting | 41,550 | 36,725 |
| Legal fees | 80,390 | 31,668 |
| Audit fees | 35,838 | 5,624 |
| Office and administration | 41,409 | 83,785 |
| Shareholder relations | 24,070 | 14,006 |
| Other expenses | 24,249 | 2,142 |
| | $247,506 | $173,950 |

## 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 March 31, 2008, the Corporation had working capital in the amount of $1,290,069 of which $440,995 was restricted to be spent on Canadian Exploration Expenses in 2008 and $410,400 is required to be on deposit for the line of credit.

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 exploration program to the end of the fiscal year. 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 March-2008, the Corporation did not make any material capital expenditures other than in the ordinary course of business.

## SHARE CAPITAL SUMMARY

a) Authorized

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

b) Common shares and convertible securities outstanding at March 31, 2008.

| Security | Expiry Date | Exercise Price | Securities Outstanding | Common Shares on Exercise |
|---|---|---|---|---|
| Common Shares | | | 51,264,184 | 51,264,184 |
| Warrants | Aug 18, 2008 | $1.00 | 8,897,500 | 8,987,500 |
| | June 27, 2009 | $1.00 | 2,324,143 | 2,324,143 |
| Broker Warrants | June 27, 2009 | $0.70 | 464,829 | 464,829 |
| 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 | 580,000 | 580,000 |
| Options | Mar 05, 2011 | $0.68 | 300,000 | 300,000 |
| Fully diluted common shares | | | | 66,570,656 |

## RELATED PARTY TRANSACTION

During the period, the Corporation had transactions with directors and officers. The particulars of the balances with these parties at the end of the year and transactions during the year are as follows:

| | March 31, 2008 | March 31, 2007 |
|---|---|---|
| Included in accounts payable and accrued liabilities | $93,555 | $ 180,204 |
| Included in consulting fees | $41,550 | $ 36,725 |

One officer is a partner in the 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 quarter ended March 31, 2008 were $102,013 (2007 - $37,292).

During the quarter, the Company paid an officer and a director/officer of the company for consulting services in the amount of $41,550 (March 31, 2007 - $36,725). At March 31, 2008 $93,555 was owing to directors and related parties (March 31, 2007 - $156,277).

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 Company 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 Company's control.

The amounts shown for the mineral property represent costs to date that are expected to be recovered in the future. The Company'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 company 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 factors affecting stock based compensation are numerous, but do not apply to this period as there were no transactions of this nature.

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 weighted average 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 Company's controls.

## OFF-BALANCE SHEET ARRANGEMENTS

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

## CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION

The Company has evaluated the impact of the adoption of Sections 3855 and 3865 on its unaudited interim financial statements and determined that no adjustments are currently required.

The adoption of Section 1535 "Capital Disclosures" has resulted in the following disclosure in the financial statement:

CAPITAL DISCLOSURES

The Company's objectives when managing capital are:

(a) to safeguard the Company's ability to continue as a going concern,

(b) to provide sufficient capital through flow through share issues for exploration and development purposes on the McGarry Project. All flow through share proceeds must be spent on qualifying expenditures and by a specific point in time.

(c) to raise sufficient non-flow through proceeds from share issues to meet general administrative expenditures, and

(d) to provide an adequate return to shareholders by advancing the McGarry Project to production.

The company is required by the Toronto Stock Exchange to have sufficient working capital to finance 18 months of general and administrative expenditures. They are also required to have adequate working capital and an appropriate capital structure to carry on its business.

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 were adopted on October 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. 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.

## 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 May 15, 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 Company 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 Company 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 Company's management believes are most important in the context of the Company's business. It should be noted that this list is not exhaustive and that other risk factors may apply. An investment in the Company 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 Company'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 Company may not contain economically recoverable volumes of minerals or metals. The operations of the Company may be disrupted by a variety of risks and hazards which are beyond the control of the Company, 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 Company 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 Company's properties will be dependent upon the Company's ability to obtain financing through joint ventures, equity or debt financing or other means, and although the Company has been successful in the past in obtaining financing through the sale of equity securities, there can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favorable. Failure to obtain such additional financing could result in delay or indefinite postponement of further exploration and development of its projects.

**Estimates of Mineral Resources and Production Risks**

The mineral resource estimates of the Company 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 Company 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 Company 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 Company competes with many companies that have substantially greater financial and technical resources than the Company 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 Company 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 Company 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 Company may undertake.

The Company believes it is in substantial 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 Company 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 Company 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 Company’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 Company’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 Company and its business. The Company 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 Company, 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 Company in the foreseeable future, if ever. Investors should not expect to receive any return on their investment in the Company’s securities other than possible capital gains.

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

The Company'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 Company's business, financial condition, results of operations and prospects

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

The Company 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 Company has not earned profits to date and there is no assurance that it will do so in the future.

**CONTRACTUAL OBLIGATIONS**

(a) Sheldon-Larder, the owner of the remaining undivided 25% ownership interest in the mining claims (as described in Note 3) 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 $21,574 per quarter year. Royalty expense capitalized during the period amounted to $21,574 (2006 - $21,574).

(b) The Company had a letter of credit outstanding at period end in the amount of $410,400.

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Additional information about Armistice Resources Corp. 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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