

# **ALDERSHOT RESOURCES LTD.**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS SIX MONTH PERIOD ENDED JULY 31, 2007**

### **Date**

This Management's Discussion and Analysis ("MD&A") of Aldershot Resources Ltd. ("Aldershot" or the "Company") has been prepared by management as of September 24, 2007 and should be read in conjunction with the unaudited consolidated financial statements for the six month period ended July 31, 2007 and the audited financial statements for the year ended January 31, 2007 and related notes attached thereto, both of which are prepared in accordance with Canadian generally accepted accounting principles. All amounts are stated in Canadian dollars unless otherwise indicated.

Statements in this report that are not historical facts are forward-looking statements involving known and unknown risks and uncertainties, which could cause actual results to vary considerably from these statements. Readers are cautioned not to put undue reliance on forward-looking statements. The Company disclaims any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

### **Description of Business**

The Company was incorporated on September 8, 1987 under the name Quattro Resources Ltd. and on October 31, 2001, changed its name to Aldershot Resources Ltd. The Company is engaged in the acquisition, exploration and development of resource properties. The Company has not yet determined whether their properties contain enough mineral reserves, such that their recovery would be economically viable. The Company currently is exploring properties in Canada (Quebec and British Columbia), Australia, Chile and Africa.

The address of the registered and records office and the address for service of the Issuer is 10<sup>th</sup> Floor, 595 Howe Street, Vancouver, B.C. V6C 2T5. The business address of the Issuer is Suite 900, 555 Burrard Street, Vancouver, BC., V7X 1M8.

Additional information related to the Company is available for view on the Company's website at [www.aldershotresources.com](http://www.aldershotresources.com) and on SEDAR at [www.sedar.com](http://www.sedar.com).

### **Performance Summary**

The following is a summary of significant events and transactions that occurred during the three month period ended July 31, 2007:

1. Continued its exploration work in Australia, primarily on its properties in Western Australia and in the Northern Territory. This work included drill programs at Adelaide River in the Northern Territory and at Yuinmery in Western Australia.
2. Commenced its exploration programs on its Fort Coulange claims in Quebec. This work involved mapping, radiometric surveys and channel sampling.
3. Commenced its exploration programs on its British Columbia claims which involved field work in Atlin.
4. Work also continued on the Lake Kariba property in Zambia, Africa.
5. The Company staked several claims in the Otish Mountain area of Quebec and subsequent to the quarter-end, commenced preliminary prospecting over its North Shore claims (Saquenay, Sept Iles, Latour and Forestville).

Please see *Results of Q2 Operations* for further details on these exploration programs.

## Risk Factors

Through its operations, the Company is exposed to various business risks outlined below. Additional risks and uncertainties, including those that we are not aware of now or that we currently deem immaterial, may also adversely affect our business.

- The Company has not been profitable since inception and it may continue to incur substantial losses.
- The Company operates in the highly speculative business of mining exploration and development and is currently in the exploration stage. The Company has not yet determined whether their properties contain enough mineral reserves, such that their recovery would be economically viable.
- The Company may not be able to secure adequate financing to support the expenditures required to sustain the Company until profitable operations are achieved.
- The Company operates in several jurisdictions and although professional advice is obtained to ensure the Company meets all the local requirements, there may be deficiencies in some areas.
- The Company faces currency risks in its operations.
- The Company has limited personnel with various degrees of knowledge concerning their area of expertise and there may be instances where segregation of duties does not exist and reliance must be placed on outside advisors to assist with complex areas.

The Company undertakes its best efforts to mitigate the above risks using the resources at its disposal, but believes that uncertainties and risks do exist in its business operations.

## Selected Annual Information

The following table provides a brief summary of the Company's financial operations for the last three fiscal years.

	Year ended January 31, 2007	Year ended January 31, 2006	Year ended January 31, 2005
Exploration expenses	\$ 1,016,235	\$ 619,892	\$ 659,736
Net (loss)	(2,403,471)	(2,109,151)	(1,308,701)
Basic and diluted (loss) per share	\$(0.07)	\$(0.08)	\$(0.09)
Resource properties acquisition costs	1,040,075	471,300	135,632
Total assets	1,455,605	932,918	369,322
Shareholders' equity	1,205,142	822,051	255,809

## Results of Q2 2008 Operations

During the three month period ended July 31, 2007, the Company incurred a net loss of \$2,150,783 (2006 - \$657,781). The increased net loss is a result of increases in exploration costs, investor and shareholder relations and stock-based compensation expense.

Exploration costs increased by \$1,074,729 from the prior year's second quarter of in all areas that the Company operates in—namely, Western Australia, Northern Territory, Quebec, British Columbia and Zambia. The Company recently raised \$5,000,000 gross funds in a brokered private placement which closed in April, 2007 and these funds were earmarked primarily to extend exploration programs to reclassify upwards the Company's resources as outlined below.

In the Northern Territory of Australia, the Company commenced drilling the Adelaide River Prospect on June 11, 2007 and, subsequently announced that it had completed four diamond holes, two at its Adelaide River Prospect and two at its George Creek Prospect, for a total of 552 meters. The initial hole at Adelaide River intersected anomalous base metals in altered sandstone-greywacke between 186-200 m with minor uranium (70 ppm U<sub>3</sub>O<sub>8</sub>) from 192-193m and the subsequent hole intersected 0.72% U<sub>3</sub>O<sub>8</sub> over 4 meters (90.7-94.7m). Assay results from the two holes drilled at the George Creek Prospect are awaited and intensive exploration continues throughout the George Property.

At the Company's Yuinmery Prospect in Western Australia, drilling commenced on July 18, 2007. The Yuinmery Prospect has a historical resource of 1,288,000 lbs of contained uranium but needs to be re-drilled to establish a National Instrument 43-101 compliant resource. Assay results from the drill samples being obtained are expected in mid-October.

In Quebec, the Company has worked throughout the summer with four field teams in the Fort Coulonge area. The result of this endeavour has been the discovery of three significant uranium anomalies which are currently being channel sampled and assay results from the samples so collected are expected in mid to late October.

Outside of Australia and Quebec, during the period under review, Aldershot actively explored the Atlin area of British Columbia and along the shore-line of Lake Kariba in Zambia. The airborne radiometric survey which was scheduled to commence this exploration season in Zambia has been postponed due to the contractor's prior commitments. The survey has been rescheduled to commence after weather conditions improve in the spring of 2008.

Management reports that all of these programs are on target with their budgeted expenditures.

Investor and shareholder relation expenses increased by \$70,568 in the second quarter compared to the same quarter of the previous year due to the increased emphasis on this area by management, evidenced by securing the services of an investor relations firm specializing in mineral resource companies, CHF Investor Relations of Toronto, by increased public relations initiatives, as well as advertising in various mining publications to increase public awareness in Aldershot.

Stock-based compensation expense increased by \$389,844 compared to the second quarter of the previous year due to the granting and related vesting of more stock options to directors, officers and consultants than the prior year.

Property investigation costs are expenditures incurred primarily in the northern Midwest area of the United States were offset by a reclassification of \$50,000 from January 31, 2007 to capitalized property acquisition costs for British Columbia.

The Company recently entered into several resource property agreements to acquire interests in various areas which have the potential to host significant uranium resources. These agreements require both cash expenditures and the issue of common shares to earn the related interest. During the three months ended July 31, 2007, the Company spent \$450,757 in cash payments and issued 150,000 common shares valued at \$31,500 on resource properties' acquisition costs. In addition, the Company spent \$84,359 on equipment during the three months ended July 31, 2007.

As at July 31, 2007, the Company has cash of \$494,014 and short-term investments of \$1,780,390 for a total of \$2,274,404 along with accounts receivable of \$71,923 primarily related to GST refunds. Management believes that these funds are adequate to meet its exploration and administrative obligations for this year. After this, the Company will require further funding to fulfil its resource properties' acquisition obligations, its administrative requirements and to explore further its resource properties to render them NI 43-101 compliant.

## **Summary of Quarterly Results**

**Three Month Period Ended**

	July 31, 2007	April 30, 2007	January 31, 2007	October 31, 2006
Total assets	\$ 4,648,149	\$ 6,154,759	\$ 1,455,605	\$ 1,442,569
Resource properties	2,155,082	1,672,825	1,040,075	997,750
Working capital	2,096,993	4,164,137	153,153	393,624
Interest revenue	26,128	4,070	1,031	14,180
Exploration costs	1,180,873	251,682	517,619	308,382
Net Loss	2,150,783	602,679*	860,887	567,088

\*restated to reduce reported loss by \$243,875 to reflect correct vesting of stock-based compensation

**Three Month Period Ended**

	July 31, 2006	April 30, 2006	January 31, 2006	October 31, 2005
Total assets	\$ 1,708,585	\$ 1,925,581	\$ 932,918	\$ 1,356,879
Resource properties	499,051	484,051	471,300	536,566
Working capital	1,161,457	1,368,014	341,492	776,583
Interest revenue	437	4,200	2,987	2,501
Exploration costs	106,144	84,090	233,164	303,924
Net Loss	657,781	317,715	555,300	606,446

**Liquidity**

The Company has financed its operations to date primarily through the issuance of common shares and exercise of warrants and stock options. The Company continues to seek capital through various means including the issuance of capital stock.

The Company is in the exploration stage. These financial statements are prepared in accordance with Canadian generally accepted accounting principles on a going concern basis which assumes that the Company will be able to realize assets and discharge liabilities in the normal course of business. The ability of the Company to continue as a going concern is dependent upon the continued support from its directors, the ability to continue to raise adequate financing or achieving profitable operations in the future. The outcome of these matters cannot be predicted at this time. These financial statements do not reflect any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue in business.

Net cash used for operating activities during the current quarter was \$1,546,357 compared to net cash used for operating activities of \$460,269 during the previous comparative period. Cash used during the current period consists primarily of the operating loss and a change in non-cash working capital and has increased primarily due to the increased exploration expenditures.

Financing activities used net cash of \$1,626 during the current period, compared to cash provided of \$242,070 for the previous comparative period. The change is a result of no financing activities undertaken in the current quarter since the Company's private placement closed in the first quarter of the current fiscal year.

Investing activities used net cash of \$565,506 during the current period, compared to cash provided of \$81,803 in the previous comparative period. In the current period, cash was used primarily for the acquisition of resource properties and equipment.

Aldershot has cash, short-term investments and accounts receivable totalling \$2,346,327 as at July 31, 2007 which management expects to last the Company until the end of the year when further financing will be required to fund its exploration programs and continue its operations. Management expects to meet these cash requirements through additional private placements.

## Capital Resources

During the first quarter of 2007, the Company completed a brokered private placement of 18,518,519 units (“unit”) at \$0.27 per unit for gross proceeds of \$5,000,000. There was no additional financing in the second quarter.

As noted above, the Company has sufficient funds to meet its property maintenance payments for fiscal 2008 and cover anticipated administrative expenses throughout the year. Further financing will then be required and management expects to raise additional funds through private placements.

## Off-Balance Sheet Arrangements

Aldershot does not utilize off-balance sheet arrangements.

## Related Party Transactions

- (a) Related party transactions with directors and officers (or companies controlled by them) during the six months ended July 31, 2007 and 2006 are as follows:

	2007	2006
Management fees	\$ 60,000	\$ 60,000
Consulting fees	10,202	10,000
Geological consulting (exploration expenses)	17,635	12,792
Preferred share dividends	-	5,353

- (b) The balances due from related parties represent balances due from directors and officers or companies controlled by them. The amounts are non-interest bearing and have no specific terms of repayment.

Related party transactions are in the normal course of operations, occurring on terms and conditions that are similar to those of transactions with unrelated parties and, therefore, are measured at the exchange amount.

## Segmented Information

All of the Company's operations are in the mineral resource exploration industry with its principal business activity in the acquisition and development of mineral resource properties. The Company has mineral resource properties located in Chile, Australia, and Canada (in British Columbia and Quebec). The location of the Company's equipment and resource properties by geographic area are as follows as of July 31, 2007:

	Canada	Australia	Chile	Africa	Total
Resource Properties	\$ 2,125,082	\$ -	\$ 30,000	\$ -	\$ 2,155,082
Equipment	51,471	40,041	-	-	91,512

## **Fourth Quarter**

See the Summary of Quarterly Results for information on the Company's fourth quarter.

## **Proposed Transactions**

None.

## **Critical Accounting Estimates**

Not applicable as the Company is a venture issuer.

## **Changes in Accounting Policies including Initial Adoption**

### **Initial adoption of accounting policies**

Effective February 1, 2007, in accordance with Canadian generally accepted accounting principles, the Company has adopted the recommendations of the new accounting pronouncements concerning financial instruments and other comprehensive income which prescribe when a financial instrument is to be recognized on the balance sheet and at what amount. It also specifies how gains and losses on financial instruments are to be presented. Comprehensive income includes a new requirement to present, amongst other things, certain unrealized gains and losses outside of net income or loss as a separate component of shareholders' equity.

Financial instruments are classified into various categories. Held to maturity investments, loans and receivables are initially measured at fair value and thereafter, are measured at amortized cost, with the amortization of premium or discounts, losses and impairment included in current period interest income or expense. Held for trading financial assets and liabilities are measured at fair market value with all gains and losses included in income in the period in which they arise. Available for sale financial assets are measured at fair market value with revaluation gains and losses included in other comprehensive income until the asset is removed from the balance sheet, and losses due to impairment are included in income. All other financial liabilities are to be carried at amortized cost.

Comprehensive income is defined as a change in the net assets arising from transactions and other events and circumstances from non-owner sources. Financial assets that are classified as available for sale will have gains and losses included in other comprehensive income until the asset is removed from the balance sheet.

At present, the Company's financial instruments comprise cash, short-term investments, accounts receivable, property deposits, amounts due from related parties and accounts payable. These financial instruments are classified as held for trading and the carrying value of these instruments approximate their fair value because of the short-term nature of these instruments. There is no financial impact on the consolidated financial statements due to the adoption of the new accounting recommendations concerning financial instruments and other comprehensive income.

## **Financial Instruments**

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

The carrying value of cash, short-term investments, accounts receivable, property deposits, amounts due from related parties and accounts payable approximate their fair value because of the short-term nature of these instruments.

The Company operates in several different countries and is subject to the risk of foreign currency fluctuations. The Company incurred a foreign exchange loss of \$12,657 in the current quarter due to the rising Canadian dollar compared to other currencies that the Company deals with, including the Australian and United States dollars.

## **Other MD&A Requirements**

### **Disclosures for Venture Issuers without Significant Revenue**

All of the required disclosures on the details of the Company's resource properties and related expenditures on a property-by-property basis are provided in the Company's consolidated financial statements.

### **Outstanding Share Data**

The following table summarizes the outstanding share capital as at September 24, 2007:

---

---

Common shares	61,983,308
Stock options and agent's options	7,940,955
Warrants	25,435,774

---

---

### **Disclosure Controls and Internal Controls over Financial Reporting**

Management has established and maintained disclosure controls and procedures for the Company in order to provide reasonable assurance that material information relating to the Company is made known to it in a timely manner, particularly during the period in which the annual filings are being prepared. Management has evaluated the effectiveness of the Company's disclosure controls and procedures as at the date of this report, and believes them to be effective in providing such reasonable assurance.

Management is also responsible for the design of internal controls over financial reporting within the Company in order 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 principles ("GAAP"). Management has evaluated the design of the Company's internal controls and procedures over financial reporting as of the end of the period covered by the annual filings, January 31, 2007, and believed the design to be sufficient to provide such reasonable assurance.

In addition, because of the size of the Company and the small number of staff, the Company must rely upon various advisers and consultants to assist with the various regulatory disclosure requirements, and as such these advisers and consultants form part of the disclosure controls and procedures.

During the current reporting period, the Company hired a consultant who is a Chartered Accountant to assist with all financial aspects of the Company, including the design of internal controls. Management believes that this change in personnel is necessary due to the Company's increased activity and will result in improved internal controls over financial reporting.