

# **ALDERSHOT RESOURCES LTD.**

## **FORM 51-102F1 MANAGEMENT DISCUSSION AND ANALYSIS THREE MONTHS PERIOD ENDED APRIL 30, 2004**

The following discussion and analysis, prepared as of June 22, 2004, should be read together with the consolidated financial statements prepared by management for the period ended April 30, 2004 and related notes attached thereto, which are prepared in accordance with Canadian generally accepted accounting principles. All amounts are stated in Canadian dollars unless otherwise indicated.

Aldershot Resources Ltd. (the “*Issuer*” or the “*Company*”) has adopted the new format for the Management Discussion and Analysis. Whatever views the reader might have regarding its content and suitability for a junior exploration company, this is the format prescribed by the regulators and management is compelled to comply. In the event the reader wishes to know what the Company actually does, the reader should also refer to the annual audited financial statements and Information Circular particularly the Directors Report to Shareholders for the year ended January 31, 2004.

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 was incorporated on September 8, 1987 under the name “*Quattro Resources Ltd.*” pursuant to the *Company Act* (British Columbia) by the registration of its Memorandum and Articles. Effective October 31, 2001, its name was changed to “*Aldershot Resources Ltd.*”

The address of the registered and records office and the address for service of the Issuer is Suite 501, Terminal City Club Tower, 837 West Hastings Street, Vancouver, BC, V6C 3N6. The business address of the Issuer is Suite 1500, 885 West Georgia Street, Vancouver, BC, V6C 1V5.

The Issuer’s principal business is the exploration and development of resource properties. The Issuer is continually investigating new exploration opportunities. Mineral exploration is carried out on properties identified by management of the Issuer as having favourable exploration potential.

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).

### **Description of Business**

The Issuer’s is engaged in the exploration and development of resource properties located in Chile and Western Australia. The Issuer has four key properties; being: an iron oxide hosted copper gold (IOCG) type of target found in the Copiapo Copper Belt area of Chile’s Region III; seven exploration licences in the East Kimberley region of Western Australia; the Field’s Find Farm-in and Joint Venture in the Murchison Goldfield, Western Australia; and the Turee Creek Uranium Property in the Pilbarra Region of Western Australia. All of the Issuer’s properties are in the exploration stage.

Management is confident that the Company possesses excellent prospects for becoming a profitable enterprise, with the resultant return to the Company’s shareholders. The Chilean property, the Fields Find Farm-in and the East Kimberley properties are subject to Option Agreements. The Company trades on the TSX Venture Exchange under the symbol ALZ.

### **Performance Summary**

The following is a summary of significant events and transactions that occurred during the period ending April 20, 2004:

1. February 20, 2004 negotiated a private placement of 2,000,000 Units at \$0.17 per Unit for gross proceeds of \$340,000. Each Unit is comprised of one common share and a non-transferable share purchase warrant entitling the holder to acquire one-half of a common share for \$0.19 per share during the first year and \$0.21 in the second year. A finder’s fee of \$12,750 is payable

2. Resignation of Robert M Andrews from the board
3. Appointment of Rick Crabb to the board
4. The Company has applied for, and when granted will have a 100% interest in Exploration License E52/1763 a tenement which covers approximately 50 square kilometres of prospective terrain located about 110km west of the Newman township in the Pilbarra Region of Western Australia.
5. The Company commenced exploration operations on its Chile concessions in March 5, 2004. A Phase I exploration program has delineated two large IP anomalies that will be drill tested beginning July 15, 2004.
6. The Company issued 640,000 common shares pursuant to the exercise of stock options as to 100,000 options in February 2004 and as to 540,000 options in March 2004, for gross proceeds of \$64,000.
7. Granted on April 1, 2004, 1,200,000 stock options at \$0.25 exercisable for five years to directors, officers and employees.
8. Death of director Jack Leslie Pearl.
9. Appointment of Brian Richardson to the board.

### Selected Quarterly Information

The following table provides a brief summary of the Company's financial operations. For more detailed information, refer to the Financial Statements.

	Three Months Ended April 30, 2004	Three Months Ended April 30, 2003
Total revenues	\$ 573	\$ -
Net loss before extraordinary items	(471,977)	(13,470)
Net loss	(471,977)	(13,470)
Basic and diluted loss per share	(0.04)	(0.01)
Total assets	804,016	237,958

The Company earns interest revenue from cash held in banks and interest earned on short-term investments. During the period ended April 30, 2004, the Company expensed \$128,765 in exploration costs compared with \$Nil during the same period in 2003.

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

### Results of Operations

During the period ended April 30, 2004, the Company incurred a loss of \$471,977 (2003 - \$13,740). Some significant expenses are as follows:

Exploration expenses \$128,765 (2003 - \$Nil)  
Professional fees, paid or accrued \$14,875 (2003 - \$2,950)  
Consulting fees of \$11,005 (2003 - \$Nil)  
Investor relations expenses of \$4,866 (2003 - \$Nil)  
Regulatory, and trust company fees, \$9,799 (2003 - \$536)  
Office, rent, secretarial and administration expenses \$8,413 (2003 - \$1,441)  
Management fees of \$9,500 (2003 - \$7,500)

Stock-based compensation costs of \$248,833 (2003 - \$Nil)  
Travel and related costs \$25,416 (2003 - \$1,241)

The Company has changed its accounting procedures for treating exploration expenditure. In years prior to January 31, 2004, all amounts relating to exploration activities of the Company were treated as deferred expenditures. From fiscal 2005 onwards, the Company has expensed and will continue to expense all such expenditures. This resulted in a larger net loss during the period ended April 30, 2004 compared to that for the same period in previous years.

## Summary of Quarterly Results

<b>Three Month Period Ended</b>				
	April 30, 2004	January 31, 2004	October 31, 2003	July 31, 2003
Total assets	\$ 804,016	\$ 581,291	\$ 215,565	\$ 194,869
Resource properties	119,632	119,632	188,018	171,713
Working capital (deficiency)	561,427	375,490	(31,775)	11,015
Revenues	573	-	-	-
Net Loss	471,977	287,633	26,504	35,232

<b>Three Month Period Ended</b>				
	April 30, 2003	January 31, 2003	October 31, 2002	July 31, 2002
Total assets	\$ 237,958	\$ 258,072	\$ 298,514	\$ 77,625
Resource properties	171,712	165,832	64,681	33,676
Working capital (deficiency)	47,529	67,108	213,378	32,411
Revenues	-	-	-	-
Net Loss	13,740	51,924	67,214	37,492

Significant changes in key financial data between 2004 and 2003 can be attributed to the Company's acquisition of various mineral claims in Chile and Western Australia resulting in an increase in total assets. The net loss has also increased as the Company has adopted a new accounting policy of charging to operations all exploration related expenditures and recording the approximate fair value of the granting of stock options to directors and officers as stock-based compensation expense.

## 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 equity and/or debt.

The financial statements have been prepared on a going concern basis which assumes that the Company will be able realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future.

	April 30, 2004	January 31, 2004
Working capital	\$ 561,427	\$ 375,490
Deficit	3,363,096	2,891,119

Net cash provided by operating activities for the period consists primarily of the operating loss and a change in non-cash working capital.

Net cash used for operating activities for the period ending April 30, 2004 was \$204,887 compared to net cash used for operating activities of \$21,721 during the period ending April 30, 2003. Cash used during the current period consists primarily of expenditures of operation loss and a change on non-cash working capital.

Financing activities provided cash of \$442,573 during the period ending April 30, 2004, compared to \$Nil for the period ending April 30, 2003. Cash provided during the year consisted of share subscriptions received, proceeds from the issuance of common stock and advances from a related party

Investing activities provided net cash of \$96,735 during the period ending April 30, 2004, compared to \$Nil for the period ending April 30, 2003. The main source of the cash was a partial redemption of a short-term investment and the use of cash was the acquisition of equipment.

## Capital Resources

A non-brokered private placement of 2,000,000 priced at \$0.17 per Unit was announced in the Company's news Release dated December 24, 2003, as part and parcel of the Fields Find Farm-in and Joint Venture Letter of Agreement in the South Murchison region of Western Australia. Each Unit consists of one common share and one half of one share purchase warrant. Each warrant is exercisable at a price of \$0.19 for the first year and \$0.21 for the second year expiring two years from the date of closing. The Fields Find property transaction is subject to minority shareholder approval at the Company's Annual and Special General meeting to be held in Vancouver on July 16, 2004. Net proceeds of \$340,000 are to be designated for application against the Company's Fields Find project where the Company is earning a 60% interest. Proceeds of \$340,000 were received but the common shares had not been issued as at April 30, 2004. The proceeds received have been shown as share subscriptions received in advance.

The Company has sufficient funds to meet its property maintenance payments for fiscal 2005 and cover anticipated administrative expenses throughout the year. It will continue to focus exploration and development efforts in Chile and Western Australia.

## Related Party Transactions

The Company entered into the following transactions with related parties:

		April 30, 2004	April 30, 2003
Directors	(a) \$	9,500	\$ 7,500
Individual related to a director	(b)	6,505	-
Directors and officers	(c)	-	28,359

- Paid or accrued management fees of \$9,500 (2003 - \$7,500) to two directors of the Company.
- Paid or accrued consulting fees of \$6,505 (2003 - \$Nil) to an individual related to a director of the Company.
- Undeclared dividends on preferred shares of \$Nil (2003 - \$28,359) are due to directors and an officer of the Company.

The following amounts due to related parties are non-interest bearing and have no specific terms of repayment:

		April 30, 2004	January 31, 2004
Thundelarra Explorations Ltd.	\$	83,188	\$ 32,865
Director		<u>-</u>	<u>20,000</u>
	\$	83,188	\$ 52,865

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.

## Financial Instruments

The Company's financial instruments consist of cash, short-term investments, accounts receivable, accounts payable and accrued liabilities and due to related parties. The fair value of these financial instruments approximates their carrying value, unless otherwise noted.

## Critical Accounting Policies

Our financial statements have been prepared in accordance with accounting principles generally accepted in Canada and form the basis for the following discussion and analysis of critical accounting policies and estimates. We make estimates and assumptions that affect the reported amounts of assets, liabilities and expenses and related disclosure of contingent assets and liabilities during the course of preparing these financial statements. On a regular basis, we evaluate our estimates and assumptions including those related to the recognition of stock-based compensation.

We base our estimates on historical experience and on various other assumptions that we believe to be reasonable. These estimates form the basis of our judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Our actual results may differ from those estimates.

The following critical accounting policies reflect the more significant estimates and assumptions we have used in the preparation of our financial statements:

## Accounting for Exploration and Development Costs

Effective February 1, 2003, the Company has changed its accounting policy for exploration costs. Under its new accounting policy, it must be probable that exploration expenditures will be recovered from future operations in order to be capitalized and that acquisition costs of mineral properties should be written off upon determination that the costs will not be recovered from future operations. Previously, the Company capitalized all exploration costs incurred on its mineral properties if exploration was continuing on the property, on the basis that it was too early to tell whether the deferred costs would not be recovered from a geological resource or reserve or otherwise

## Stock Based Compensation

Effective, February 1, 2003, the Company early adopted the requirements of the Canadian Institute of Chartered Accountants Handbook Section 3870, "Stock-based Compensation and other Stock-based Payments." The Company has chosen to recognize compensation expense for all stock options granted subsequent to February 1, 2003. However, as required by the accounting standard, the Company has disclosed on a pro forma basis, the fair value impact of issuing stock options granted to employees and directors. The fair value of the stock options has been estimated based on the Black Scholes option-pricing model. Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore the existing models do not necessarily provide a reliable single measure of fair value of the Company's stock options.

## Subsequent Events

Subsequent to April 30, 2004, and prior to the date of these financial statements the Company entered into the following transactions:

- a) The former auditor of the Company, Desai & Associates, resigned on May 20, 2004. The Board of Directors and its Audit Committee engaged Ernst & Young LLP, Chartered Accountants, to audit the Company's financial statements for the year ending January 31, 2004 effective May 26, 2004.
- b) June 17, 2004, the Company entered into a drilling contract with Harris y Comapania Ltda, a Chilean drilling contractor, to drill two IP anomalies delineated by the Company's exploration program conducted during March and April 2004. Peter LeCouteur PEng., the Company's consulting geologist, will return to the site in the first week of July to supervise the construction of access roads and drilling sites prior to the arrival of the drill rig. The first anomaly to be drilled lies beneath the Cortez showings in the north east of the concession block and appears to trend eastwards. Three vertical RC drill holes are to be sunk to a minimum of 300 m each to test the two lobes of the anomaly that seem to straddle a north-south trending magnetic high. The third hole is to test the magnetic high.
- c) The Company entered into a joint venture with International PBX Ventures Ltd (TSX.V-PBX) to test the second anomaly that is situated in the south of the concession block to the north of the Las Lomitas showings. The anomaly starts in the Company's San III and San IV concessions and runs northwards into the San I concession of International PBX. Aldershot has entered into a Letter of Intent with International PBX dated June 18, 2004, to create a new Joint Venture project to be known as the "San Joint Venture" involving these three concessions and in which the two parties each holds a 50% contributing and participating interest. Again, three vertical RC holes are to be drilled to test the anomaly each to a minimum depth of 300 m. The drilling campaign on the San Joint Venture will commence as soon as drilling in the north has been completed. Peter LeCouteur PEng. will be directing both the drilling operations.

ON BEHALF OF THE BOARD

ALDERSHOT RESOURCES LTD.

Per:

*:signed*

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Ian M. Adam,  
Chief Financial Officer and Director