



**CARLYLE MINING CORP.**

**Management Discussion and Analysis**

**February 29, 2008**

# **Carlyle Mining Corp.**

## **Management's Discussion and Analysis For the year ended February 29, 2008**

This discussion and analysis of Carlyle Mining Corp. ("Carlyle" or the "Company") for the year ended February 29, 2008, dated June 12, 2008, is integral to, and should be read in conjunction with, the Company's audited financial statements for the year ended February 29, 2008, and the Company's prospectus dated May 29, 2007. The Audited financial statements have been prepared in accordance with generally accepted accounting principles in Canada ("Canadian GAAP"). All amounts are expressed in Canadian dollars unless otherwise noted. All documents noted above and any additional information relating to the Company, are available for viewing on SEDAR at [www.sedar.com](http://www.sedar.com) and/or the Company's website at [www.carlylemining.com](http://www.carlylemining.com).

### **Forward-Looking Statements**

Certain statements contained in this MD&A constitute forward-looking statements. All statements other than statements of historical fact may be forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar expressions. These statements are subject to a variety of risks and uncertainties which could cause actual events or results to differ from those reflected in the forward-looking statements. Based on current available information, the Company believes that the expectations reflected in those forward-looking statements are reasonable, but no assurance can be given that those expectations will prove to be correct. The forward-looking statements in this MD&A are expressly qualified by this statement, and readers are advised not to place undue reliance on the forward-looking statements.

### **Description of Business**

The Company is classified as a Capital Pool Company ("CPC") as defined in TSX Venture Exchange ("TSX-V") Policy 2.4. The principal business of the Company is to identify, evaluate and then complete a "Qualifying Transaction" ("QT") by acquiring an interest in a business or assets. Until the completion of a QT, the Company will not carry on any business other than the identification and evaluation of businesses or assets with a view to completing a potential QT.

The Company does not have active business operations or assets other than cash and has not entered into any written or oral agreements for the acquisition of an asset or business at this time.

The Company was incorporated on January 24, 2007. Its first financial year end was for the period from incorporation to February 28, 2007 and the Company became a reporting issuer in May, 2007. The Company's only material asset during such periods was cash. The results of the most recent year end along with that of the initial 36-day period ended February 28, 2007 are set out in the Company's audited financial statements for the year ended February 29, 2008 and discussed below.

The Company began the year with 14,000,000 shares outstanding and ended the year with 16,000,000 shares outstanding. During the year, the Company received net proceeds, after deducting all share issue costs, of \$97,066 from the completion of the initial public offering. 200,000 Agents warrants were issued in connection with this offering.

Pursuant to the adoption of an incentive stock option plan 950,000 options exercisable at a price of \$0.15 per share were granted during the year.

### **Selected Annual Information**

The following selected financial data with respect to the Company's financial condition and results of operations has been derived from the audited financial statements of the Company for the year ended February 29, 2008, which have been prepared in accordance with Canadian GAAP. The selected financial data should be read in conjunction with those financial statements and the notes thereto.

	Year ended February 29, 2008	Initial 36-day period ending February 28, 2007
Interest income, net	\$ 24,680	\$ 607
Net loss	\$ (71,823)	\$ (4,758)
Loss per share	\$ (0.01)	\$ (0.00)
Cash dividends per share	\$ Nil	\$ Nil
Total Assets	\$ 1,004,425	\$ 900,242
Total Liabilities	\$ 30,525	\$ 5,000
Number of shares issued and outstanding	16,000,000	14,000,000

### **Results of Operations for the year ended February 29, 2008**

The Company recorded a net loss for the year of \$71,823 which is the result of net interest income earned of \$24,680 less administrative expenses (which includes general administrative costs, bank charges, transfer agent filing fees and travel expenses) of \$36,400, project evaluation of \$6,688 and stock-based compensation of \$53,415. These expenses are a reflection of the Company's efforts to identify a possible QT.

### **Summary of Quarterly Results**

	4 <sup>th</sup> Quarter	3 <sup>rd</sup> Quarter	2008 2 <sup>nd</sup> Quarter	1 <sup>st</sup> Quarter	2007 Initial 36-day period ending February 28, 2007
Interest	\$ 5,994	\$ 6,878	\$ 6,163	\$ 5,645	\$ 607
Administrative Expenses	34,209	61	1,157	973	5000
Stock Based Compensation	-	-	53,415	-	-
Project Evaluation Costs	-	6,688	-	-	-

The quarterly results above reflect the Company's focus on the evaluation of a property or acquisition of assets for its QT.

### **Financial Condition, Liquidity and Capital Resources**

As at February 29, 2008 the Company had cash resources of \$1,000,154 and working capital of \$973,900. Should the Company enter into a QT it will be required to raise additional funds through the issuance of capital stock.

Pursuant to common share subscription agreements completed prior to the year ended February 29, 2007, a total of 10,000,000 common shares, at a price of \$0.05 per share, to founding shareholders who include directors, officers, insiders and other third party associates to the insiders of the Company and 4,000,000 common shares, at a price of \$0.10 per share, were issued for gross proceeds of \$900,000. Pursuant to an escrow agreement, 10,400,000 of the common shares issued (10,000,000 at a price of \$0.05 per share and 400,000 at a price of \$0.10 per share) are held in escrow.

During the year ended February 29, 2008, the Company completed an initial public offering of 2,000,000 common shares at \$0.10 per share for gross proceeds of \$200,000. The Company's current available cash will be used to identify and evaluate assets or businesses, for acquisition with a view to completing a QT.

The Company's source of working capital to date has been from the sale of its common shares. The Company may not have sufficient funds to secure such businesses or assets once identified and evaluated and additional funds may be required.

### **Contractual Obligations**

The Company has no contractual obligations at February 29, 2008.

### **Related Party Transactions**

No related party transactions occurred during the year ended February 29, 2008 except for the reimbursement of expenses incurred conducting Company business. Such expenses are reimbursed at cost.

### **Financial Instruments**

The Company's financial instruments consist of cash, and accounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency, or credit risks arising from these financial instruments. The fair value of these financial instruments approximates their carrying value, unless otherwise noted.

### **Risks and Uncertainties**

The Company has no active business or material assets other than cash. It does not have a history of earnings, nor has it paid any dividends and will not generate earnings or pay dividends until at least after the completion of a QT if at all.

The Company has only limited funds with which to identify and evaluate possible QT's and there can be no assurance that the Company will be able to identify or complete a suitable QT.

The directors and officers of the Company will only devote a portion of their time to the business and affairs of the Company and some of them are or will be engaged in other projects or businesses such that conflicts of interest may arise from time to time. The Company has only limited funds with which to identify and evaluate potential QT and there can be no assurance that the Company will be able to identify a suitable QT. Even if a proposed QT is identified, there can be no assurance that the Company will be able to successfully complete the transaction.

The QT may be financed in all or in part by the issuance of additional shares of the Company, this would result in further dilution to existing shareholders. Such dilution may be significant, and may also result in a change of control of the Company.

Please also refer to the section under risk factors in the Company's prospectus for the Initial Public Offering which can be found on SEDAR at [www.sedar.com](http://www.sedar.com).

### **Critical Accounting Estimates**

The Company's significant accounting policies are described in detail in Note 3 of its audited annual financial statements for the year ended February 29, 2008. The Company considers the following policies to be most critical in understanding its financial results:

#### **Use of estimates**

The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Significant areas requiring the use of estimates include accrued liabilities; the determination of the assumptions used in the calculation of stock-based compensation expense and the valuation allowance for future income tax assets. Actual results could differ from those estimates used in the financial statements.

#### **Financial instruments**

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 are measured and recorded in the balance sheet at fair value except for loans and receivables, held-to-maturity investments and other financial liabilities, which are measured at amortized cost. Subsequent measurement and changes in fair value will depend on their initial classification as follows: held-for-trading financial assets are measured at fair value and changes in fair value recognized in net income; available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income until the investment is no longer recognized or impaired, at which time the amounts would be recorded in net income.

### Loss per share

Basic earnings (loss) per share is calculated using the weighted average number of common shares outstanding during the year. The Company uses the treasury stock method for calculating diluted earnings (loss) per share. Under this method the dilutive effect on earnings per share is recognized on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the period. However, diluted loss per share is not presented where the effects of various conversions and exercise of options and warrants would be anti-dilutive. Shares held in escrow, other than where their release is subject to the passage of time, are not been included in the calculation of the weighted average number of common shares outstanding.

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

#### Future changes in accounting standards:

##### Capital disclosures

In February 2007, the Canadian Institute of Chartered Accountants ("CICA") issued Handbook Section 1535, "Capital Disclosures", which requires the disclosure of both qualitative and quantitative information that provides users of financial statements with information to evaluate the entity's objectives, policies and procedures for managing capital. The new section is effective for the Company for the year beginning March 1, 2008. The Company is in the process of assessing the impact of this new section on its financial statements.

##### Financial instruments

In February 2007, the CICA issued two new standards, Section 3862, "Financial Instruments Disclosures", and Section 3863, "Financial Instruments Presentation". These sections will replace the existing Section 3861, "Financial Instruments Disclosure and Presentation". Section 3862 provides users with information to evaluate the significance of the financial instruments of the entity's financial position and performance, nature and extent of risks arising from financial instruments, and how the entity manages those risks. Section 3863 deals with the classification of financial instruments, related interest, dividends, losses and gains, and the circumstances in which financial assets and financial liabilities are offset. The new sections are effective for the Company for the year beginning March 1, 2008. The Company is in the process of assessing the impact of these new sections on its financial statements.

##### Going concern

In June 2007, the CICA amended Handbook Section 1400, "General Standards of Financial Statement Presentation", which requires management to make an assessment of a company's ability to continue as a going concern. When financial statements are not prepared on a going concern basis that fact shall be disclosed together with the basis on which the financial statements are prepared and the reason why the company is not considered a going concern. The new section is effective for the Company on March 1, 2008. The Company is in the process of assessing the impact of this new section on its financial statements.

##### International Financial Reporting Standards ("IFRS")

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ending February 28, 2010 and earlier where applicable. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

### **Management's Responsibility and Oversight**

Management is responsible for reviewing the contents of this document along with the interim quarterly financial statements to ensure the reliability and timeliness of the Company's disclosure while providing another level of review for accuracy and oversight.

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

Management is responsible for the design of the Company's internal control over financial reporting 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 GAAP. It should be noted that a control system, no matter how well conceived or operated, can only provide reasonable assurance, not absolute assurance, that the objectives of the control system are met.

### **Disclosure Controls and Procedures and Internal Control Over Financial Reporting**

Management has evaluated the effectiveness of the Company's disclosure controls and procedures as at February 29, 2008 and has concluded, based on its evaluation, that these controls and procedures provide reasonable assurance that material information relating to the Company is made known to management and disclosed in accordance with applicable securities regulations.

### **Investor Relations**

As a CPC, the Company has no investor relations program in place.

### **Additional Information**

#### *Securities issued at the end of the period*

As at February 29, 2008 and the date of this report the Company had 16,000,000 common shares issued and outstanding, of which 10,400,000 are held in escrow, and had outstanding options and warrants as follows:

	<u>Number</u>	<u>Exercise Price</u>	<u>Expiry</u>
Options:	950,000	\$0.10	July 24, 2012
Warrants:	200,000	\$0.15	July 24, 2009

#### *Directors and Officers*

Directors:

Paul Joyce  
Bryce Roxburgh  
Yale Simpson  
Robert Reynolds

Officers:

Paul Joyce, President and CEO  
Cecil Bond, CFO

#### *Contact Person*

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