NORSEMONT MINING INC.

MANAGEMENT DISCUSSION AND ANALYSIS
For the three and nine months ended March 31, 2008

Dated May 6, 2008

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This Management's Discussion and Analysis ("MD&A") of Norsemont Mining Inc. ("Norsemont" or the "Company") has been prepared by management as of May 6, 2008 and should be read in conjunction with the unaudited consolidated interim financial statements and related notes thereto of the Company, as at and for the period ended March 31, 2008 and 2007 and the annual consolidated financial statements, filed in September 2007, for the year ended June 30, 2007. The interim unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles applicable in Canada. References to dollars ($) in this discussion and analysis and the interim, unaudited Consolidated Financial Statements are to Canadian Dollars, unless otherwise noted.

This MD&A may contain "forward-looking statements" which reflect the Company's current expectations regarding the future results of operations, performance and achievements of the Company, including potential business or mineral property acquisitions and negotiation and closing of future financings. The Company has tried, wherever possible, to identify these forward-looking statements by, among other things, using words such as "anticipate," "believe," "estimate," "expect" and similar expressions. The statements reflect the current beliefs of the management of the Company, and are based on currently available information. Accordingly, these statements are subject to known and unknown risks, uncertainties and other factors, which could cause the actual results, performance, or achievements of the Company to differ materially from those expressed in, or implied by, these statements.

The Company undertakes no obligation to publicly update or review the forward-looking statements whether as a result of new information, future events or otherwise. Historical results of operations and trends that may be inferred from the following discussions and analysis may not necessarily indicate future results from operations.

Additional disclosures pertaining to the Company's technical reports, management information circulars, material change reports, press releases and other information are available on the SEDAR website at **www.sedar.com** or on the Company's website **www.norsemont.com**.

Overview

Norsemont is a Canadian public company engaged in the acquisition, exploration and development of natural resource properties. Effective April 5, 2007, the Company's common shares commenced trading on the Toronto Stock Exchange ("TSX") under the same trading symbol "NOM". Before April 5, 2007, the Company was a "Venture Issuer", as defined in National Instrument 51-102, and traded on the TSX Venture Exchange. Effective August 28, 2007, the Company's common shares were listed and commenced trading on the Bolsa de Valores de Lima (Lima Stock Exchange) under the same symbol "NOM".

The Company has a one-hundred percent (100%) interest in the Constancia Project, in Peru, held directly and through its wholly-owned subsidiary, Norsemont Peru S.A.C. ("Norsemont Peru") located in Lima.

Constancia Project, Peru

On February 9, 2005, the Company signed an agreement with Rio Tinto Mining and Exploration Ltd. ("Rio Tinto") whereby Norsemont had a right to acquire up to a 70% interest in the Constancia copper-molybdenum porphyry deposit located in Chumbivilcas Province, Peru (Constancia Project). This included an initial option to acquire an undivided 51% interest in the Constancia Project by making property payments of US$5,000,000, completing work expenditures of US$7,800,000 and

issuing 1,250,000 common shares of the Company (or cash in lieu of shares) over a period of nearly five years, ending October 31, 2009. On November 29, 2007, the Company, having met all requirements, exercised the initial option.

Under same agreement, upon exercise of the initial option, Rio Tinto had a 60-day right to claw back an undivided 17% interest, if in the reasonable opinion of Rio Tinto, global resource estimates for the property are not less than four million tonnes of copper (8.8 billion lbs.), by paying the Company up to 300% of the Company's net cash payments (including cash payments, work expenditures and share issuances) on the project. During the current quarter, Rio Tinto notified the Company that it was not exercising its claw back right and the Company exercised the final option and paid Rio Tinto US$8,000,000 for the remaining 19% of the Constancia Project.

Upon commencement of commercial production at Constantia, the Company is required to also make a final, one-time payment 0f US$500,000 to Rio Tinto. In addition, upon commercial production, the Company will pay a net smelter return royalty of 0.5% with a cap of US$10 million to the previous underlying owners.

In May 2007, Norsemont Peru renewed its surface rights lease agreements with two Peruvian communities to gain access to the surface of the Constancia Property for its mining exploration activities for a total cash monthly lease cost of $US3,200. The two leases have twelve-month terms expiring April 24, 2008 and May 6, 2008 and are renewable at the end of each term for another twelve months. In addition to making cash rental payments to the communities, the Company is obligated to provide educational assistance, medical and veterinary services as well as an irrigation system in each of the communities. Costs associated to this have been included in mineral property exploration expenditures.

In November 2007, Norsemont Peru entered into a Mining Concessions Transfer Agreement and Assignment of Contractual Positions with Mitsui Mining and Smelting Company Limited Sucursal Del Peru ("Mitsui"). Pursuant to the agreement, Mitsui transferred all of its 30% interest in the Constancia property to Norsemont Peru with no further obligation to Mitsui or the underlying owners of the property, for a total consideration of US$9,800,000, payable over a twenty-month period with the final payment due on or before June 30, 2009. Combined with the Company's option over Rio Tinto's 70% interest in the Constancia project, the agreement provides Norsemont with control of 100% of the Constancia Project.

Two independent technical reports on the Constancia Project, summarized below, are available on the Sedar website at www.sedar.com:

1. Mineral Resource Update and Technical Report, dated May 9, 2007 prepared by Snowden Mining Industry Consultants Inc. The report stated an indicated resource of 70 million tonnes grading 0.53% copper, 0.013% molybdenum and 4.0 g/t silver (0.65% Cu-Equivalent) at a cutoff grade of 0.2% copper and an Inferred Resource of 250.2 million tonnes grading 0.51% copper, 0.013% molybdenum and 4.5 g/t silver (0.64% Cu-Equivalent) at a cutoff grade of 0.2% copper.

2. A pre-feasibility Scoping Study dated December 11, 2007 prepared by SRK Consulting. The scoping study considers an open pit mining operation using a standard milling and froth flotation plant to produce high grade copper and molybdenite concentrates. For economic evaluation purposes, the scoping study focused on three operating scenarios: a 30,000 tonne per day (t/d) stand-alone case (SA), a 30,000 t/d expandable to 55,000 t/d case (EX), and a 55,000 t/d stand-alone case (SA). Based on the current resource, the corresponding life of mine (LOM) for the 30,000 t/d and 55,000 t/d stand alone cases are 20 and 12 years, respectively.

Estimated production for the 55,000 t/d SA case is approximately 112,218 tonnes per year of copper recovered over the first five years, with a LOM annual average production of 90,411 tonnes. For the 30,000 t/d SA case estimated production is 72,814 tonnes per year of copper recovered during the first five years, with a LOM annual average of 53,598 tonnes. Based on a discount rate of 8 percent and a payback period which incorporates a two year start up, the Constancia project's ungeared Internal Rate of Return (IRR) and corresponding Net Present Value (NPV) for the three operating scenarios are as follows:

Description	**30,000 t/d SA**		**30,000 t/d EX**		**55,000 t/d**	
	Without Contingency	**With 25% Cont.**	**Without Cont.**	**With 25% Cont.**	**Without Cont.**	**With 25% Cont.**
NPV @ 8%	$473M	$404M	$467M	$396M	$618M	$530M
IRR	26.7%	21.4%	26.1%	20.9%	31.8%	25.3%
Payback	4 years	5 years	4 years	5 years	3 years	4 years

Note: The cash flow values presented account for post tax and royalty payments.

The cash flow analysis used long-term price assumptions of $1.80 per lb Cu, $12 per lb Mo, and $11 per oz Ag. To provide an appreciation of the influence of metal prices to the project cash flow, a sensitivity analysis has been conducted modifying the copper price. The results of the sensitivity analysis based on copper prices at $1.60 per lb, $1.80 per lb and $2.00 per lb are as follows:

Description	**30,000 t/d SA**			**30,000 t/d EX**			**55,000 t/d**		
Cu price	**$1.60**	**$1.80**	**$2.00**	**$1.60**	**$1.80**	**$2.00**	**$1.60**	**$1.80**	**$2.00**
NPV @ 8%	$255M	$404M	$552M	$247M	$396M	$544M	$345M	$530M	$715M
IRR	17%	21.4%	25.5%	16.5%	20.9%	24.9%	19.9%	25.3%	30.3%
Payback	6 years	5 years	4 years	6 years	5 years	4 years	5 years	4 years	3 years

Notes: 1. Cash flow values are presented accounting for a 25% overall contingency and discount rate of 8%.
2. The cash flow values presented account for post tax and royalty payments.

Cash operating costs net of credits are estimated at $0.74 per lb over the 20-year project life for the 30,000 t/d SA case and $0.67 per lb over the 12-year project life for the 55,000 t/d SA case. Capital expenditure estimates (inclusive of a 25 percent contingency) for the three operating scenarios are US$605.6M, US$617.3M and US$739.7M for the 30,000 t/d SA, 30,000 t/d EX to 55,000 t/d and 55,000 t/d SA, respectively.

Based on the positive results of the scoping study, Norsemont announced that it will advance the Constancia project to feasibility. In this regard, the Company selected GRD Minproc and Knight Piesold to conduct a definitive feasibility study expected to be completed in mid 2009.

Update on the Constancia Project:

In March 2008, the Company announced results from the ongoing drilling program at the Constancia project. The Company has completed more than 14,800 meters of drilling in the quarter. The drilling consisted of infill drilling and more recently, definition drilling to establish the limits and peripheries of the main zones of mineralization and for pit optimisation work in ongoing engineering studies.

During the current quarter, the Company purchased 1,583 hectares of land from three private property owners within the Constancia Project, securing permanent surface rights. The purchase price totaled $820,000 and brings the Company's total private land holding to 2,558 hectares.

Subsequent to the quarter ended March 31, 2008, Norsemont updated the mineral resources on the Constancia and adjacent San Jose zones within the Constantia deposit. The updated independent mineral resource estimate was completed by GRD Minproc Limited. The report estimates an indicated resource of 256.3 million tonnes grading 0.5 % copper, 0.012 % molybdenum and 4.4 g/t silver (0.62 % Cu-Equivalent) at a cutoff grade of 0.2% copper. The report also estimates an inferred resource of 156.5 million tonnes grading 0.33 % copper, 0.01 % molybdenum and 3.2 g/t silver (0.43 % Cu-Equivalent) at a cutoff grade of 0.2% copper. Results for varying cut-off grades are contained in the following table:

Cut-off Grade	**Tonnes**	**Copper Grade**	**Molybdenum Grade**	**Silver Grade**	**Cu Eq**
(% Cu)	(Million)	(% Cu)	(% Mo)	(g/t Ag)	%
Indicated Resource					
0.5	92.0	0.81	0.013	6.0	0.95
0.4	132.3	0.70	0.013	5.5	0.84
0.3	193.7	0.59	0.013	4.9	0.72
0.25	229.9	0.54	0.012	4.6	0.66
0.2	**256.3**	**0.50**	**0.012**	**4.4**	**0.62**
Inferred Resource					
0.5	13.7	0.71	0.010	6.0	0.83
0.4	27.3	0.58	0.011	5.0	0.7
0.3	72.5	0.43	0.011	3.8	0.54
0.25	112.9	0.37	0.010	3.4	0.47
0.2	**156.5**	**0.33**	**0.010**	**3.2**	**0.43**

Within the same report, contained metals were updated as follows:

Resource Category	**Copper** (million lbs)	**Molybdenum** (million lbs)	**Silver** (million oz)
Indicated	2,852	68.2	36.5
Inferred	1,147	33.4	16.2

Results of Operations

During the current quarter, the Company reported a loss and comprehensive loss of $14,163,000 or $0.33 per share compared to a loss of $3,057,000 or $0.12 per share during the same period in the previous year, representing a significant increased loss of $11,106,000. The increased loss was mainly attributable to a US$8 million payment to Rio Tinto for the exercise of the final option at Constancia, charged to mineral property exploration expenditures, a $1 million provision recognized on the Company's holdings of third party ABCP and the recognition of $0.7 million of unrealized foreign exchange charges.

During the nine months ended March 31, 2008, the Company reported a loss and comprehensive loss of $28,586,000 or $0.74 per share compared to a loss of $9,624,000 or $0.37 per share during the same period in the previous year, attributable, in the main, to the US$8 million option payment to Rio Tinto, increased exploration expenses, a $1.5 million provision for the fair value of the ABCP investments and a $1 million charge for unrealized foreign exchange losses.

Mineral property exploration expenditures in the current quarter of $11,363,000 include the above mentioned US$8 million final option payment. The remaining costs or $3,151,000 versus $1,793,000 charged in the comparable quarter of 2007 reflect the heightened drilling costs incurred for the revised resource estimate and the commencement of the definitive feasibility study ("DFS"). Exploration expenditures should increase in the coming quarters as the DFS continues and drilling of targeted anomalies on surrounding property, held by the Company, commences.

Mineral property exploration expenses in the nine month period ended March 31, 2008 of $22,271,000 versus $6,064,000 charged in the comparable period of 2007 again reflect the costs incurred to advance Constancia project through the SRK scoping study, drilling and the commencement of the feasibility study, and option payments to Rio Tinto.

The continuity of mineral properties expenditures at Constancia by year and cumulative is as follows:

Balance, June 30, 2006	$ 5, 206,236
Option related payments	1,179,559
Exploration and related costs	7,446,689
Balance, June 30, 2007	13,832,484
Option related payments	13,112,825
Exploration and related costs	9,383,360
Balance, March 31, 2008	$ 36,328,669

As noted above, Norsemont Peru entered into a Mining Concessions Transfer Agreement and Assignment of Contractual Positions with Mitsui Mining and Smelting Company in which Mitsui transferred all of its 30% interest in the Constancia property to Norsemont Peru for a total consideration of US$9,800,000. The Canadian dollar equivalent of $9,356,060 has been reported in mineral properties on the balance sheet as at March 31, 2008. The Canadian dollar equivalent of the remaining US$ denominated short and long term liability for this purchase has also been reported on the balance sheet as at March 31, 2008.

Professional fees dropped significantly over the comparable quarter in 2007 and the previous quarter as tax, legal and regulatory filing activities diminished. Legal fees are expected to increase marginally in the coming quarters as the Company aggressively seeks full recovery of its investment in third party asset backed commercial paper, discussed below.

The majority of the increase in reported wages and benefits and directors' fees in the current quarter compared to the prior year relates to the addition of executive remuneration that was previously recorded as management fees. The nine month variance in expenses year-over-year reflect a bonus payment to key member of management in Peru and retrenchment payments, fully paid as at March 31, 2008, to personnel in Vancouver.

Management fees in the current quarter and nine month period have reduced to nil as all management remuneration is reflected in wages and benefits. Expenses in the comparable periods of 2007 reflect payments made to management companies providing management services to the Company on a monthly basis. These fees are not expected to be charged on a going forward basis.

Consulting fees, although increasing slightly in the current quarter, are well below on a year to date basis. A significant portion of work is now carried out in-house with entrenched personnel in Peru.

Expenditures for office, rent and related administration of $210,000 versus $99,000 in the current quarter and comparable quarter of 2007 reflects the added administration costs commensurate with heightened exploration activity in Peru. Travel costs also increased in the current quarter for management and other personnel. The 2008 year-to-date increase reflects the same heightened administrative activities. The Company maintains corporate offices in Toronto, Canada and Lima, Peru and related expenditures are expected to increase marginally in the near term.

The Company continues to hold a $7 million investment in short-term investments issued by trusts sponsored and managed by non-bank entities. The underlying security represents secured debt obligations, commonly known as "Asset Backed Commercial Paper" ("ABCP"). In mid August 2007, a number of sponsors of non-bank managed ABCP, including those with which the Company had invested, announced that they could not place ABCP due to un-favourable conditions in the Canadian capital markets. As a result, the ABCP market is currently the subject of an agreement ("the Montreal Accord") signed August 16, 2007 among a number of affected parties and is being overseen by the Pan-Canadian Investors Committee ("Investors Committee"). The Investors Committee presented a proposal to investors on March 20, 2008 contemplating the exchange of ABCP for new, long-term, restructured notes. The proposal was presented through the Companies' and Creditors Arrangement Act and was subject to approval of a majority of security holders, the Ontario courts, and other regulatory approvals. At a meeting of security holders on April 25, 2008, a majority of holders voted in favour of the restructuring. The Investors Committee expected court approval for the restructuring Plan on May 2, 2008, but the hearing has been postponed for one week. Should all necessary court and regulatory approvals be obtained, the Investors Committee is expected to implement the Plan on or about May 23, 2008.

The breakdown of the notes allocated to current ABCP holders was determined by the relative value of the underlying assets that each trust contributed. If implemented, the Plan will replace the Company's current holding of $7 million invested in Structured Investment Trust III Series A ("SIT IIIA") with four new notes according to the following table:

Trust Series	**Structured Investment Trust III A**			**$ 7,000,000**
Restructured to (Floating Rate Notes)	**(Senior) Class A-1 Notes 75%**	**(Junior) Class A-2 Notes 19%**	**Class B Notes 3%**	**Class C Notes 3%**
	$ 5,250,000	**$ 1,330,000**	**$ 210,000**	**$ 210,000**

1) In the event of liquidation, the order will commence with Class C, then Class B followed by the Junior and Senior Class A notes.

2) Although Class A-1 and A-2 and Class B will accrue interest quarterly at BA rates less 50 basis points, no interest will be paid out on Class A-2 until all principal and interest has been paid on A-1 and all principal has been paid on A-2. Likewise, interest on Class B will not be paid until all accrued interest and principal has been paid on Class A-1 and A-2. Class C notes attract a higher interest rate of 20% but acts as a residual class and realistic returns are expected to be less.

Based on the terms outlined above, it was announced, and now generally expected, that both Class A-1 and Class A-2 will be rated AA by DBRS and should therefore attract potential secondary investors and a market should commence for their trade. Each of the classes of notes will be valued differently by the market and management intends to dispose of the securities at the earliest possible time and once the full value is deemed to be reflected in the market prices.

Management has estimated that the restructured securities will trade freely within months of the Plan's implementation. However, there is no certainty that the restructuring will result in a positive outcome. Based on a fair value estimation of the recoverability of the investments, in September 2007, the Company recorded an impairment charge in the amount of $500,000. In the current quarter, management re-evaluated the situation and determined, in light of recent events and with information contained in the Plan, recalculated the fair value of its holdings of ABCP as $5,500,000 and charged the statement of operations an additional $1 million in the current quarter. Assumptions made by management and the fair value methodology used is discussed below in critical accounting estimates.

Charges for amortisation of $24,000 are in line with the comparable quarter of 2007 of $17,000. The charge to the statement of operations for the nine months ended March 31, 2008 of $114,000 relates to the accelerated depreciation on corporate assets held in Vancouver that was charged as the head office of the Company was relocated to Toronto. The increased charge also relates to the build up and associated depreciation of assets within the corporate offices, both in Canada and Peru.

Other administration, including regulatory filing fees, have remained relatively stable year-over-year and are expected to remain so. Advertising and promotional fees have diminished and are not expected to reverse in the near term.

The Company recognised an unrealized foreign exchange loss of $691,000 on the translation of its Peruvian operations, the conversion of its US dollar denominated liability to Mitsui Mining and other foreign currency account balances. The Peruvian New Sol strengthened slightly over the Canadian dollar between December 2007 and March 2008. The US dollar also appreciated in the quarter relative to the Canadian dollar and remaining US$9 million owed to Mitsui Mining was revalued, resulting in a charge to the statement of operations. In the comparable quarter in 2007, the company recognized a $61,000 loss on the translation of its Peruvian and other foreign denominated balances. Depending on the net asset position of the Company's operating subsidiary, Norsemont Peru, the balance of the liability to Mitsui Mining, and the value of the U.S.

dollars and Peruvian New Sol versus the Canadian dollar, the Company will continue to recognize fluctuating foreign exchange gains and losses.

The fair value of the stock options granted and vesting in the current quarter was $570,000 and is comparable to the charge in the quarter ended March 31, 2007. The current quarter includes the fair value of 200,000 options granted to a new director and new personnel in Peru and the fair value recalculation of options granted in past fiscal years but vested during the current period to non-employee service providers.

During the previous quarter, the Company adopted a Restricted Stock Unit plan (“RSU”), approved by the Board of Directors in September 2007 and by shareholders in November 2007. The RSUs may be granted to employees, officers, directors or other persons, other than the Chairman and the CEO, as determined to be in the best interests of the Company by the Board of Directors. The RSU plan has a term of 10 years, subject to amendment of the term by the Board of Directors. There were no grants of RSUs in the current quarter. The fair value of 65,000 RSUs granted in the previous quarter has been charged to the statement of operations in the nine month period to March 31, 2008, through either exploration expenses or wages and benefits depending on the individual’s assignment.

The purpose of the RSU plan is to attract and to encourage the continued employment and service of, and maximum efforts by, officers, key employees and directors of the Corporation by offering those persons an opportunity to acquire or increase a direct proprietary interest in the operations and future success of the Corporation. In the judgment of the Board of Directors, an initial or increased grant under the Plan will be a valuable incentive and will ultimately benefit the shareholders of the Corporation by aligning more closely the interests of participants in the Plan with those of the shareholders. Under the terms of the plan, RSUs are granted to service providers at no cost in consideration for past service or as a performance reward. Upon vesting of the RSUs and upon all the conditions of the grant of RSUs being satisfied, the Corporation shall issue Norsemont common shares to the participant. A participant is not required to pay any fee to receive Norsemont common shares upon their issuance.

Summary of Quarterly Results

The following is a summary of certain consolidated financial information concerning the Company for each of the last eight reported quarters:

Quarter ended	Mineral Property Exploration Expenditures $	Interest and Other Income $	Net Loss and Comprehensive Loss $	Loss per share $
March 31, 2008	11,362,990	81,609	14,163,323	0.34
December 31, 2007	8,235,249	76,076	9,896,775	0.26
September 30, 2007	2,784,723	34,300	4,525,754	0.13
June 30, 2007	2,545,601	34,540	7,012,555	0.24
March 31, 2007	1,839,317	77,335	3,057,459	0.12
December 31, 2006	2,807,721	97,995	3,781,452	0.15
September 30, 2006	1,525,371	75,875	2,785,094	0.11
June 30, 2006	1,986,109	71,262	2,414,072	0.09
March 31, 2006	419,625	75,853	1,541,596	0.06

During the most recent fiscal quarters, the Company has focused its exploration efforts in Peru for the purpose of acquiring, exploring and developing the Constancia project.

Liquidity and Capital Resources

In February 2008, the Company completed a private placement financing of 3,462,069 units, consisting of one common shares and one half common share purchase warrant. The unit was priced at $2.90 per unit for gross proceeds of $10,040,000. The one-half common share purchase warrant is exercisable until February 2010 at a price of $3.50 per whole warrant.

During the previous quarter ended December 31, 2007, the Company completed a private placement financing of 6,210,000 special warrants at a price of $2.90 per special warrant for gross proceeds of $18,009,000. The special warrants were convertible into common shares and common share purchase warrants once the Company obtained clearance on a final prospectus filed with the British Columbia Securities Commission. Final clearance of the prospectus was obtained in February 2008 and the special warrants were exchanged, at no additional cost, for one common share of the Company and one-half common share purchase warrant exercisable until November 14, 2009 at a price of $3.50 per whole warrant.

In the quarter ended September 30, 2007, the Company concluded two non-brokered private placement financings for gross proceeds of $12,720,000. As discussed above, the Company invested $7 million in short-term ABCP based on professional advice from Canaccord Capital Inc. The Company awaits the implementation of the restructuring plan expected at the end of May 2008 and the receipt of the new restructured notes. In the meantime, management will investigate opportunities to trade the securities in any new markets being created by brokers, banks or other institutions.

The proceeds of $12,720,000 were from non-brokered private placements of an aggregate of 7,950,000 units. The units were placed at a price of $1.60 each. Each unit consists of one common share and one-half of one common-share purchase warrant. Each whole common-share purchase warrant entitles the holder, on exercise, to acquire one additional common share of the company at an exercise price of $1.95 within 24 months from the date of issuance of the warrants.

The Company's reported working capital of $10,232,000 at March 31, 2008 compared to working capital of $2,227,000 at June 30, 2007, represents an improvement of $8,005,000 due to the four private placements of units completed in the last nine months. As at March 31, 2008, the Company held $9,251,000 in cash and cash equivalents and $5,500,000 in short-term ABCP securities whereas at June 30, 2007, the Company had net cash on hand of $1,538,000 and $1,350,000 of non ABCP securities. In the nine months since June 30, 2007, $22,271,000 was utilised in advancing the Constancia project in Peru.

Current assets excluding cash and short term investments, as compared to the June 30, year-end position, increased by $1,405,000, in the main, due to the build up of a value added tax receivable in Peru.

Current liabilities as compared to the June 30, 2007 year-end have increased due to the accrual set up for payments due to Mitsui within the 2008 fiscal year. Payments made or payable to Mitsui are as follows:

- Initial payment of $US100,000, made in the previous quarter, on signature of the public deed of the agreements;
- First payment of $US700,000 made on January 31, 2008;
- Second payment on or before June 30, 2008: $US2,000,000
- Third payment on or before December 31, 2008: $US3,000,000
- Final payment on or before June 30, 2009: $US4,000,000

The abovementioned commitments will be financed by cash and short-term investments on hand and potentially by the exercise of options and warrants currently outstanding or the future issuances of shares.

Net changes in non-cash working capital balances utilised $822,000 in the three month period ended March 31, 2008, excluding the accrual set up recognizing the current liability to Mitsui and overall cash used in operating activities was $12,367,000. In the comparable period in 2007, non-cash working capital utilized $487,000 and $2,987,000 was utilized in overall operating activities.

During the period, the Company generated net cash of $10,336,000 almost exclusively through the net proceeds of the private placement of units in February 2008. In the comparable quarter of 2007, the Company did not complete any financings but collected $2,900,000 through the exercise of options and warrants.

In summary, financing for the Company's operations both in the three and nine month periods ending March 31, 2008 was funded primarily from cash on hand at June 30, 2007 and the four private placements completed in the nine months to March 31, 2008.

Other sources of funds potentially available to the Company as of May 6, 2008 are through the exercise of 8,800,000 share purchase warrants ranging in prices from $1.95 to $3.50 per share expiring in 2009 and 2010, and through the exercise of an aggregate of 6,600,000 stock options with exercise prices ranging from $0.76 to $4.00 per share expiring between 2009 and 2013. There can be no assurance, however, that any or all of these outstanding convertible securities will be exercised,

particularly if the trading price of the common shares on the Exchange does not exceed, by a material amount and for a reasonable period, the exercise price of such convertible securities at some time prior to their expiry dates.

The Company will have additional capital requirements in excess of its currently available resources to carry out its planned work program particularly at its Constancia Project and will therefore be required to raise additional funds. In addition, if the Company's plans change, its assumptions change or prove inaccurate, or its capital resources in addition to projected cash flow, if any, prove to be insufficient to fund operations, the Company may be required to seek additional financing. Although the Company has previously been successful in raising the funds required for its operations, there can be no assurance that the Company will have sufficient financing to meet its future capital requirements or that additional financing will be available on terms acceptable to the Company in the future.

The Company has not had a history of operations or earnings and its overall success will be affected by its current or future business activities. The Company is in the process of acquiring and exploring its interests in the Constancia Project and has not yet determined whether these properties contain mineral deposits that are economically recoverable. The recoverability of expenditures incurred to acquire or earn an interest in these resource properties are dependent upon the existence of economically recoverable reserves, securing and maintaining title and beneficial interest in the properties, obtaining necessary financing to explore and develop the properties, and upon future profitable production or proceeds from disposition of the resource properties.

Transactions with Related Parties

During the nine months ended March 31, 2008, the Company entered into the following transactions with related parties:

- $294,800 in directors' fees was paid to eight directors of the Company.
- $225,000 was paid to CEO of the Company as remuneration.
- $156,000 was paid for legal fees to a company controlled by an officer of the Company.

Current Quarter Events

The following events occurred during the third fiscal quarter ended March 31, 2008:

(1) Upon the Company's exercise of the initial option for Constancia in the previous quarter, Rio Tinto had a 60-day right to claw back an undivided 17% interest, by paying the Company up to 300% of the Company's net cash payments on the project. During the current quarter, Rio Tinto notified the Company that it was not exercising its claw back right and the Company exercised the final option by paying Rio Tinto US$8,000,000 in March 2008.

(2) The Company closed a non-brokered private placement of 3,462,069 Units at a price of $2.90 per Unit, raising gross proceeds of $10,040,000. Each Unit consisted of one common share and one-half of one common-share purchase warrant. Each whole common-share purchase warrant entitles the holder, on exercise, to acquire one additional common share of the Company at an exercise price of $3.50 per share for two years.

(3) In March 2008, the Company announced results from the ongoing drilling program at the Constancia project. The Company has completed more than 14,800 meters of drilling in the quarter. The drilling consisted of infill drilling

and more recently, definition drilling to establish the limits and peripheries of the main zones of mineralization and for pit optimisation work in ongoing engineering studies.

(4) The Investors Committee presented a proposal to investors on March 20, 2008 contemplating the exchange of ABCP for new, long-term, restructured notes. The proposal was presented through the Companies' and Creditors Arrangement Act and was subject to approval of a majority of security holders, the Ontario courts, and other regulatory approvals.

(5) Mr. Ian Hume was appointed to the Board of Directors.

(6) The Company granted incentive stock options to purchase up to 200,000 common shares at exercise prices ranging from $2.77 to $2.90 per share, to a new director and to a new member of management in Peru.

Critical Accounting Estimates

The presentation of financial statements requires management to make estimates and assumptions which affect the reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the period. Significant areas requiring the use of estimates include the assessment of impairment of long-lived assets including mineral properties, impairment of investments, amortization periods of furniture, equipment and leasehold improvements, valuation of stock-based compensation, and the estimation of future income tax assets and valuation allowance. Actual results could differ from those estimates.

The accounting policies described below are considered by management to be essential to the understanding and reasoning used in the preparation of the Company's financial statements and the uncertainties that could have a bearing on its financial results.

<u>Short-term investments:</u>

As at March 31, 2008, the Company had $7 million invested in short-term investments issued by trusts, sponsored and managed by non-bank entities. The underlying security represents secured debt obligations or ABCP. In mid August 2007, a number of sponsors of non-bank managed ABCP, including those with which the Company had invested, announced that they could not place ABCP due to unfavourable conditions in the Canadian capital markets. The Investors Committee presented a proposal to investors on March 20, 2008 contemplating the exchange of ABCP for new, long-term, restructured notes. The proposal was presented through the Companies' and Creditors Arrangement Act and was subject security holder, court and regulatory approvals. At a meeting of security holders held on April 25, 2008, a majority of holders voted in favour of the restructuring. The Investors Committee expected court approval for the restructuring Plan on May 2, 2008, but the hearing has been postponed for one week. Should all necessary court and regulatory approvals be obtained, the Investors Committee is expected to implement the Plan on May 23, 2008.

The breakdown of the notes allocated to current ABCP holders was determined by the relative value of the underlying assets that each trust contributed. If implemented, the Plan will replace the Company's current holding of $7 million invested in Structured Investment Trust III Series A ("SIT IIIA") with four new notes according to the following table:

Trust Series	Structured Investment Trust III A			$ 7,000,000
Restructured to (Floating Rate Notes)	(Senior) Class A-1 Notes 75%	(Junior) Class A-2 Notes 19%	Class B Notes 3%	Class C Notes 3%
	$ 5,250,000	$ 1,330,000	$ 210,000	$ 210,000

Based on the terms outlined above, it was announced, and now generally expected, that both Class A-1 and Class A-2 will be rated AA by DBRS and should therefore attract potential secondary investors and a market should commence for their trade. Each of the classes of notes will be valued differently by the market and management intends to dispose of the securities at the earliest possible time and once the full value is deemed to be reflected in the market prices.

Management estimated a fair value impairment according to the CICA Handbook Section 3855 using a weighted probability cash flow approach and with knowledge of the restructuring Plan filed by the Investors Committee. The model utilised assumed potential investors in a secondary market for the new notes would demand a yield 7% to 9% for the new Class A-1 and 2 and Classes B and C notes. The return was present valued using a calculated discount rate representing the expected yield on the notes less the expected cost of the margin facility, reported to be 1.6%. The range of calculated fair values was $5.1 million to $5.9 million and management selected the mid point of the range as the best estimate of potential outcomes or $5.5 million. Based on the fair value estimation of the recoverability of the investments, the Company recorded an impairment charge on the statement of operations in the amount of $1.5 million. There is no certainty however, that the restructuring will be implemented or that the full $5.5 million will be recovered. Management will strive to recover, by all means available and necessary, the maximum value from the disposition of the ABCP or any restructured securities it receives, if the above mentioned plan is implemented.

Asset retirement obligations:

The fair value of a liability for an asset retirement obligation, such as site reclamation costs, is recognised in the period in which it is incurred if a reasonable estimate of the fair value of the costs to be incurred can be made. The Company is required to record the estimated present value of future cash flows associated with site reclamation as a liability when the liability is incurred. As the Company expenses exploration costs as incurred, asset retirement obligations recognised are also expensed as incurred. At the end of each period, the liability is increased to reflect the passage of time (accretion expense) and changes in the estimated future cash flows underlying any initial fair value measurements (additional asset retirement costs).

Stock-based compensation:

The Company accounts for all stock-based payments and awards made to employees and non-employees under the fair value based method. Fair value is estimated using the Black-Scholes Option Pricing Model. Option pricing models require the input of highly subjective assumptions including the expected price volatility and the period in which the option will be exercised or the expected life of the options. The estimates concerning volatility are made with reference to historical volatility, which is not necessarily an accurate indicator of future 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 the fair value of the Company's stock options.

Changes in Accounting Policies including Initial Adoption

Effective July 1, 2007, the Company adopted the provisions of the following new Canadian Institute of Chartered Accountants ("CICA") accounting standards:

(1) Comprehensive Income (Section 1530):

This section describes standards for reporting and disclosing comprehensive income, its components and related changes in equity. Comprehensive income includes net income as well as changes in equity during a period from transactions and events from non-owner sources, such as unrealized gains or losses on available-for-sale financial instruments. Adopting this standard has no impact on the Company's financial statements for the period ended March 31, 2008.

(2) Financial Instruments - Recognition and Measurement (Section 3855):

This section describes the standards for recognizing and measuring financial assets, financial liabilities and non-financial derivatives. Under the new standard, all financial instruments will be classified as one of the following: held-for-trading, held-to-maturity, loans and receivables, available- for-sale financial assets or other financial liabilities.

-Held-for-trading financial instruments are measured at fair value. All gains and losses resulting from changes in their fair value are included in net earnings (loss) in the period in which they arise.

-Held-to-maturity investments, loans and receivables, and other financial liabilities are initially measured at fair value and subsequently measured at amortized cost. Amortization of premiums or discounts and transaction costs are amortized into net earnings (loss), using the effective interest method.

-Available-for-sale financial assets are measured at fair value, with unrealized gains and losses recorded in other comprehensive income until the asset is realized, at which time they will be recorded in net earnings (loss). Other than temporary impairments on available-for-sale financial assets are recorded in net earnings (loss).

Upon adoption of these new standards, the Company has designated its investments as available-for-sale assets in accordance with Section 3855. In addition, the Company recorded an, other than temporary, impairment charge on these investments of approximately $1,500,000 in the consolidated statements of operations during the nine months ended March 31, 2008.

(3) Financial Instruments - Disclosure and Presentation (Section 3861):

CICA Section 3861 sets out standards which address the presentation of financial instruments and non-financial derivates, and identifies the related information that should be disclosed. These standards also revise the requirements for entities to provide accounting policy disclosures, including disclosure of the criteria for designating as held-for-trading those financial assets or liabilities that are not required to be classified as held-for-trading; whether categories of normal purchases and sales of financial assets are accounted for at trade date or settlement date; the accounting policy for transaction costs on financial

assets and financial liabilities classified as other than held-for-trading; and provides several new requirements for disclosure about fair value. Disclosure related to the fair value of the Company's available-for-sale investments is included in note 4 to these financial statements.

The Company's financial instruments include cash and cash equivalents, receivables and accounts payable and accrued liabilities and due to related parties. The fair values of these financial instruments approximate their carrying values because of their short term nature. The Company had no held-to-maturity financial assets for the period ended March 31, 2008. The estimated fair value of the Company's investments approximates their carrying values.

(4) Hedging (Section 3865):

CICA Section 3865 specifies the circumstances under which hedge accounting is permissible and how hedge accounting may be performed. The Company currently does not hold any financial instruments designated for hedge accounting.

Financial Instruments and Other Instruments

(1) Foreign currency risk
The Company conducts a major part of its business in US dollars and Peruvian New Sol and therefore is affected by variations in exchange rates. The Company does not have foreign currency hedges in place and does not actively manage this risk.

(2) Credit risk
Credit risk reflects the risk that the Company may be unable to recover contractual receivables. The Company does not have significant receivables and no one account represents a concentration of credit risk. The Company employs established credit approval practices to further mitigate this risk.

Future Accounting Policy Changes

The Company will be required to adopt the following new accounting standards under Canadian GAAP for interim and annual financial statements relating to its fiscal year commencing July 1, 2008:

New CICA Accounting Handbook Section 1535, "Capital Disclosures", establishes new standards for disclosing information regarding an entity's capital and how it is managed.

New CICA Accounting Handbook Sections 3862, "Financial Instruments – Disclosures", and 3863, "Financial Instruments – Presentation", replacing Handbook Section 3861, "Financial Instruments – Disclosure and Presentation", revising and enhancing disclosure requirements and presentation requirements.

New CICA Accounting Handbook Section 3031, "Inventories", prescribes the accounting treatment for inventories and providing guidance on the determination of costs and its subsequent recognition as an expense, including any write-down to net realizable value.

The Company will be evaluating the proposed handbook changes and their effect before its fiscal year end.

Other

Evaluation of 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 Company's Chief Executive Officer and Chief Financial Officer, on a timely basis so that appropriate decisions can be made regarding public disclosure. Management of the Company, with the participation of the Chief Executive Officer and the Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures as at March 31, 2008, as required by Canadian securities laws. Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer have concluded that, as of March 31, 2008, the disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed in the Company's annual filings (as such terms are defined under Multilateral Instrument 52-109 Certification of Disclosure in Issuer's Annual and Interim Filings) and other reports filed or submitted under Canadian securities laws is recorded, processed, summarized and reported within the time periods specified by those laws and that material information is accumulated and communicated to management of the Company, including the Chief Executive Officer and the Chief Financial Officer, as appropriate to allow for accurate disclosure to be made on a timely basis.

Changes in Internal Control over Financial Reporting

Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP. The Chief Executive Officer and Chief Financial Officer have concluded that there has been no change in the Company's internal control over financial reporting during the period ended March 31, 2008 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Summary of Outstanding Share Data

The Company's issued and outstanding share capital as at the date of this report is as follows:

(1) Authorised
Unlimited common shares without par value.

(2) Issued and outstanding is summarized below:

	Number of shares		Amount
Balance, June 30, 2005	19,120,125	$	10,893,340
Issued for cash pursuant to:			
Private placement	3,500,000		14,000,000
Exercise of options	494,850		324,067
Exercise of warrants	1,490,403		1,135,330
Issued on acquisition of mineral property	500,000		745,000
Share issue costs	-		(1,788,297)
Balance, June 30, 2006	25,105,378		25,309,440
Issued for cash pursuant to:			
Exercise of options	1,560,375		2,480,414
Exercise of warrants	3,147,125		3,461,838
Balance, June 30, 2007	29,812,878		31,251,692
Issued for cash pursuant to:			
Private placement	17,622,069		40,769,000
Issue of shares for mineral property	500,000		1,350,000
Exercise of options	554,200		796,380
Share issue costs	-		(1,396,369)
Transfer from contributed surplus on the exercise of options	-		1,425,778
Balance, March 31, 2008	48,489,147	$	74,196,481
Exercise of options	337,934		315,825
Balance, May 6, 2008	48,827,081		74,512,306

(3) Stock options

The following table summarizes the stock options outstanding and exercisable May 6, 2008:

Number of shares	Exercise price	Expiry date	Exercisable
20,000	$0.76	March 7, 2010	20,000
74,375	$1.00	July 28, 2010	74,375
153,900	$1.06	August 17, 2010	153,900
260,000	$1.33	August 21, 2010	260,000
140,000	$2.38	September 9, 2010	140,000
300,000	$4.00	April 13, 2011	300,000
150,000	$2.00	July 7, 2011	150,000
500,380	$2.00	July 24, 2011	513,594
1,340,000	$1.60	December 10, 2011	1,307,898
230,000	$1.60	April 25, 2012	194,626
2,050,000	$1.62	June 1, 2012	2,050,000
400,000	$1.57	June 25, 2012	100,000
200,000	$1.72	July 19, 2012	66,667
300,000	$1.77	July 26, 2012	100,000
66,666	$1.53	August 20, 2012	-
50,000	$1.68	September 24, 2012	16,666
125,000	$1.77	October 1, 2012	41,666
100,000	$2.90	February 13, 2013	33,333
100,000	$2.70	February 20, 2013	33,333
6,563,741			5,556,060

(4) Warrants

The following warrants were outstanding at May 6, 2008. Each warrant entitles the holder to purchase one common share of the Company as follows:

Number of Shares	Exercise Price	Expiry Date
2,475,000	$1.95	July 20, 2009
1,500,000	$1.95	September 12, 2009
3,105,000	$3.50	November 14, 2009
1,731,535	$3.50	February 21, 2010
8,811,535		

Subsequent Events

On April 25, 2008 security holders of third party ABCP voted in favour of the restructuring plan proposed by the Investors Committee. The plan cannot be implemented until the Ontario Superior Court approves the plan. The Investors Committee is expected to seek court approval in early May. If the plan is approved by the court, the Investors Committee will implement the plan and the Company would expect to receive the Class A-1, Class A-2 and Classes B and C notes by the end of May 2008.

In April 2008, the Company filed a claim in the Supreme Court of British Columbia against Canaccord Capital Corporation for damages incurred with respect to diminished valuations of its holdings of third party ABCP. Management will strive to recover, by all means available and necessary, the maximum value from the disposition of the ABCP or any restructured securities it receives, if the above mentioned plan is implemented.