



## **Management Discussion and Analysis For the nine months ended October 31, 2007**

The following management discussion and analysis of the financial position of Mont Blanc Resources Inc. ("Mont Blanc" or the "Company") and results of operations of the Company should be read in conjunction with the accompanying un-audited interim financial statements and related notes for the nine months ended October 31, 2007 and the audited financial statements and related notes for the year ended January 31, 2007. The accompanying interim financial statements and related notes are presented in accordance with Canadian generally accepted accounting principles. These statements, together with the following management's discussion and analysis, are intended to provide investors with a reasonable basis for assessing the financial performance of the Company as well as forward-looking statements relating to the potential future performance. The information in the MD&A may contain forward-looking statements. The forward-looking statements are subject to known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those implied by the forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date the statements were made, and are advised to consider such forward-looking statements in light of the risks as set forth below.

### **Description of Business**

The Company was incorporated on November 23, 1983 under the name Southern Star Resources Ltd. After undergoing several earlier name changes, the company changed its name from Alda Industries Corporation to Crux Industries Inc. on July 14, 1999. The Company requested to be deemed inactive by the TSXV (previously CDNX) on March 19, 1996 to complete a restructuring. On August 12, 2003, the Company was moved to NEX, a new and separate board of TSX Venture Exchange for public companies that are designated "inactive". On March 9, 2004, the Company was re-instated for trading on NEX. At the September 13, 2005 AGM the Company received approval from the shareholders to change its name from Crux Industries Inc. to Mont Blanc Resources Inc. After receiving approval from the TSX Exchange the Company's listing was transferred from NEX to the TSX Venture Exchange, effective April 7, 2006.

The Company is currently actively engaged in a Joint Venture arrangement with Magnum Energy Inc ("Magnum"), exploring oil and gas opportunities within South Eastern Alberta farm-in lands containing multi-zone potential. As at the date hereof, the Company has limited interests in oil and gas properties.

The Company presently has no full-time employees and utilizes the services of three consultants. Mont Blanc also uses specialized consultants such as geologists and geophysicists on an "as needed" basis.

The goal of the Company is to create sustainable and profitable growth in production and cash flow. To accomplish this, the Company plans to invest in oil and gas exploration and development prospects through its partnership with Magnum Energy Inc. Mont Blanc will initially focus its efforts on medium and low risk opportunities in Southern Alberta. This area has the advantage of year round access, developed infrastructure, and generally lower capital costs. In selecting exploration, exploitation and development drilling prospects, management of Mont Blanc will choose those that offer an appropriate combination of risk and economic reward. To achieve sustainable and profitable growth, the Company believes in controlling the timing and costs of its projects whenever possible.

In addition to oil and gas exploration, the Company is currently reviewing, acquiring and exploring mining opportunities in Mexico.



## **Oil and Gas Property-Taber area, Southern Alberta, Canada**

Mont Blanc has entered into a joint venture arrangement (“Magnum JV”) on January 11, 2006 with respect to 50% of a Farm-out and Overriding Royalty Agreement (“the FORA”) also dated January 11, 2006 to drill a minimum of 6 medium-risk exploration wells in Southern Alberta. Magnum Energy Inc. entered into the FORA with a private Alberta company. The FORA calls for Magnum to pay 100% of the drilling costs of the earning “test wells” to earn a 50% working interest in mineral rights and drilling spacing units as detailed in the FORA. Before payout, Magnum will receive 100% of the production and shall pay the “Farmor” a 15% gross overriding royalty. Following payout, the “Farmor” will have the option to convert its royalty to a 50% working interest.

Pursuant to the terms of the Magnum JV, Mont Blanc has agreed to pay 55% of Magnum’s drilling costs pursuant to the FORA where after Mont Blanc will earn 50% of Magnum’s interest in the FORA properties. Following the effect of both, the FORA and Magnum JV, Magnum will pay 45% of the drilling costs to earn a 25% APO working interest in the properties. Mont Blanc will likewise pay 55% of the drilling costs to earn a 25% APO WI in the properties.

Four of the drilling locations can be considered as medium-risk exploration prospects, one of the locations can be considered as a lower risk exploration prospect, and one of the locations can be considered as a lower risk development prospect. Most of the drilling locations have potential to encounter both oil and gas, and they have been selected using 3D and 2D seismic data in conjunction with detailed geological interpretation. Access to the seismic data was obtained as part of the farm-in agreement.

Targeted primary and secondary zones include the Sawtooth, Lower Mannville, Glauconitic, Upper Mannville and Bow Island in all of the prospects, with shallower potential zones including the Barons, Second White Specks, Medicine Hat and Milk River available for earning in some of the prospects. Most of these prospective zones have been proven productive for oil and/or gas in the immediate area. The deeper wells are expected to TD at ~ 1000 metres and the shallower wells will TD at ~ 700m.

On July 19, 2006 the operator confirmed that three of the Company’s six recently drilled wells have flowed sweet gas at commercially viable rates following initial completion activities. Initial production for the Company from one of the earning “test” wells commenced in December 2006.

Inflow results from the deeper zones that were initially completed in three of the remaining wells were evaluated, and did not indicate commercial production results. The wells were re-completed and thus an additional 3 of the 6 earning wells are in production as the gas gathering infrastructure is now in place.

### Future Developments

The Company and its partners are encouraged by the results to date and expect additional production from future development drilling locations, into the zones established by the exploratory earning wells. Under the terms of its farm-in deal, Mont Blanc has a 50% interest in the six recently drilled farm-in wells (reverting to 25% after payout) and, following completion activities, will have earned a 25% interest in over eight sections (5,120 gross acres) of land. The completion results to date indicate that most of this acreage is prospective for a low risk, multi-well shallow gas development drilling project, in addition to potential deeper, seismically identified exploratory targets.



## **Mining Properties - Sonora, Mexico**

On September 17, 2007, the Company entered into an option agreement to purchase three mineral claims in the state of Sonora, Mexico. The Company has paid a sum of USD\$50,000 to purchase a two-year option on the three separate mining claims. Under the agreement the Company will have the right to earn a 100% interest in the three properties, namely Los Pavitos, Christina and Brenda properties. All three properties are subject to a 2% NSR (Net Smelter Return).

In order to exercise the options relating to Los Pavitos Property and Christina Property, Mont Blanc must, for each property, complete cash payments of USD\$50,000 and issue 1.5 million shares of the Company's common stock. To exercise the option on Brenda Property, the Company must issue 3.5 million shares of its common stock.

Upon exercise of the option for each property, the company will commence a systematic reconnaissance exploration program, including rock-chip sampling, geological mapping and geophysics in order to determine each property's potential.

As of October 31, 2007, the Company has incurred \$22,908 in expenditures related to the mineral claim options.

### Description of the properties

The Brenda property covers 10,000 hectares and is located approximately 35 kilometres northeast of Navojoa in the state of Sonora, Mexico. The property adjoins the Las Minitas project of Pershimco Resources Inc. In 2006, Pershimco's joint venture partner, Tara Gold Resources Corp., reported an indicated mineral resource of 13,534,398 metric tonnes at 7.58 ounces per ton, or 102,590,736.8 ounces of silver, based upon re-evaluation of historical data. The geology of the Brenda property exhibits similar rock types and structures that host mineralization observed at Las Minitas. Several old mine workings, predominately gold, are present throughout the Brenda property.

The Los Pavitos property lies directly south of the Brenda property, covering 10,000 hectares, is located approximately 35 kilometres southeast of Navojoa, Sonora. Los Pavitos hosts similar geology to the Brenda property. Small-scale copper and gold mining have taken place historically throughout the property. The property hosts similar age copper-bearing intrusives as observed at the Piedras Verdes mine located 30 kilometres to the northeast. The Piedras Verdes mine has been in production since October, 2006, by Frontera Copper Corp. The mine has proven and probable reserves of 191 metric tonnes at 0.36 per cent CuT.

The Christina property is located 25 kilometres south-southeast of Alamos, Sonora, and covers 10,000 hectares. The property is located northeast and east, and adjoins Pan America Silver Corp.'s Alamo Dorado mine. The Alamo Dorado mine has proven and probable reserves of 12,436,000 metric tonnes at 112 grams per tonne silver or 44,916,424 ounces of silver. The geology of the Christina is similar to that observed at Alamo Dorado. A preliminary and limited review of the property identified numerous old copper, gold and silver workings that were previously exploited.



## Operations and Financial Condition

### Summary of Quarterly Results

|   | Year Ending 2008                | Year Ending 2008             | Year Ending 2008              | Year Ending 2007                |
|---|---------------------------------|------------------------------|-------------------------------|---------------------------------|
|   | 3rd Quarter<br>October 31, 2007 | 2nd Quarter<br>July 31, 2007 | 1st Quarter<br>April 30, 2007 | 4th Quarter<br>January 31, 2007 |
| Revenue after royalty expense                   | 24,698                          | 62,173                       | -                             | -                               |
| Income (Loss) before Extraordinary Items        | \$ (81,855)                     | \$ (11,802)                  | \$ (31,158)                   | \$ (1,055,532)                  |
| Net Income (Loss)                               | \$ (81,855)                     | \$ (11,802)                  | \$ (31,158)                   | \$ (1,055,532)                  |
| Basic and Fully Diluted Income (Loss) Per Share | \$(0.01)                        | \$(0.01)                     | \$(0.01)                      | \$(0.08)                        |

|   | Year Ending 2007                | Year Ending 2007             | Year Ending 2007              | Year Ending 2006                |
|---|---------------------------------|------------------------------|-------------------------------|---------------------------------|
|   | 3rd Quarter<br>October 31, 2006 | 2nd Quarter<br>July 31, 2006 | 1st Quarter<br>April 30, 2006 | 4th Quarter<br>January 31, 2006 |
| Revenue after royalty expense                   | -                               | -                            | -                             | -                               |
| Income (Loss) before Extraordinary Items        | \$ (38,838)                     | \$ (48,785)                  | \$ (64,199)                   | \$ (261,963)                    |
| Net Income (Loss)                               | \$ (38,838)                     | \$ (48,785)                  | \$ (64,199)                   | \$ (261,963)                    |
| Basic and Fully Diluted Income (Loss) Per Share | \$(0.003)                       | \$(0.003)                    | \$(0.01)                      | \$(0.02)                        |

### Discussion of Quarterly Information

#### *Revenues*

Summarized revenue and net income information for the eight most recent quarters are reflected in the above schedule.

In the current quarter, the Company recorded its portion of operational revenue and expenses from the four gas wells that have gone into production. The total revenue before royalties was \$33,030 from gas sales.

In the second quarter of 2008 the Company recorded total revenue before royalties of \$81,919 from gas sales from the same wells. The recorded revenue and related expenses of the second quarter include the amounts from December, 2006 through July, 2007, because sales and expense data of the previous quarters were not available until July, 2007.

During the year ended January 31, 2007 a pipeline was constructed and Mont Blanc decided not to fund its portion which was approximately \$375,000. The Company is currently in discussions with its joint venture partner to settle on an appropriate method by which Mont Blanc will either pay its portion of the cost of the pipeline or pay for its use.



## Discussion of Quarterly Information (continued)

### *Expenses*

Cash based general and administrative expenses for the first three quarters of 2008 relate primarily to contract fees paid to suppliers for services relating to general management and for services required in connection with managing the oil and gas property interest as well as the typical expenses incurred in maintaining the Company's public listing. In the third quarter of 2008 the Company increased its travel and legal expenses due to the activities related to its mineral property acquisition commenced in the quarter.

The Company recorded \$14,635 in the third quarter and \$24,646 in the second quarter of 2008 in oil and gas operating expenses relating to the four wells currently in production, with the amount in the second quarter including expenses from December, 2006 to July, 2007, as the production started from December, 2006, but revenue and expense data were not available until July, 2007.

In the current quarter the Company has recorded depletion expense of \$8,585 and amortization expense of \$1,183 of which \$913 was related to the amortization of well equipment; while in the second quarter of 2008 depletion expense was recorded at \$12,564 and amortization of well equipment was recorded at \$1,611 to include the amounts from December, 2006 to the end of the first quarter because the data were not available until July, 2007. In the second quarter of 2008 the Company recorded total amortization expense of \$1,881. Amortization expense is significantly higher in the second and third quarters of 2008 compared to the previous quarters due to amortization of well equipment starting from the second quarter of 2008 to match the recording of revenues and expense related to the gas production.

Cash based general and administrative expenses for the 2007 fiscal year relate primarily to contract fees paid to suppliers for services relating to general management and for services required for regulatory filings in connection with reactivating the company, obtaining financing and managing the oil and gas property interest as well as the typical expenses incurred in maintaining the public listing.

During the first three quarters of the year ended January 31, 2007 general and administration were approximately \$53,000, \$48,000 and \$39,000 respectively. The increase in the last three quarters over the prior year is directly related to the increase in the Company's activities related to the Company's mining property options and oil and gas interest.

### *Net Income (Loss)*

In the current quarter the Company incurred a loss of \$81,855 from its operations, higher than the loss of \$11,802 recorded in the previous quarter because of increased travel and consulting expenses incurred in relation to the acquisition of the mineral claim options. The loss in the second quarter of 2008 was also lower than its previous quarters due to the significant gas revenue recorded in the quarter. The Net loss in the quarter ended January 31, 2007 was significantly higher than prior quarters due to the write-down of the oil and gas properties of \$1,207,354 based on the ceiling test based on the Reserve Report on the properties.



Discussion of Quarterly Information (continued)

*Other*

In the nine months ended October 31, 2007, the Company incurred additional expenditures of \$67,531 on its oil and gas properties, of which \$7,208 pertained to well equipment.

In the three and nine months ended October 31, 2007, the Company paid \$52,360 (USD\$50,000) to purchase three mining claim options, and incurred \$21,902 in related expenditures.

In the year ended January 31, 2007 the Company incurred approximately \$1,400,500 in costs on its oil and gas properties, consisting of approximately \$1,151,400 in cash payments and \$234,800 as amounts due to Magnum for the Company's share of the expenditures. \$24,900 in professional fees related to the joint venture agreements for properties were capitalized in the year. The costs were written down to \$192,885 based on the ceiling test and the Reserve Report on the properties. In 2007 the Company also purchased its proportion of well equipment for approximately \$10,900.

There were no legal proceedings of any kind initiated by or against the Company. There were no contingent liabilities and no default under debt or other contractual obligations, other than the ones reported in the Related Party Transactions section below.

There have been no special resolutions passed by shareholders.

There were no financing activities in the current quarter.

Management continues to evaluate the Company's current oil and gas properties and potential operations on the properties, as well as continues to review and acquire mining opportunities that are well suited for the Company.

*Related Party transactions*

The following is a summary of amounts owing to directors and/or companies controlled by directors of the Company or companies with common directors. The amounts owing to the related parties are all unsecured, non-interest bearing and due on demand.

|  | October 31<br>2007 | Jan 31<br>2007 |
|--|--------------------|----------------|
| Due to a company controlled by a director                | \$ 11,483          | \$ 15,813      |
| Due to a company controlled by a director                | 9,847              | 6,563          |
| Due to a director of the company                         | 10,380             | 7,500          |
| Due to Magnum, a company with a common director (Note 4) | 250,717            | 234,829        |
|  | \$ 282,427         | \$ 264,705     |

During the nine months ended October 31, 2007, the Company incurred the following related party transactions:

- a) The Company paid \$22,500 (2006: \$22,500) for management services to Mont Blanc Capital Corp.
- b) The Company paid or accrued \$25,000 (2006: \$18,340) for accounting, consulting and administrative services to Q4 Financial Group Inc.

All above transactions with related parties are considered in the normal course of operations and in management's opinion undertaken with the same terms and conditions as transactions with unrelated parties.



## **Liquidity**

The Company has an accumulated deficit of \$8,150,628 and has a working capital deficiency of \$8,904 as at October 31, 2007. For the year ended January 31, 2007 the Company's working capital deficit was \$182,456 and its accumulated deficit was \$8,025,813.

Over the next twelve months, the Company will require substantial working capital to cover additional exploration costs, general and administrative expenses and consultants' fees. The expected sources of the funds are oil and gas revenues and financing by private placement offerings, as well as warrants and option exercises. The Company has incurred significant operating losses and its continued existence is dependent upon its operations' profitability and the continued support of its shareholders.

The financial statements have been prepared on the going concern basis of accounting, which assumes that the Company will continue for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. A failure to continue as a going-concern would require that stated amounts of assets and liabilities be reflected on a liquidation basis, which will differ from the going-concern basis.

*Additional information about the Company is available on SEDAR at [www.sedar.com](http://www.sedar.com).*