

**PALLADON VENTURES LTD.
MANAGEMENT DISCUSSION AND ANALYSIS**

For the year ending February 28, 2007

Prepared at June 28, 2007

The following discussion is management's assessment and analysis of the results and financial condition of Palladon Ventures Ltd. ("the Company") and should be read in conjunction with the audited financial statements for the fiscal year ending February 28, 2007, and related notes thereto. The preparation of financial data is in accordance with Canadian generally accepted accounting principles and all figures are reported in Canadian dollars unless otherwise indicated.

Certain statements in this discussion may constitute forward-looking statements, but no assurance can be given that these will prove to be correct, nor should they be unduly relied upon. Although the Company has attempted to take into account all important factors that could cause actual costs or results to differ materially, there may be other factors that cause costs of the Company's reported results not to be as intended.

Additional information on the Company is available on the Company website, www.palladonventures.com and at www.sedar.com.

1.2 OVERALL PERFORMANCE AND RESULTS OF OPERATIONS

Palladon is in the business of acquiring, exploring, and developing mineral resource properties worldwide. The project portfolio consists of gold exploration properties in Nevada, Utah, and Argentina. The Company holds interests in a copper development property in Beaver County, Utah, and the Iron Mountain project in southwestern Utah. During year ended February 28, 2007, the Company's primary focus was the further development of the Iron Mountain project with the goal of advancing towards commercial production.

Financial Performance

The Company's net loss for the year ending February 28, 2007 was \$9,699,863 or (\$0.22) per share compared with a net loss of \$4,894,719 or (\$0.17) per share for the year ended February 28, 2006. The main contributors to the continued loss are increased staff, increased travel, and purchase of engineering and equipment for the processing plant at Iron Mountain, Utah. For a small company like Palladon, stock options are an important means of attracting and retaining key personnel in a highly competitive market for experienced mining industry workers and employees. To this end, options were granted to our key people during the year.

The Company had a net working capital deficiency of \$(2,466,120) as at February 28, 2007, as compared to working capital deficiency of \$(1,769,496) at February 28, 2006. The decrease in working capital is a direct result of proceeds being spent on capital projects. The majority of these funds were utilized for the advancement of the Iron Mountain project in Utah, which became the focus of the Company's operations in the fiscal year ended February 28, 2007, and for regulatory, accounting, and administrative expenses.

The ability of the Company to continue as a going concern depends on its ability to develop profitable operations. To this end, the Company has been actively working to advance the key facets of its Iron Mountain project in order to secure further funding for the construction of plant facilities and the eventual commercial production of iron ore concentrates. The acquisition of the Iron Mountain property and completion of subsequent private placement financings were vital steps in the process of making the transition from a junior exploration company to the development of operations. These steps have placed the Company in a much stronger financial position than at February 28, 2006.

Iron Mountain Project

In the year ended February 28, 2007, the Company reduced exploration activities and expenditures in order for financial resources to be directed towards the development of the Iron Mountain project. The Iron Mountain project, located in Iron County, southwestern Utah, is held in a joint venture with New York-based private equity firm Luxor Capital Partners, LLC ("Luxor"), and operated through the Company's private subsidiary Palladon Iron Corp. ("PIC"). All costs of pre-commercial development in this fiscal year were capitalized into mine development in accordance with the Company's accounting policies.

During this fiscal year the Company's interest in PIC was increased from 41% to 44% after the Company realized credit for expenditures made on the Iron Mountain project. Luxor agreed to exercise its right to receive additional shares of PIC from the Company in lieu of US\$597,405 in outstanding interest on Luxor's US\$9,808,161 term loan to the Company. Interest on this loan is serviced in quarterly payments of US\$225,500.

During the period, PIC received US\$6.35 million in equity contributions from partners. These capital infusions funded further development work including the purchase and refurbishment of a 15.5'x23' ball mill, engineering for the concentrator circuit, electrical substation engineering, and equipment procurement.

The Company plans to build an iron milling facility ("the plant") consisting of a loading facility, a grinding circuit with a 15.5'x23' steel ball mill, and a two-stage magnetic separation circuit designed to produce magnetite concentrates, processing ore at an initial rate of two million metric tons per year. The plant will be housed in a 100'x150' steel-framed building, to be built near Geneva Steel's historic production facilities adjacent to the rail head at the mouth of the Comstock/Mountain Lion mine on Iron Mountain.

Projected capital costs are estimated at US\$38 million. The Company plans to secure this funding through a debt facility upon securing a letter of credit on the signing of a long-term sales contract. The Company also plans to double production capacity in year three of operations and has factored this expansion into the design of the plant. Capital costs for the expanded plant are expected to amount to US\$18 million, with major equipment estimated to carry an 18 to 24 month delivery time. The Company plans to fund this expansion through future operating cash flows. Production costs per ton are expected to decrease as a result of expanded production capacity. The Company intends to sell iron concentrate product into the Asian steel industry as pellet mill feed.

The Iron Mountain project is connected by rail to the Cedar City main line by a 14.6-mile spur line. The spur line requires gradual upgrades, which will be carried out over the course of the next three years.

Once operational, the Iron Mountain project will represent an excellent business opportunity for railway carrier and port facility partnerships. Potentially, PIC could become one of Utah's largest exporters of dry bulk material. Iron ore is considered to be a very favorable cargo due to the high density and low bulk, and it carries a low environmental impact profile. During the period, the Company commenced a study evaluating the cost of potential port facility upgrades and a study of environmental requirements at west coast ports. In addition, the Company also commenced a study on rail car designs to ensure compatibility with west coast port load-out facilities.

The Company plans to initiate mining activities in the open pit of the Comstock/Mountain Lion mine on Iron Mountain. Gilbert Development Corporation, Geneva Steel's mining operator at Iron Mountain, remains committed to providing mining, crushing, and loading services for the operation. It should be noted that the Company reached a production decision on the Iron Mountain project despite the absence of a recent NI-43-101 compliant resource study or feasibility study. The Company believes that the quantity and grade of iron resources in the Comstock/Mountain Lion mine is sufficient to justify the production decision, but there is a risk that the project has insufficient resources at an insufficient grade to support the recommencement of commercial operations. The Company believes that this risk is mitigated to some extent by the integrity of the previous operators' reporting standards, and the fact that the iron ore product has been commercially viable in the past. For additional information on the Iron Mountain project, please refer to the technical report authored by qualified person Mr. Rick Russell, dated September 15, 2005, at the following webpage: www.palladonmining.com/s/IronCounty.asp.

**Documented Historic Iron Resource Estimates
On Properties held by Palladon Iron Corp.
Iron Springs District, Iron County, Utah**

Deposit Area (Date of Document Reporting Estimate)	Open Pit Gross Tons & Grade (Tons Stockpiled)	Underground Gross Tons & Grade	Total Gross Tons & Grade	Stripping Ratio (Waste: Ore)	Est.% Deposit Drilled Out
Comstock/Mt. Lion (2001)*	20,337,297 @ 51.6% (12,896,257 @ 40.2%)	-	33,233,554 @ 47.4%	0.6:1	±95%
Rex (1961, 1962, 1975)	88,740,000 @ 39.1%	22,494,000 @ 47.8%	111,234,000 @ 40.9%	6:1	±90%
Homestake (1949, 1975)	3,630,000 @ 50.5%	5,800,000 @ 46.5%	9,430,000 @ 48.2%	5:1	+95%
A & B (1975)	-	18,000,000 @ 54.6%	18,000,000 @ 54.6%	-	±80%
Duncan (1989)	700,000 @ 45.7%	-	700,000 @ 45.7%	?	+95%
TOTAL EST. RESOURCE	125,303,554 @ 41.6%	46,294,000 @ 50.3%	172, 597,554 @ 44.0%		

* Classified as "Current Resource" per NI 43-101 Guidelines

On February 27, 2007, the Company was notified that a letter of intent had been signed between Luxor and the Jiangshu Shagang Group Co. Ltd. ("Shagang") of China, for the purchase of Luxor's entire stake in the iron concentrates portion of the PIC joint venture. An exclusivity period was granted until May 10, 2007. Shagang is China's largest private steel company, one of China's top five steel producers, and owns 7 kilometers of deep-water port, located in Zhangjiagang City, an Economic Development Zone on the Yangtze River.

Great Basin Gold Exploration

Palladon's Great Basin gold exploration portfolio consists of four Nevada properties (Caldera, Green Springs, Tobin, and Windermere), and two Utah properties (King's Canyon and New Butte), covering a total of 5,450 acres. Palladon originally acquired an option to earn an interest in the portfolio through an agreement signed in 2004 between Palladon and Genesis Gold Corp. On May 9, 2006, Palladon entered into an option agreement with Genesis Gold Corp. and Maestro Ventures Ltd. in which Maestro agreed to spend US\$5 million over five years to earn a 75% interest in the properties. Maestro, which shares a director with the Company, also agreed to immediately assume Palladon's property expenditures and agreed to an exploration budget of US\$1.2 million for the fiscal year ended February 28, 2007. Exchange approval was obtained on October 19, 2006, at which time Maestro issued 450,000 Maestro shares to Palladon. Palladon issued an additional 150,000 shares to Genesis Gold, and in return received a 100% interest in the property portfolio and was relieved of further exploration expenditures and share issuance obligations to Genesis Gold Corp.

Expenditures of US\$21,219.16 were incurred through May 2006, before the option agreement with Maestro was executed. The Phase One drilling program commenced on the Caldera property on January 27, 2007. The program included approximately 9,500 feet in 25 holes targeting historic intercepts and high-grade surface rocks on the northwest part of the property.

Argentina Exploration

The Company's Argentine interests were held under three different option agreements. The La Sarita property, in Salta, was held under option to Argentine Frontier (AFRI). The Taca Taca Alto (Tacalto) property, also in Salta province, was held under option to Minera Austral, S.A. The Company also holds a 51% interest in a portfolio of gold exploration properties in the Deseado Massif region of Patagonia, southern Argentina. This portfolio comprises the following properties: Laguna Guadalosa, Tres Hermanas, Gran Bajo, and Rio Deseado, all held in a joint venture with Deseado LLC. The option agreement on La Sarita was terminated on January 15, 2007. In the fiscal year ended February 28, 2007, the Company went into default on payment obligations on the Tacalto project and was in discussions to obtain extensions or a restructuring of the agreement at the end of the period. The Company has decided to sell or seek joint ventures for its remaining interests in the Patagonian property portfolio. Since the properties appear to be marketable at a price that exceeds carrying value, the Company does not plan to write these properties off at this time.

Utah Copper

On January 9, 2007, the company announced that Palladon's former option partner, Western Utah Copper Company (WUCC), exercised its option to purchase Palladon's interest in the Western Utah Copper Project for US\$3 million in cash, and US\$10 million payable as a 1% Net Smelter Royalty from copper produced from current "reserve properties" and a 2% Net Smelter Royalty from copper produced from newly discovered ore bodies. The US\$3 million received was paid to Luxor for debt reduction on the outstanding term loan which, at the end of the period, was US\$9,808,161.

1.3 SELECTED ANNUAL INFORMATION

Comparative Figures

Certain comparative figures for the year ended February 28, 2006 have been restated. Share purchase options for the acquisition of up to 405,000 shares at \$0.85 per share were not disclosed in 2006 resulting in an understatement of stock-based compensation expense of \$194,400. A transfer from contributed surplus to share capital in the amount of \$78,500 as a result of the exercise of share purchase options was also not recorded.

The Company recorded the cost of acquiring its interest in PIC at a deemed value equivalent to funding provided by Luxor and recorded the subscription of additional shares of PIC to match the contributions of Luxor. The Company did not complete the

subscription as intended nor did the parties agree on the deemed value. The proceeds from the sale of 50% of its original interest, which was previously recorded as non controlling equity interest in PIC has been reclassified as a recovery of the cost of acquiring the Iron Springs property. Also the non controlling interest's share of the operating losses of PIC in the amount of \$466,779 was not recorded.

As a result of the above corrections the carrying value of the Iron springs property decreased by \$3,513,000, the non controlling interest decreased by \$4,086,079, share capital increased by \$78,500, contributed surplus increased by \$115,900, and deficit and loss for the year decreased by \$78,680. The change in deficit and results of operations has been restated as follows:

Deficit, February 28, 2006, as previously stated	\$ (14,266,373)
Increase in stock based compensation	(194,400)
Decrease in foreign exchange gain	(193,699)
Non- controlling interest in share of losses	<u>466,779</u>
 Deficit, February 28, 2006, as restated	 <u>\$ (14,187,693)</u>

	Year		
	Restated Sec 1.3		
	28-Feb <u>2007</u>	28-Feb <u>2006</u>	28-Feb <u>2005</u>
Total Revenues	\$ -	\$ -	\$ -
Net loss for year	\$ (9,699,863)	\$ (4,894,719)	\$ (1,862,960)
Basic and diluted loss per share	\$ (0.22)	\$ (0.17)	\$ (0.08)
Total assets	\$ 22,437,873	\$ 28,025,732	\$ 8,706,945
Total long-term liabilities	\$ 11,390,217	\$ 14,631,900	\$ 734,250
Cash dividends per share	\$ -	\$ -	\$ -

1.4 RESULTS OF OPERATIONS

Year Ended February 28, 2007

The company's losses for the years ended February 28, 2007 and 2006 were \$9,699,863 and \$4,894,719 (as restated) respectively, an increase of \$4,805,144. A weakening of the US dollar against the Canadian dollar produced an unrealized loss of \$(931,693) (FY2/28/06 gain: \$1,079,825). There was an overall decrease in general and

administrative expenditure for the year of \$1,508,145. This decrease can be attributed mainly to reduced interest payments associated with the funding of the Iron Mountain project to its venture partner, Luxor Capital Partners, totaling \$1,644,046 (FY2/28/06: \$3,205,907). With increased activity occurring as the iron project continued to progress, salaries, benefits, and consulting fees rose marginally. Similarly, professional fees rose to \$405,961 (FY 2/28/06: \$275,577) for the year and travel and promotion increased to \$391,697 (FY2/28/06: \$342,463). Rent of \$136,111 (FY2/28/06: \$108,812) increased by \$27,299 due to additional corporate office space being taken up in the last quarter of the previous fiscal year. Tight monitoring of costs by management has kept expenditures to a minimum this financial year.

Additionally, expenditures of \$468,412 were incurred in Argentina. Properties worth \$1,554,518 were written off for the year. The losses are a reflection of the current status of the corporation as a non-revenue-producing company as no income is being generated at present.

As a result of the disposal of its direct interest in the Utah Copper project, the Company has written off the remaining carrying value by \$4,180,792 to a nominal value of \$10 during the year ended February 28, 2007.

1.5 SUMMARY OF QUARTERLY RESULTS

The following is a summary of the Company's financial results for the eight most recently completed quarters:

	2006				2005			
	Q4 Feb. 28	Q3 Nov. 30	Q2 Aug. 31	Q1 May 31	Q4 Feb. 28	Q3 Nov. 30	Q2 Aug. 31	Q1 May 31
Total revenues \$	-	-	-	-	-	-	-	-
Net loss before discounted operations and extraordinary items:								
Total	(9,399,643)	(782,184)	(843,786)	1,871,190	(5,032,424)	(576,874)	(832,251)	(818,838)
Per share	\$ (0.21)	\$ (0.02)	\$ (0.02)	0.05	\$ (0.17)	\$ (0.02)	\$ (0.01)	\$ (0.37)
Per share, fully diluted	\$ (0.21)	\$ (0.02)	\$ (0.02)	0.05	\$ (0.17)	\$ (0.02)	\$ (0.01)	\$ (0.37)
Net loss:								
Total	\$ (9,399,643)	\$ (782,184)	\$ (843,786)	1,871,190	(5,032,424)	(576,874)	(832,251)	(818,838)
Per share								
Per share, fully diluted	\$ (0.21)	\$ (0.02)	\$ (0.02)	0.05	\$ (0.17)	\$ (0.02)	\$ (0.01)	\$ (0.37)

1.6 LIQUIDITY

On February 28, 2007, the Company had \$135,936 in cash and \$22,437,873 in resource properties. The Company intends to continue exploration and development work in accordance with its planning and agreements. During the year the Company closed three private placements for total proceeds of \$7,752,473.

The Company has a working capital deficit of \$(2,466,119), compared to a deficit of \$(1,769,469) at February 28, 2006. All current obligations have been paid. Management, at the date of this report, is confident that sufficient funds will be available to continue with development, construction and production planning.

1.7 CAPITAL RESOURCES

The capital resources of the Company include resource properties, carried at \$22,437,873, which the Company is committed to develop in line with planned budgeted expenditure for the coming year and forward. The Company's intention is to commit additional funds for continuing development and exploration activities as they become available. (Refer to Section 1.16, Subsequent Events)

1.8 OFF BALANCE SHEET ARRANGEMENTS

There are no current commitments.

1.9 TRANSACTIONS WITH RELATED PARTIES

For the year February 28, 2007, the Company incurred the following transactions with related parties consisting of current and/or former directors of the Company or private companies controlled by them:

	Years ended February 28,	
	<u>2007</u>	<u>2006</u>
Legal	\$ 202,600	\$ -
Management fees	75,000	370,010
Rent	-	15,404
Salaries	<u>377,677</u>	<u>-</u>
Total	<u>\$ 655,277</u>	<u>\$ 385,414</u>

The charges were measured by the exchange amount which is the amount agreed upon by the transacting parties.

During the year ended February 29, 2007, the Company received 450,000 shares valued at \$144,000 of another public company with a director in common pursuant to an option agreement on mineral properties.

As of February 28, 2007, accounts payable included \$27,104 (2006: \$1,928) owing to related parties.

Amounts due to related party are unsecured, non-interest bearing and have no fixed terms

On December 18, 2006, Palladon Ventures Ltd. announced that it has entered into a shares-for-debt settlement agreement with George S. Young, a director of the Company, wherein the Company proposes to issue 2,290,597 common shares to Mr. Young at a deemed price of \$0.70 per share in satisfaction of funds advanced to the Company in the amount of \$1,603,418. The shares were issued on March 21, 2007 and are subject to a holding period of four months and one day.

Included as a Current Liability at February 28, 2007, is \$2,247,150 (February 28, 2006: \$1,603,418) due to related parties.

1.10 FOURTH QUARTER

The Company's loss for this Quarter was \$(9,399,643) due mainly to the write-off of properties in Argentina and Utah, increased salaries and administrative costs related to the increased activities on the Iron Mountain project and loss on foreign exchange. The Company is exposed to currency exchange rate risks to the extent of its operations in the United States and Argentina, but both countries are considered stable environments so the company does not maintain any hedge positions.

1.11 PROPOSED TRANSACTIONS

Proposed transactions relating to the Iron Mountain development include upgrading the 14.6 miles of rail to the mine site (\$2.3 million), design and construction of the processing plant (\$35 million), purchase or lease of 480 rail cars (\$39 million), and completion of the electrical power facilities (\$1.2 million). Management is currently negotiating suitable funding for all these capital expenditure and details will be released as they are finalized. (Refer Note 1.7)

Contractual obligations include an initial \$1.2 million to Gilbert Development Corporation to purchase crushing and mining equipment, and to mobilize for the construction of the crushing plant. This will only be executed should the plant financing be secured and mining is initiated. In addition, The Company has a commitment from Gilbert Development to provide mining and loading services as well as crushed feed for the grinding mill. Finally, Rocky Mountain Power (formerly Utah Power and Light) is to provide electrical switching for the power substation.

The Company entered into a lease for the Utah corporate offices with an option to extend. Annual lease payments required are as follows:

Year ended	February 28, 2007	\$108,570
	February 28, 2008	\$111,827
	February 28, 2009	\$115,162

To the best of its knowledge, management believes that it is in compliance with all the applicable laws and regulations, including environmental laws and regulations. As required by law, the Company carries a \$1.3 million Reclamation Bond for the Iron Mountain project.

1.12 CRITICAL ACCOUNTING ESTIMATES

A summary of significant accounting policies that are adopted by the corporation may be found in the Notes to Accounts, Notes 2 and 3, attached to the Financial Statement for the year ended February 28, 2007.

As stated, the Company is required to conform to the generally accepted Canadian accounting principles, which require management to establish accounting policies and to make estimates that affect both the amount and timing of recording of assets, liabilities, expenses and revenues when applicable. Therefore, judgments made regarding these estimates, by their nature, are inherently uncertain. Management regularly reviews all projects as a part of their ongoing process and this also requires estimates, which are subject to various risks and uncertainties, and may affect the expected values and expenditures of those properties. The Company defers the cost of acquiring and maintaining its interests, and of exploring and developing mineral properties, until such time as the properties are placed into production, abandoned, sold, or considered to be impaired in value. Costs of producing properties will be amortized on a unit-of-production basis and costs of abandoned properties will be written off. Proceeds received on the sale of interests in mineral properties will be credited to the carrying value of mineral properties, with any excess included in operations. Write-downs due to impairment in value will be charged to operations when written off.

1.13 CHANGES IN ACCOUNTING POLICY

There have been no changes in accounting policies for the year.

1.14 FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

The carrying value of the Company's financial instruments, consisting of cash, marketable securities, accounts receivable, accounts payable and accrued liabilities and due to related parties approximate their fair value due to the short-term maturity of such

instruments. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest or credit risks arising from these financial instruments. The carrying value of the loans receivable last year also approximated its fair value. The Company is exposed to fluctuations in foreign currencies through its operations in the United States and Argentina. The Company monitors this exposure, but has no hedge positions.

1.15 OTHER MD&A REQUIREMENTS

Additional information relating to the Company is on SEDAR at www.sedar.com.

Share Capital

Authorized:

Unlimited common shares without par value

		Number of <u>Shares</u>	<u>Amount</u>
Balance, February 28, 2006		31,977,109	20,287,413
For cash:			
Private placements	- at \$0.50	10,000,000	5,000,000
	- at \$0.55	5,004,497	2,752,473
Less: share issue costs		-	(1,052,471)
Exercise of broker options	- at \$0.50	278,602	139,301
Pursuant to mineral property agreements	- at \$0.38	150,000	57,000
Balance, February 28, 2007		47,410,208	\$27,183,716
Private placement	- at \$0.30	26,752,160	8,025,648
Debt settlement		2,290,597	1,603,418
Escrow cancelled		(35,500)	(37,500)
Balance, June 28, 2007		76,417,465	\$36,775,282

Escrow shares:

At February 28, 2007, \$ 37,500 (February 28, 2006: \$ 37,500) common shares are held in escrow subject to direction for their release by regulatory authorities.

Agent Options:

In connection with a private placement completed during the year ended February 28, 2007, the agents were granted an option to acquire 1,000,000 units at \$0.50 per unit up to March 31, 2008. Each unit consists of one common share and one share purchase warrant. Each warrant entitles the holder to purchase one common share at \$0.75 per share up to March 31, 2008. During the year 278,602 agent's options were exercised and at February 28, 2007 there were 721,398 agents' options outstanding.

Stock-based compensation

The Company may grant share purchase options to directors, officers or employees to acquire shares of the Company. Unless otherwise noted, the share purchase options vest when granted. Share purchase option activities for the years ended February 28, 2007 and February 28, 2006 are summarized as follows:

	Year ended 28-Feb-07		Restated - Sec 1.3 Year ended 28-Feb-06	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding, beginning of	2,240,000	\$0.69	1,590,000	-
Granted	1,570,000	\$0.45	1,540,000	\$0.75
Exercised	-	-	(890,000)	-
Cancelled	(450,000)	0.74	-	-
Expired	-	-	-	-
Outstanding, end of period	<u>3,360,000</u>	\$0.57	<u>2,240,000</u>	\$0.69
Exercisable, end of period	<u>3,360,000</u>		<u>2,240,000</u>	

At February 28, 2007, there were 3,360,000 employee and director share purchase options outstanding. Each option entitles the holder thereof the right to purchase one common share as follows:

Number of Options	Exercise Price	Expiry Date
400,000	\$0.45	September 9, 2008
50,000	\$0.80	November 26, 2008
100,000	\$0.50	October 22, 2009
100,000	\$0.70	October 22, 2009
350,000	\$0.75	April 21, 2010
180,000	\$0.85	August 8, 2010
450,000	\$0.75	August 29, 2010
160,000	\$0.75	October 11, 2010
*200,000	\$0.80	October 31, 2008
<u>1,370,000</u>	\$0.40	December 15, 2011
<u>3,360,000</u>		

*These options vest as to 25% every three months from their grant date of October 31, 2007; these options were cancelled subsequent to February 28, 2007, with none being exercised.

Share Purchase Warrants

Share purchase warrant activities for the years ended February 28, 2007 and 2006, are summarized as follows:

	Year ended February 28, 2007		Restated Sec 1.3 Year ended February 28, 2006	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding, beginning of year	3,202,322	\$0.68	6,261,187	-
Issued	12,780,851	\$0.74	2,967,492	-
Exercised	-	-	(2,306,747)	-
Expired	<u>(249,110)</u>	40.86	<u>(3,719,610)</u>	-
Outstanding, end of year	<u>15,734,063</u>	\$0.73	<u>3,202,322</u>	\$0.68

At February 28, 2007, the Company had 15,734,063 share purchase warrants outstanding. Each warrant entitles the holder to purchase one common share as follows:

<u>Number</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
283,867	\$0.86	March 15, 2007
40,925	\$0.86	July 21, 2007
40,949	\$0.86	July 22, 2007
106,838	\$0.86	August 8, 2007
62,389	\$0.86	October 6, 2007
61,107	\$0.86	October 19, 2007
2,357,137	\$0.62	September 23, 2007
10,000,000	\$0.75	March 31, 2008
278,602	\$0.75	July 13, 2008
700,000	\$0.70	July 20, 2008
<u>1,802,249</u>	\$0.70	August 31, 2008
<u>15,734,063</u>		

Additional Disclosure:

All current expenditures by the Company for exploration and development costs have been capitalized, as production has not yet begun on the properties. General and administrative costs are being expensed in the period they are incurred. A property-by-property breakdown of applicable expenses is shown in Schedule 1 of the Financial Statements for the year. The breakdown for the fiscal year ended February 28, 2006, is also included in Schedule 1.

1.16 SUBSEQUENT TO FEBRUARY 28, 2007:

The Company closed a non-brokered private placement announced March 6, 2007, and amended April 10, 2007. The private placement consisted of 26,187,410 units at a price of \$0.30 per unit for gross proceeds of \$7,856,223. Each unit consists of one common share plus one-half-of-one common share purchase warrant. Each whole warrant will entitle the holder to purchase one additional common share at a price of \$0.50 for a period of 24 months from closing. The shares are subject to a 4-month hold period expiring September 11, 2007. Palladon intends to use the net proceeds from the offering for working capital in the further development of the Iron Mountain project in southwestern Utah. The Company also paid a finder's fee of \$600,350 cash and 564,750 units with the same terms as the private placement.

On March 21, 2007, the Company issued 2,290,597 shares at \$0.70 per share to settle outstanding debt of \$1,603,418 to Company director Mr. George S. Young. These shares are subject to a hold period of four months and one day.

On April 19th, 2007, the company appointed Mr. Ronald O. Harma to the Board of Directors and Ms. Annjanine F. Etzel as Chief Financial Officer. Mr. Harma has over 40 years experience as a senior executive and minerals engineer with Cleveland-Cliffs Inc. and as an independent consultant. He has specialized in mine and plant operations, research and development, engineering and project management, and international project and business development in iron ore mining and processing and iron and steel. As an independent consultant since 2001 he has provided technical services, technical audits, due diligence studies, and SEC audits for clients in the Ukraine, Siberia, Brazil, and North America for iron ore, iron and steel, ferroalloys and industrial minerals. Ms. Etzel is a Certified Public Accountant and a lawyer, graduating with honors with a B.S. in Accounting from the University of Utah in 1982 and a law degree from the University of Utah, College of Law in 1985. She worked at Deloitte & Touche as a tax manager from 1985 until 1995 and in private practice from 1995 until July 2006, when she joined Palladon as Controller. Ms. Etzel was appointed interim CFO of the Company in September 2006. Ms. Etzel is based in Salt Lake City, Utah.

Share Capital

Authorized:

Unlimited common shares without par value

		Number of <u>Shares</u>	<u>Amount</u>
Balance, February 28, 2006		31,977,109	20,287,413
For cash:			
Private placements	- at \$0.50	10,000,000	5,000,000
	- at \$0.55	5,004,497	2,752,473
Less: share issue costs		-	(1,052,471)
Exercise of broker options	- at \$0.50	278,602	139,301
Pursuant to mineral property agreements	- at \$0.38	150,000	57,000
Balance, February 28, 2007		47,410,208	\$27,183,716
Private placement	- at \$0.30	26,752,160	8,025,648
Debt settlement		2,290,597	1,603,418
Escrow cancelled		(35,500)	(37,500)
Balance, June 28, 2007		76,417,465	\$36,775,282

At June 28, 2007, the Company had 28,826,276 share purchase warrants outstanding. Each warrant entitles the holder to purchase one common share as follows:

<u>Number</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
40,925	\$0.86	July 21, 2007
40,949	\$0.86	July 22, 2011
106,838	\$0.86	August 9, 2011
62,389	\$0.86	October 7, 2011
61,107	\$0.86	October 20, 2011
2,357,137	\$0.62	September 24, 2011
10,000,000	\$0.75	April 1, 2012
278,602	\$0.75	July 14, 2012
700,000	\$0.70	July 21, 2012
1,802,249	\$0.70	September 1, 2012
282,375	\$0.50	September 12, 2013
13,093,705	\$0.50	September 12, 2013
<u>28,826,276</u>		

On April 11, 2007, the Company announced that Shagang Steel ("Shagang") is nearing completion of their formal due diligence in the proposed purchase of Palladon's joint venture partner's fifty -percent interest in the Iron Mountain project.

The Taca Taca Alto option agreement terminated on April 18, 2007.

On June 21, 2007, the Company announced that a 5-year, renewable contract has been executed with Holcim Inc. for the sale of iron ore materials crucial to the cement manufacturing process. Iron ore material will be sold FOB the Comstock/Mountain Lion Mine at Iron Mountain, Utah, and trucked by Holcim to their 800,000-ton capacity Devil's Slide facility in Morgan, Utah. Holcim Ltd. is one of the leading global manufacturers and suppliers of cement, aggregates, and mineral components, operating in over 70 countries around the world and employing over 90,000 people. In the United States, Holcim Inc. is one of the largest suppliers of Portland and blended cements, operating 14 manufacturing plants and over 70 distribution facilities, supplying more than 14 million metric tons of cement and related materials annually.

1.17 DISCLOSURE CONTROLS AND PROCEDURES

In accordance with National Instrument 52-109 respecting certification of disclosure in issuers' annual and interim filings, the Chief Executive Officer and the Chief Financial Officer") have evaluated the effectiveness of the Company's disclosure controls and procedures for the year ended February 28, 2007. Management has concluded that the Company's disclosure controls and procedures provide reasonable assurance that (i) information required to be disclosed by the Company in its annual filings, interim filings or any other report filed or submitted by it under applicable securities legislation is recorded, processed, summarized and reported within the prescribed time periods, and (ii) material information required to be disclosed in the foregoing filings or reports is accumulated and communicated to the Company's management, including its Chief Executive Officer and the Chief Financial Officer to allow timely decisions regarding required disclosure.