

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

For the quarter ending August 31, 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 unaudited financial statements for the quarter ending August 31, 2007, and related notes thereto. The preparation of financial data is in accordance with generally accepted Canadian 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.

1.1 DATE OF REPORT: October 30, 2007

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, and Argentina, a royalty interest in a copper development property in Beaver County, Utah, and the Iron Mountain project in southwestern Utah. During the quarter ended August 31, 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 quarter ending August 31, 2007 was \$652,623 or (\$.009) per share compared with a net loss of \$323,472 or (\$.01) per share for the previous quarter. The main contributors to the continued loss are increased staff, increased travel, and expenditures on engineering services and equipment for the processing plant at Iron Mountain, Utah.

The Company had net working capital of \$3,816,904 as of August 31, 2007, as compared to working capital of \$5,304,634 as of May 31, 2007.

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.

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 are capitalized into mine development, in accordance with the Company’s accounting policies.

The Company plans to build an iron milling facility (“the plant”) consisting of a crushing circuit, a grinding circuit with a 15.5’× 23’ steel ball mill, a two-stage magnetic separation circuit, and a loading facility 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’× 150’ 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 estimated to amount to US\$22 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 continued a study evaluating the cost of potential port facility upgrades and a study of environmental requirements at west coast ports. 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.

Argentina Exploration

Expenditures were made to maintain these properties and keep them current. It is the intention to sell these properties such that the focus of the company will be on the iron Mountain project.

1.3 SELECTED ANNUAL INFORMATION

Not required for interim reports.

1.4 RESULTS OF OPERATIONS

Quarter ended August 31, 2007

Activities in this quarter continued with the Company's planned expansion of the Iron Mountain property. Expenditures on Iron Mountain during the quarter included additional geologic work, equipment purchases, substation installation services, and engineering services. Costs are closely monitored and variances from budgets are investigated to management's satisfaction.

1.5 SUMMARY OF QUARTERLY RESULTS

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

	2007				2006				2005	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3		
	31-Aug	31-May	28-Feb	30-Nov	31-Aug	31-May	28-Feb	30-Nov		
Total Revenues	\$	-	\$	-	\$	-	\$	-	\$	-
Net loss before discounted operations and extraordinary items:										
Total Revenues	\$	(652,623)	\$	(323,472)	\$	(9,399,643)	\$	(782,184)	\$	(843,786)
Per share	\$	(0.009)	\$	(0.01)	\$	(0.21)	\$	(0.02)	\$	(0.02)
Per share, fully diluted	\$	(0.009)	\$	(0.01)	\$	(0.21)	\$	(0.02)	\$	(0.02)
Net loss: Total	\$	(652,623)	\$	(323,472)	\$	(9,399,643)	\$	(782,184)	\$	(843,786)
Total Revenues										
Per share										
Per share, fully diluted	\$	(0.009)	\$	(0.01)	\$	(0.21)	\$	(0.02)	\$	(0.02)

1.6 LIQUIDITY

On August 31, 2007, the Company had \$4,117,928 in cash and \$24,270,785 in resource properties. The Company intends to continue exploration and development work in accordance with its planning and agreements.

The Company has net working capital of \$3,816,904 on August 31, 2007. All current obligations are paid in a timely manner. 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 \$24,270,785 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.

1.8 OFF BALANCE SHEET ARRANGEMENTS

There are no current commitments.

1.9 TRANSACTIONS WITH RELATED PARTIES

For the the quarter ending August 31, 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:

Quarter ended

	August 31,	
	<u>2007</u>	<u>2006</u>
Management fees	\$ 0	\$ 0
Rent	\$ 0	\$ 0
Salaries	<u>\$ 106,112</u>	<u>\$ 106,112</u>
Total	<u>\$ 106,112</u>	<u>\$ 106,112</u>

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

1.10 SECOND QUARTER

The Company's loss for this Quarter was \$(652,623) due to increased capital expenditures, 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 are variable in nature and will come as final plans for putting this property in to production are completed.

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 the quarter ending August 31, 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.

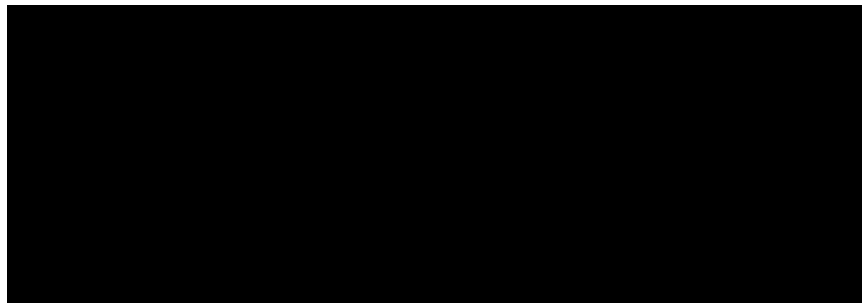
1.15 OTHER MD&A REQUIREMENTS

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

Share Capital

Authorized:

Unlimited common shares without par value



Agent Options:

In connection with a private placement completed in April, 2006 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 ended February 28, 2007, 278,602 agent's options were exercised and at August 31, 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 period ended August 31, 2007 and February 28, 2007, are summarized as follows:

	Six months ended August 31, 2007		Year ended February 28, 2007	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding, beginning of period	3,360,000	\$0.57	12,240,000	\$0.69
Granted			1,570,000	\$0.45
Exercised	-	-	(890,000)	-
Cancelled	(200,000)	\$0.80	(450,000)	\$0.74
Expired	-	-	-	-
Outstanding, end of period	<u>3,160,000</u>	\$0.57	<u>3,360,000</u>	\$0.57
Exercisable, end of period	<u>3,160,000</u>		<u>3,360,000</u>	

At August 31, 2007, there were 3,160,000 employee and director share purchase options outstanding. Each option entitles the holder thereof the right to purchase one common share as follows:

<u>Number of Options</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
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
<u>1,370,000</u>	\$0.40	December 15, 2011
<u>3,160,000</u>		

Share Purchase Warrants

Share purchase warrant activities for the periods ended August 31, 2007, and February 28, 2007, are summarized as follows:

	<u>Six months ended August 31, 2007</u>		<u>Year ended February 28, 2007</u>	
	<u>Shares</u>	<u>Weighted Average Exercise Price</u>	<u>Shares</u>	<u>Weighted Average Exercise Price</u>
Outstanding, beginning of year	15,734,063	\$0.73	3,202,322	\$0.68
Issued	13,376,080	\$0.50	12,780,851	\$0.74
Exercised	-	-	-	-
Expired	<u>(283,867)</u>	\$0.86	<u>(249,110)</u>	\$0.86
Outstanding, end of year	<u>28,826,276</u>	\$0.62	<u>15,734,063</u>	\$0.73

At August 31, 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, 2007
106,838	\$0.86	August 8, 2007
2,357,137	\$0.62	September 23, 2007
62,389	\$0.86	October 6, 2007
61,107	\$0.86	October 19, 2007
10,000,000	\$0.75	March 31, 2008
278,602	\$0.75	July 13, 2008
700,000	\$0.70	July 20, 2008
1,802,249	\$0.70	August 31, 2008
282,375	\$0.50	September 11, 2009
<u>13,093,705</u>	\$0.50	September 11, 2009
<u>28,826,276</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, 2007, is also included in Schedule 1.

1.16 SUBSEQUENT TO AUGUST 31, 2007:

Subsequent to August 31, 2007:

Share Purchase Warrants

At October 30, 2007, the Company had 26,156,931 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>
10,000,000	\$0.75	March 31, 2008
278,602	\$0.75	July 13, 2008
700,000	\$0.70	July 20, 2008
1,802,249	\$0.70	August 31, 2008
282,375	\$0.50	September 11, 2009
<u>13,093,705</u>	\$0.50	September 11, 2009
<u>26,156,931</u>		

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 quarter ended August 31, 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.