



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

**For the quarter ending August 31, 2008
Date of report: October 30, 2008**

The following Management Discussion and Analysis (MD&A) of Palladon Ventures Ltd. (“Palladon” or the “Company”) is intended to be read in conjunction with the Company’s accompanying unaudited consolidated financial statements for three month period ending August 31, 2008. The Company is a reporting issuer in the provinces of British Columbia and Alberta and its common shares are listed on the Toronto Venture Exchange under the symbol: PLL.

Additional information and public filings relating to the Company are available on the SEDAR website at www.sedar.com.

All financial information in this MD&A is prepared in accordance with the Canadian Generally Accepted Accounting Principles and all dollar amounts are expressed in Canadian dollars unless otherwise indicated.

Forward-Looking Information

Certain statements and expressions in this document are intended to identify forward-looking statements. Such forward-looking statements regarding the Company's plans, objectives, and goals are subject to risks and uncertainties which could cause actual results to differ materially from estimated results. The reader is cautioned that actual results, performance or achievements may be materially different from those implied or expressed in such statements.

Such risks and uncertainties include, but are not limited to, the Company's ability to raise sufficient capital to fund development, changes in general economic conditions or financial markets, changes in prices for the Company's mineral products or increases in input costs, litigation, legislative, environmental and other judicial, regulatory, political and competitive developments in countries where the Company operates, technological and operational difficulties or inability to obtain permits encountered in connection with our exploration and development activities, labor relations matters, and changing foreign exchange rates, which are described more fully in the Company's filings with Securities regulators.

Description of Business

Palladon is in the business of acquiring, exploring, and developing mineral resource properties worldwide. The Company holds a 100% interest in the Iron Mountain project under development in Iron County, Utah, and a 100% interest in a portfolio of five gold

exploration properties in Nevada and Utah. The Company also holds a royalty interest in a copper development property in Beaver County, Utah, and a portfolio of early stage exploration projects in Patagonia, Argentina.

The Company's priority is the redevelopment of the Iron Mountain project, last operated by Geneva Steel in 1996.

Financial Performance

The Company's net loss from operations for the quarter ending August 31, 2008, was \$1,592,145 or (\$.0113) per share compared to a loss of \$519,069 or (\$.007) per share for the previous quarter.

The main contributors to the continued loss during the quarter are increased travel, and expenditures on equipment for the crushing, stacking and loading facility at Iron Mountain, Utah. The Company had net working capital of \$13,281,818 as of August 31, 2008, as compared to working capital of \$3,816,904 as of May 31, 2008.

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.

Results of Operations

Quarter Ended August 31, 2008

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, environmental studies, engineering services, and the raising of capital to buyout the joint venture partner on the Iron Mountain project. Costs are closely monitored and variances from budgets are investigated to management's satisfaction.

Summary of Quarterly Results

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

	2008				2007			
	Q2 31-Aug	Q1 31-May	Q4 29-Feb	Q3 30-Nov	Q2 31-Aug	Q1 31-May	Q4 28-Feb	Q3 30-Nov
Total Revenues	\$ (1,592,145)	\$ (519,069)	\$ (393,157)	\$ (652,623)	\$ (323,472)	\$ (9,399,643)	\$ (782,184)	\$ (843,786)
Per share	\$ (0.113)	\$ (0.01)	\$ (0.01)	\$ (0.009)	\$ (0.01)	\$ (0.21)	\$ (0.02)	\$ (0.02)
Net loss: Total	\$ (1,592,145)	\$ (519,069)	\$ (393,157)	\$ (652,623)	\$ (323,472)	\$ (9,399,643)	\$ (782,184)	\$ (843,786)

Iron Mountain Project Overview

The Iron Mountain project, located in Iron County, southwestern Utah, was 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 Corporation (“PIC”).

In June, 2008, the Company announced that it reached a definitive agreement with its joint venture partner, Luxor Capital Partners (“Luxor”), to acquire Luxor’s interest in PIC. The transaction allows the Company to fully consolidate PIC under Palladon’s ownership and provides Palladon shareholders with 100% of the future economics in the Iron Mountain project.

The total purchase price paid to Luxor for their interest was US\$65M. The purchase price is comprised of US\$40M cash paid to Luxor at closing and a deferred seller payment of US\$25M due to Luxor 12 months after the closing. The long-term loan to Luxor held at February 29, 2008 for \$9.3M was rolled-into the financing at its current rate of interest. The deferred payment is fully secured by assets of PIC and will carry a blended interest rate of 11.6% with no prepayment penalty.

The Company conducted a private placement of 88,247,054 units at a price of CDN\$0.705 per Unit. Each Unit consists of one common share and one quarter (1/4) of one transferrable warrant. Each whole warrant is exercisable at CDN\$1.00 per warrant share for a period of eighteen (18) months from the closing date. The transaction closed on June 26, 2008.

PIC signed a 5-year contract with Gilbert Development Corp. to be the contract miner on the Iron Mountain project. Gilbert will perform all mining duties at the site with the major elements including drilling, blasting, crushing, screening, hauling, blending, conveying and stacking and railcar loading, based on the mine plan developed to meet the contract. Palladon personnel will oversee Gilbert’s operations and will conduct all operations for the mix of ores to be hauled to the stockpile, survey primary elevations of the benches, toe and crest limits for the mining pit, and percentage grade on all roads, based on permitting requirements.

PIC ultimately plans to build an iron ore milling facility (“the plant”) to produce high-grade iron ore concentrates at a rate of 2 million to 4 million tonnes per year. The Plant will consist of a crushing circuit, a grinding circuit with two 15.5’× 23’ steel ball mills, a two-stage magnetic separation circuit, and a loading facility designed to produce magnetite concentrates. 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. Initially PIC will sell run-of-mine ore assaying 55% Fe through a contract secured in April 2008 with China Kingdom International Minerals and Metals Co., Ltd. (CKI) of Beijing China and Rhoads, NSW.

The Iron Mountain project is connected by rail to the Cedar City main line by a 14.6-mile spur line. Safety upgrades have begun, and will be carried out gradually during over the course of the next three years.

Mining activities have begun in the open pit of the Comstock/Mountain Lion mine on Iron Mountain. Gilbert Development Corporation, Geneva Steel's mining operator at Iron Mountain, is 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. Palladon 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. PIC 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 Company's website at www.palladonventures.com. This report was updated June 18, 2008.

PIC received approval of the Amended Notice of Intention to Commence Large Mining operations from the Utah State Division of Oil, Gas and Mining. This approved the new dump designs and allows Palladon Iron Corporation to resume all mining activities.

PIC signed a contract to replace 4,280 feet of 90-lb. rail upgraded heavy duty 133-lb. rail and 5,400 ties on the existing 14.6 mile short-line from the mine load-out facility to the interchange tracks at Iron Springs. This will complete phase 1 of a three-phase program to replace all of the ties.

Palladon Iron has formed Palladon Iron Corporation Railroad ("PICR") to act as the operating company over the shortline railroad. PICR is a wholly-owned subsidiary of Palladon Iron. PICR and the Union Pacific Railroad ("UP") have signed a track lease contract for the "Comstock Subdivision" of the UP effective August 1, 2008. Through this agreement, PICR will be able to move all loaded and empty trains between the load-out facility at iron Mountain and the interchange tracks. To accomplish this, the short-line operator and PICR signed an operating Agreement to move all of the rail cars and to interface with the UP.

Argentina Exploration

As of the quarter ended August 31, 2008 these properties were written down to a nominal value with the intention to ultimately sell these properties such that the focus of the Company will be on the Iron Mountain project.

Liquidity

On August 31, 2008, the Company had \$13,678,711 in cash and \$26,171,823 in mineral properties. The Company intends to continue development work in accordance with its planning and agreements.

The Company has net working capital of \$13,281,818 on August 31, 2008. 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 to fulfill PIC's run-of-mine ore sales contract.

Capital Resources

The capital resources of the Company include resource properties, valued at \$26,171,823, which the Company is committed to develop in line with planned budgeted expenditures for the coming year and beyond. The Company's intention is to commit additional funds for continuing development and exploration activities as they become available.

Off-Balance-Sheet Arrangements

There are no current commitments.

Related Party Transactions

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:

	Three Months Ended	
	Aug 31, <u>2008</u>	Aug 31, <u>2007</u>
Salaries	\$ <u>93,333</u>	\$ <u>106,112</u>
Total	\$ <u>93,333</u>	\$ <u>106,112</u>

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

Second Quarter

The Company's loss for this Quarter was \$(1,592,145) due to increased interest paid on the Luxor loan, 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, but the country is considered a stable environment so the Company does not maintain any hedge positions.

Proposed Transactions

Maestro Ventures continues with its agreement to earn a 75 percent position in the Utah/Nevada gold properties by expending US\$5M over 5 years in property expenditures, geological assessment and drilling to further investigate the long-term viability of those properties.

Palladon Ventures continues to hold a US\$10M net smelter return on the Western Utah Copper properties.

Critical Accounting Estimates

A summary of the Company's significant accounting policies may be found in the Notes to Accounts, Notes 2 and 3, attached to the Financial Statements for the quarter ending August 31, 2008.

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. The Company capitalizes the costs of equipment being built or purchased until those assets are put into production. 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 down.

Changes in Accounting Policy

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

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 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.

Other MD&A Requirements

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

Share Capital Data

Authorized:

Unlimited common shares without par value

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 six months ended August 31, 2008 and the year ended February 29, 2008 are summarized as follows:

	Six months August 31, 2008		Year ended February 29, 2008	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding, beginning of period	2,835,000	\$0.57	3,360,000	\$0.57
Granted			600,000	\$0.40
Exercised	(200,000)	\$0.40	-	-
Cancelled	(30,000)	\$0.85	1,125,000	\$0.74
	(160,000)	\$0.75		
	(440,000)	\$0.40		
Outstanding, end of period	<u>1,805,000</u>	\$0.62	<u>2,835,000</u>	\$0.57
Exercisable, end of period	<u>1,805,000</u>		<u>2,835,000</u>	

At August 31, 2008, there were 1,805,000 employee, director and agent's 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
100,000	\$0.45	September 8, 2008
50,000	\$0.80	November 26, 2008

300,000	\$0.75	April 21, 2010
150,000	\$0.85	August 8, 2010
125,000	\$0.75	August 29, 2010
480,000	\$0.40	December 15, 2011
<u>600,000</u>	\$0.40	November 5, 2012

1,805,000

Share Purchase Warrants

Share Purchase Warrants

At August 31, 2008, the Company had 35,219,872 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>
10,250,080	\$0.50	September 11, 2009
<u>22,061,819</u>	\$1.00	December 26, 2009
<u>32,311,819</u>		

Additional Disclosure

Additional disclosure relating to the Company's general and administrative expenses and resource property costs is provided in the Company's Consolidated Statement of Operations and Deficit contained in its consolidated Financial Statements for February 29, 2008, available on the Company website at www.palladonventures.com and on the SEDAR website at www.sedar.com.

Subsequent Events

Subsequent to the close of this quarter ended August 31, 2008, significant milestones have been achieved. These events will have a significant impact on the future financial conditions of the Company.

Palladon Iron Corporation initiated mining operations on September 11, 2008 for the first time since 1996. The first run-of-mine iron ore which will be sent to China was mined at the 6350 and 6400 bench levels and moved to the crusher pad. Mining operations are

currently at 5,000 tons per day and will increase to 6,000 tons per day once full operation is reached.

The upgrade of the track from the mouth of the mine to Iron Springs was completed and the first rail cars were moved along the track into position for loading once shipment commences.

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, 2008. 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.