

Preliminary Information

The following Management Discussion and Analysis ("MD&A") of Palladon Ventures Ltd. ("Palladon" or the "Company") should be read in conjunction with the Company's accompanying unaudited consolidated financial statements for the three months ended May 31, 2009 and 2008 and the related notes contained therein. In addition, the following should be read in conjunction with the audited consolidated financial statements for the year ended February 28, 2009 and the related MDA. The Company is a reporting issuer in the provinces of British Columbia and Alberta, and its common shares are listed on the TSX Venture Exchange under the symbol: PLL.

All financial information in this MD&A is prepared in accordance with Canadian generally accepted accounting principles ("CAD GAAP"), and all dollar amounts are expressed in Canadian dollars unless otherwise indicated.

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

Cautionary Note Concerning Forward-Looking Statements

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 and pay-off debt, 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, logistic matters concerning material flow and storage, technological and operational difficulties or inability to obtain permits encountered in connection with 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

Overview

Through its wholly-owned subsidiary Palladon Iron Corporation ("PIC"), Palladon is in the business of developing the Iron Mountain ("Iron Mountain") iron ore project located west of Cedar City, Utah. The Company's highest priority is the redevelopment of the Iron Mountain Project. The Company believes that at the present time it will be difficult to profitably ship run-

of-mine ("ROM") ore as originally envisioned. Therefore Palladon is pursuing a strategy to upgrade its iron ore to concentrate or alternative iron units ("AIU").

Mormon pioneers discovered the area's iron deposits in 1849, and began furnace operations in 1852. Previous operators include Columbia Iron Mining Company (subsidiary of US Steel), Colorado Fuel and Iron Corporation and Geneva Steel. Eighty million metric tons of iron ore were produced from the district from about 1869 through the most recent mining period, which ceased in 1996. Palladon Iron Corp. was founded in 2005 as a private operating subsidiary of Palladon Ventures Ltd. to develop the Iron Mountain Project. With excellent access to the project via highways and a rail spur, Iron Mountain is positioned to become the major source of iron ore and value-added iron products in the western United States.

Iron Mountain is wholly-owned by Palladon Iron Corporation, which is in turn wholly-owned by Palladon Ventures Ltd. Until June 26, 2008, PIC was jointly owned by Palladon and the New York-based private equity firm Luxor Capital Partners, LLC ("Luxor").

On June 26, 2008 Palladon acquired Luxor's interest in PIC. This acquisition allowed the Company to fully consolidate PIC under Palladon ownership and provides Palladon shareholders with 100% of the future economics in the Iron Mountain Project.

Palladon paid US\$65 million for Luxor's 56% ownership of PIC. The purchase price consisted of US\$40 million in cash paid to Luxor at closing, as well as a US\$25 million deferred seller note due to Luxor on June 26, 2009, twelve months after closing. The deferred seller note bears interest at an 11.6% annual rate. An already existing loan from Luxor in the amount of US\$8.9 million was combined with the PIC financing. Both loans are secured by the assets and equity of PIC. The total amount of principal and interest payable to Luxor on June 26, 2009 is US\$37.0 million. On June 26, 2009 Palladon and Luxor negotiated an extension of this debt. Refer to the Subsequent Events below.

To fund the PIC purchase, the Company conducted a private placement of 87,375,169 units at a price of CDN\$0.70 per unit (871,885 additional units were paid to underwriters as a partial commission). 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 months from the closing date.

On April 1, 2008 PIC signed a five-year contract with China Kingdom International ("CKI") to sell run-of-mine ore assaying 55% Fe (iron) for use in steel mills in China. This contract led Palladon to accelerate development of the Iron Mountain Project.

Effective June 1, 2008 PIC hired Gilbert Development Corp. as the contract miner for the Iron Mountain Project. The 5-year contract was based upon the mine plan developed to meet the CKI contract. Gilbert was to perform all mining duties at the site, including drilling, blasting, crushing, screening, hauling, blending, conveying, stacking and railcar loading. Palladon personnel were to oversee Gilbert's operations.

Palladon Ventures Ltd.
Management's Discussion and Analysis
For the Three Months Ended May 31, 2009
(Expressed in Canadian dollars unless otherwise noted) Date of Preparation: August 10, 2009

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 allowed Palladon Iron Corporation to resume mining activities.

Palladon initiated mining at Iron Mountain in September, 2008. The Company had planned to use profits from shipping ROM ore under the CKI contract to fund an iron ore concentrate facility. However, Palladon was unable to secure a viable port through which to ship the ROM ore. This, plus a significant decrease in iron ore prices since the CKI contract was signed, led the Company to cease mining operations at Iron Mountain in June 2009. Refer to the Subsequent Events below.

The Company reached its initial production decision on the Iron Mountain Project despite the absence of a recent National Instrument 43-101 ("NI 43-101") compliant resource study or feasibility study. Palladon believed that the quantity and grade of iron resources in the Comstock/Mountain Lion (CML) mine was sufficient to justify development of Iron Mountain. However, there was a risk that the Project had insufficient resources at an insufficient grade to support the recommencement of commercial operations. The Company believed that this risk was 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.

On August 7, 2009, Palladon announced the first NI 43-101 compliant mineral resource estimate for CML. The indicated mineral resource estimate totals 40.35 million short tons, at a grade of 46.09% Fe (iron). See further discussion below in the section entitled "First quarter ended May 2009."

The Iron Mountain Project is connected by an existing 14.6-mile rail spur line to the Union Pacific main line interchange tracks at Iron Springs. During the year ended February 28, 2009 PIC completed Phase 1 of a three-phase track safety upgrade program, which replaced 5,400 wood ties with cement ties, and 4,280 feet of 90-lb. rail with heavy duty 133-lb. rail. Subject to the Company raising additional funding, the plan is to implement Phases 2 and 3 gradually during the next three years.

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

Iron Mountain Project Developments

First Quarter Ended May 31, 2009

As noted above, early in April 2008 Palladon signed a contract to ship ROM ore. However notwithstanding significant efforts, the Company was unable to secure a port from which to ship ROM ore. Depressed iron ore prices further contributed to the Company's inability to profitably ship ore. The previous CEO and CFO resigned during March, 2009.

Recognizing the challenges of profitably shipping ROM ore, new Palladon management, at the direction of the Board of Directors, immediately began exploring other options with respect to maximizing the value of Iron Mountain.

To this end the Company commissioned SRK Consulting (US) Inc. ("SRK") to evaluate the Iron Mountain Project. SRK was specifically engaged to define and upgrade the resource, and to complete a Canadian Institute of Mining and Metallurgy (CIM) NI 43-101 technical report on the merits of mining CML and the stockpile. SRK's commission primarily comprised the following areas:

- Mineral & Surface Land Tenure
- Geology & Resources
- Mining
- Geotechnics
- Process
- Infrastructure
- Environmental Management & Permitting
- Technical Economic Models

One significant aspect of SRK's involvement was to direct a drilling campaign to confirm the historic drilling previously conducted by a subsidiary of US Steel and by Consolidated Fuel and Iron. On August 7, 2009, Palladon announced the first NI 43-101 compliant mineral resource estimate for CML. The indicated mineral resource estimate totals 40.35 million short tons, at a grade of 46.09% Fe (iron).

This resource estimate is an important component of the Preliminary Economic Assessment ("PEA"), which assesses the technical and economic merits of various development options for the Comstock Mountain Lion deposit and stockpiles. Palladon will file a NI 43-101 PEA within 45 days of August 7, 2009. If the Company can raise US\$5 million of additional funding by October 15, 2009 (see Subsequent Events below), it will continue to work with SRK to complete a feasibility study for the Iron Mountain Project by Q2 2010.

As part of the eventual feasibility study, SRK is analyzing the following:

- Option A – Concentrate (67% Iron “Fe”) Only. A concentrating plant utilizing industry proven mineral processing procedures, principally magnetic separation and flotation.
- Option B – Nugget (at 98% Fe) Plant. The chosen technology for the Nugget making process is Midrex's ITmk3 process technology.
- Option C – Direct Reduced Iron (91% Fe) (DRI). Common iron industry process where lump iron oxide pellets and/or lump iron ore are reduced (oxygen removed) by a reducing gas, producing DRI.

The feasibility study will settle on one optimal plan with respect to details including:

- The form of upgraded iron product
- Annual quantity of finished product
- Estimated capital costs
- Estimated mine life
- Estimated economic returns

Additional Disclosure for Venture Issuers

Other than immaterial quantities of iron ore sold to a local company, the Company has not generated any revenue from operations in the two fiscal years ended February 28, 2009, nor for the current year to date interim period. These immaterial iron ore sales are recorded as a reduction of carrying value in the Mineral Property section of the Iron Mountain Project. All of Palladon's expenditures during the current year to date period were focused on developing Iron Mountain to ship ROM iron ore.

There were no Equipment additions during the quarter ended May 31, 2009.

The Company's contract mine operator primarily conducted a pre-stripping program during the first quarter, moving large amounts of waste rock from the Comstock/Mountain Lion (CML) pit. This pre-stripping program constitutes a significant \$1.4 million portion of the Mineral Property expenditures. Other significant Mineral Property additions during the quarter related to the SRK Consulting effort, the benefit of which should accrue to the Company by solidifying the set of development scenarios outlined above, with which the Company will then try to raise additional financing. See Subsequent Events below.

Financial Results

Results of Operations for the Three Months Ended May 31, 2009 Compared with the Three Months Ended May 31, 2008

For the three months ended May 31, 2009 the Company realized a Net Gain of \$2.8 million (2008 – Net Loss of \$664 thousand). The net gain for the quarter results from a \$5.4 million gain on foreign exchange. Other items affecting the quarter are as follows:

Palladon Ventures Ltd.
Management's Discussion and Analysis
For the Three Months Ended May 31, 2009
(Expressed in Canadian dollars unless otherwise noted) Date of Preparation: August 10, 2009

- Amortization increased to \$309 thousand from \$5 thousand last year, as a result of significant equipment additions during the fiscal year ended February 28, 2009.
- Interest expense increased to \$1.1 million from \$219 thousand, due to the incremental debt resulting from the purchase of the PIC non-controlling interest during the year ended February 28, 2009.
- Office and administration expense increased to \$345 thousand during the current quarter, from \$84,000 in the previous year first quarter. Significant expenditures during the quarter include \$111 thousand for liability insurance and \$86 thousand for sampling-related expenses from the Iron Mountain drilling program.
- Salaries and benefits increased to \$489 thousand from \$221 thousand. Overlapping expenditures to previous and current management, plus directors' fees, contributed to the increase. This expense category should decrease in future quarters, due to reductions in personnel that occurred during the quarter.

The ability of Palladon to continue as a going concern depends upon its ability to develop and profitably operate the Iron Mountain Project, as well as to raise a minimum of US\$5 million by October 15, 2009. Refer to the "Subsequent Events" section below.

Summary of Quarterly Results

Financial results for the eight most recently completed quarters:

(\$000, except per share)	2009	2009 QUARTER ENDED				2008 QUARTER ENDED		
	Q1 May 31	Q4 February 28	Q3 November 30	Q2 August 31	Q1 May 31	Q4 February 29	Q3 November 30	Q2 August 31
Revenue	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Net gain (loss) for the period	\$2,780	(\$3,316)	(\$5,955)	(\$4,235)	(\$664)	(\$2,561)	(\$450)	(\$687)
Basic and diluted net gain (loss) per share	\$0.02	(\$0.02)	(\$0.04)	(\$0.03)	(\$0.01)	(\$0.03)	(\$0.01)	(\$0.01)

The \$2.78 million gain during the May 31, 2009 quarter reflects a significant foreign exchange gain.

Liquidity and Capital Resources

Liquidity

The Company had cash of \$4.2 million as of May 31, 2009, and has approximately US\$2.0 million as of the date of this report. The Company had a net working capital deficit of \$37.2 million at May 31, 2009, including Loans Payable as a current liability. The net working capital deficit at February 28, 2009 was \$38.6 million.

Palladon has US\$37.0 million of principal and interest due to Luxor on June 26, 2009. On June 26, 2009, US\$37.3 million total amount of principal and interest due to Luxor was extended until

October 15, 2009. Further extension through December 2010 is conditioned on the Company raising a minimum of US\$5 million in equity capital by October 15, 2009. This new capital will be used to fund feasibility study expenditures and general corporate expenses through December 2010. (See Subsequent Events). There can be no assurance that Palladon will be able to raise the required US\$5 million.

Capital Resources

The capital resources of the Company include mineral properties carried at \$29.9 million, which the Company is committed to develop. The Company's intention to commit additional funds is contingent on raising US\$5 million of equity capital by October 15, 2009 (See Subsequent Events).

Share Capital Data

As of August 10, 2009 the Company had the following items issued and outstanding:

- 168,964,132 common shares
- 150,000 options to purchase common shares with a weighted average exercise price of \$0.40, expiring October 31, 2012
- 22,061,739 share purchase warrants with a weighted average exercise price of \$1.00, expiring December 26, 2009

Commitments

- During the quarter ended May 31, 2008, Palladon Iron Corporation signed a five-year contract with China Kingdom International (CKI) and its Australian subsidiary, China Kingdom International Australia. The contract provided for the sale of run-of-mine (ROM) iron ore at an initial annual quantity of 2,000,000 metric tonnes per year. Pricing was fixed through March 31, 2009 at US\$70 per metric tonne, and was to adjust for future annual periods based on changes in the World Benchmark prices for iron ore. The contract price quoted freight on board ("FOB") west coast U.S. port, with CKI responsible for all ocean-going freight including the contracting and scheduling of ocean vessels.

The decrease in iron ore prices and the Company's inability to contract a port through which to ship ore left Palladon with no profitable options to ship ROM ore. Palladon continues to discuss the situation with CKI.

- The Company has entered into a five-year lease ending April 30, 2014 for office premises located in Salt Lake City, Utah. First year rent is US\$9,888 per month, increasing annually thereafter at an inflation factor, to \$11,129 per month in the final year.

Palladon Ventures Ltd.
Management's Discussion and Analysis
For the Three Months Ended May 31, 2009
(Expressed in Canadian dollars unless otherwise noted) Date of Preparation: August 10, 2009

- The Company has entered into an agreement to supply, if requested, a minimum of 12,000 tons of iron ore per year over a four-year term ending December 31, 2011.
- PIC entered into a contract dated June 1, 2008 with an independent mining contractor whereby the contractor agreed to mine and process iron ore at the Iron Mountain Project until May 31, 2013. Under the contract terms, PIC agreed to a fixed rate per ton for the amount of ore mined and loaded, subject to a minimum standby fee of US\$500,000 per month. The rates are subject to a 2% annual increase after the first year.

Subsequent to May 31, 2009 the contractor agreed to waive the standby fee in exchange for retention of any unused advances received (See Schedule 1), plus the transfer from PIC to the contractor of certain equipment having a net carrying value of US\$190,000.

- To the best of its knowledge, management believes that it is in compliance with all applicable laws and regulations, including environmental laws and regulations. As required by law, the Company has provided a Reclamation Bond and cash to provide a total of US\$1,426,000 as security for future reclamation work on the Iron Mountain property.

Off-Balance Sheet Arrangements

There are no current commitments.

Transactions with Related Parties

	Three months ended May 31,	
	2009	2008
Consulting fees	\$54,267	\$3,000
Directors' fees	30,378	
Salaries and benefits	161,315	98,636
Total	\$245,960	\$101,636

During the three months ended May 31, 2009 the Company paid consulting fees to a director, a former CPA with major accounting firm experience, as follows:

- To reconstitute the financial reporting and accounting function,
- To amend and restate three prior interim period financial statements and the related Management, Discussion and Analysis disclosure statements, and
- To close the books and prepare financial statements for the annual audit; to work with the outside audit firm to complete the annual audit for the period ended February 28, 2009.

Monthly directors' fees were paid for services rendered. Current period salaries and benefits include salary and final payments to the previous CEO and CFO.

Subsequent Events

In anticipation of shipping ore, Palladon Iron Corporation initiated commercial mining operations at Iron Mountain on September 11, 2008. A small amount of iron ore was mined and stockpiled. Unfortunately conditions in the global iron ore industry experienced a precipitous decline coincident with this commencement of mining operations. The Company's inability to secure a viable port facility through which to ship, combined with depressed iron ore prices, left the Company unable to profitably ship ROM ore. Although global conditions have since stabilized, current iron ore prices remain significantly below year earlier levels. Therefore, in June 2009 Palladon ceased mining operations at Iron Mountain until such time as the Company can profitably ship ROM ore or is in the position to further develop the mine.

On June 26, 2009 Palladon announced that it had executed an agreement (the "Extension Agreement") with Luxor Capital Group, LP ("Luxor"), to extend the term of the Company's two loans payable to Luxor in the aggregate amount (including principal, capitalized accrued interest and fees) of approximately US\$37.3 million (the "Luxor Loans"), which loans were otherwise payable in full on June 26, 2009. The agreement extends the maturity of the loans payable until October 15, 2009. A second extension of the loans until December 31, 2010 is contingent on the Company raising a minimum of US\$5 million in equity capital during the first extension period.

On August 7, 2009 Palladon announced the first National Instrument 43-101 ("NI 43-101") compliant mineral resource estimate for its Comstock Mountain Lion ("CML") deposit at the Iron Mountain Project in southwest Utah. The indicated mineral resource estimate totals 40.35 million short tons, at a grade of 46.09% Fe (Iron).

As noted previously, this compliant resource estimate is an important component of the Preliminary Economic Assessment ("PEA"), which assesses the technical and economic merits of various development options for the Comstock Mountain Lion deposit and stockpiles. Palladon will file a NI43-101 PEA within 45 days of August 7, 2009. The PEA Report will allow the Company to accelerate discussions involving near-term financing and strategic options for the Project.

If the Company can raise US\$5 million of additional funding by October 15, 2009 (see Subsequent Events below), it will continue to work with SRK to complete a feasibility study for the Iron Mountain Project by Q2 2010.

The Company also continues to explore near and intermediate-term shipping options that would provide cash flow to the Company.

Additional Disclosure

Additional disclosure relating to the Company's general and administrative expenses and resource property costs is provided in the Palladon Ventures Ltd. "Report and Consolidated Financial Statements" for the year ended February 28, 2009, available on the Company website at www.palladonventures.com and on the SEDAR website at www.sedar.com.

Critical Accounting Estimates

There are no critical accounting estimates.

Changes in Accounting Policy

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

Disclosure Controls and Procedures

In connection with National Instrument 52-109 (Certificate of Disclosure in Issuer's Annual and Interim Filings) ("NI 52-109"), the Chief Executive Officer and Chief Financial Officer of the Company have filed a Venture Issuer Basic Certificate with respect to the financial information contained in the Unaudited Interim Consolidated Financial Statements and this accompanying Interim MD&A (together the "Interim Filings").

In contrast to the full certificate under NI 52-109, the Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting, as defined in NI 52-109. For further information the reader should refer to the Venture Issuer Basic Certificates filed by the Company with the Annual Filings on SEDAR at www.sedar.com.

Significant Accounting Policies

The financial statements of the Company have been prepared in accordance with generally accepted accounting principles in Canada and are stated in Canadian dollars. Because a precise determination of many assets and liabilities is dependent on future events, the preparation of financial statements for a period necessarily involves the use of estimates that have been made using careful judgment. Actual results may differ from these estimates. The financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the significant accounting policies summarized below:

a) Principles of Consolidation

These financial statements include the accounts of the Company and its U.S. subsidiaries Palladon Iron Corporation ("PIC") and PIC Railroad Inc. ("PICR"). PIC was incorporated as a wholly-owned subsidiary in Utah on April 6, 2005 and holds the Iron Mountain mineral

properties. During the year ended February 28, 2006, the Company sold 50% of its interest in PIC and at February 29, 2008 held 44% (2007:44%) of its issued shares. During the quarter ended August 31, 2008 the Company purchased the 56% of PIC that it did not own, thereby establishing 100% ownership. PICR was incorporated during the year ended February 28, 2007 as a wholly-owned subsidiary of PIC.

b) Equipment and Amortization

Equipment is recorded at cost. The Company provides for amortization using the following rates:

Building	10% declining balance
Mining equipment – long lived	20% declining balance
Mining equipment	30% declining balance
Office furniture and equipment	30% declining balance

Additions are amortized at one-half the normal rate during the year of acquisition. Plant and equipment under construction is not amortized until construction is complete and the assets are available for use.

c) Mineral Properties

The Company defers the cost of acquiring, maintaining its interest, exploring and developing its mineral properties until such time as the property is placed into production, abandoned, sold or considered to be impaired in value. When operational, mineral property will be amortized on a unit of production basis. Proceeds received on the sale of interests in mineral properties and incidental sales are credited to the carrying value of the mineral properties, with any excess included in operations. Write-downs due to impairment in value are charged to operations.

The Company is in the process of exploring and developing its mineral properties and has not yet determined the amount of reserves available. Management reviews the carrying value of mineral properties on a periodic basis and will recognize impairment in value based upon current exploration results, the prospect of further work being carried out by the Company, the assessment of future probability of profitable revenues from the property or from the sale of the property. Amounts shown for properties represent costs incurred net of write-downs and recoveries, and are not intended to represent present or future values.

d) Basic and Diluted Gain (Loss) Per Share

Basic gain (loss) per share is computed by dividing the gain (loss) for the year by the weighted average number of common shares outstanding during the year. Diluted gain (loss) per share reflects the dilution that could occur if potentially dilutive securities were exercised or converted to common stock. The dilutive effect of options and warrants and their equivalent is computed by application of the treasury stock method. Common equivalent shares (consisting of shares

issuable on the exercise of common stock options and warrants) totalling 23,091,739 as of May 31, 2009 (February 28, 2009: 33,341,819) were not included in the computation of diluted gain (loss) per share because the effect was anti-dilutive.

e) Income Taxes

The Company uses the asset and liability method of accounting for income taxes. Under this method, current income taxes are recognized for the estimated income taxes payable for the current period. Future income tax assets and liabilities are recognized for temporary differences between the tax and accounting basis of assets and liabilities as well as for the benefit of losses available to be carried forward to future years for tax purposes only if it is more likely-than-not that they can be realized.

f) Foreign Currency Translation

Monetary items denominated in a foreign currency are translated into Canadian dollars at exchange rates prevailing at the balance sheet date and non-monetary items are translated at exchange rates prevailing when the assets were acquired or obligations incurred. Foreign currency denominated revenue and expense items are translated at exchange rates prevailing at the transaction date. Gains or losses arising from the translations are included in operations.

g) Stock-based Compensation

The Company accounts for all grants of options to employees, non-employees and directors in accordance with the fair value method for accounting for stock-based compensation. Compensation expense for employees is generally amortized using the straight line method over the period from the grant date to the date the options vest. Compensation expense for non-employees is recognized immediately for past services and pro-rata for future services over the service provision period. Compensation for non-employees is re-measured at each balance sheet date until the earlier of vesting date or the date of completion of the service. Upon exercise of share purchase options, the consideration paid by the option holder, together with the amount previously recognized in contributed surplus, is recorded as an increase to share capital.

h) Asset Retirement Obligations

The fair value of obligations associated with the retirement of tangible long-lived assets is recorded in the period the asset is put into use, with a corresponding increase to the carrying amount of the related asset. The obligations recognized are statutory, contractual or legal obligations. The liability is accreted over time for changes in the fair value of the liability through charges to accretion, which is included in depletion, depreciation and accretion expense. The costs capitalized to the related assets are amortized in a manner consistent with the depletion and depreciation of the related asset. At May 31, 2009 and February 28, 2009, the Company did not have any asset retirement obligations.

i) Impairment of Long-lived Assets

Canadian generally accepted accounting principles require that long-lived assets and intangibles to be held and used by the Company be reviewed for possible impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If changes in circumstances indicate that the carrying amount of an asset that an entity expects to hold and use may not be recoverable, future cash flows expected to result from the use of the asset and its disposition must be estimated. If the undiscounted value of the future cash flows is less than the carrying amount of the asset, impairment is recognized. Except as provided, management believes there has been no impairment of the Company's long-term assets at May 31, 2009.

j) Comprehensive Income

Comprehensive income includes both net gain (loss) and other comprehensive income ("OCI"). OCI is the change in shareholders' equity from non-owner sources which is not included in the calculation of net gain (loss) until realized. Cumulative changes in OCI are included in Accumulated Other Comprehensive Income ("AOCI"), which is presented as a new category of shareholders' equity on the balance sheet. The Company had no OCI transactions during the quarter ended May 31, 2009 or the year ended February 28, 2009, and neither opening nor closing balances for AOCI.

k) Financial Instruments Recognition, Measurement, Disclosure and Presentation

All financial instruments are classified into one of these five categories: held-for-trading, held-to-maturity investments, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments and derivatives are measured on the trade date at fair value upon initial recognition. Subsequent measurement depends on the initial classification of the instrument. Held-for-trading financial assets are measured at fair value, with changes in fair value recognized in net earnings (loss). Available-for-sale financial instruments are measured at fair value, with changes in fair value recorded in OCI until the instrument is derecognized or impaired. Loans and receivables, held-to-maturity investments and other financial liabilities are measured at amortized cost. All derivative instruments, including embedded derivatives, are recorded in the balance sheet at fair value unless they qualify for the normal sales and purchases exemption. Changes in the fair value of derivatives that are not exempt are recorded in the statement of operations. Transaction costs on the acquisition of financial assets and liabilities that are classified as other than held-for-trading are expensed.

The Company has made the following designations of its financial instruments: cash and marketable securities as held-for trading; amounts receivable as loans and receivables; accounts payable and accrued liabilities, loans payable and due to related parties as other financial liabilities. At May 31, 2009 and February 28, 2009, the Company had neither available-for-sale nor held-to-maturity financial instruments.

1) Newly Adopted Accounting Pronouncements

Going-concern

In June 2007, the Canadian Institute of Chartered Accountants ("CICA") amended Handbook section 1400, "General Standards of Financial Statement Presentation," which requires management to make an assessment of the Company's ability to continue as a going-concern. When financial statements are not prepared on a going-concern basis, that fact shall be disclosed together with the basis on which the financial statements are prepared and the reason why the Company is not considered a going-concern. Effective March 1, 2008, the Company adopted this standard and the adoption had no impact on the Company's financial position or results of operations.

Capital Disclosures

In December 2006, the CICA issued Section 1535 "Capital Disclosures," which specifies the disclosure of information that enables users of an entity's financial statements to evaluate its objectives, policies and processes for managing capital, summary quantitative data about what the entity manages as capital, whether it has complied with any capital requirements and, if it has not complied, the consequences of non-compliance. The mandatory effective date is for annual interim financial statements for years beginning on or after October 1, 2007. Effective March 1, 2008, the Company adopted this standard and the related disclosures are included in Note 9.

Financial Instruments Disclosures and Financial Instruments Presentation

Sections 3862 and 3863 replace Section 3861, "Financial Instruments Disclosure and Presentation," and establish standards for presentation of financial and non-financial derivatives and specify information that should be disclosed about them. These new sections place increased emphasis on disclosure about the nature and extent of risk arising from financial instruments and how the entity manages those risks. The effective date is for annual and interim financial statements for years beginning on or after October 1, 2007. Effective March 1, 2008, the Company adopted these standards (see Note 10).

Business Combinations, Consolidated Financial Statements, and Non-controlling Interests

In January 2009, the CICA issued Handbook Sections 1582 – *Business Combinations* ("Section 1582"), 1601 – *Consolidated Financial Statements* ("Section 1601") and 1602 – *Non-controlling Interests* ("Section 1602") which replaces CICA Handbook Section 1581 – *Business Combinations* and 1600 – *Consolidated Financial Statements*. Section 1582 establishes standards for the accounting for business combinations that is equivalent to the business combination accounting standard under International Financial Reporting Standards ("IFRS"). Section 1582 is applicable for the Company's business combinations with acquisition dates on or after January 1, 2011. Early adoption of this Section is permitted. Section 1601 together with Section 1602 establishes standards for the preparation of consolidated financial statements.

Section 1601 is applicable for the Company's interim and annual consolidated financial statements for its fiscal year beginning January 1, 2011. Early adoption of this section is permitted. If the Company chooses to early adopt any of these Sections, the other two sections must also be adopted at the same time.

During the year ended February 28, 2009, the Company early adopted Handbook Section 1601, Consolidations, Handbook Section 1602, Non-controlling Interests, and Handbook Section 1582, Business Combinations. These sections replace the former CICA Handbook Section 1581, "Business Combinations" and Section 1600, "Consolidated Financial Statements" and establish a new section for accounting for a non-controlling interest in a subsidiary. CICA Handbook Section 1582 establishes standards for the accounting for a business combination, and states that all assets and liabilities of an acquired business will be recorded at fair value. Obligations for contingent consideration and contingencies will also be recorded at fair value at the acquisition date. Acquisition-related costs will be expensed as incurred and restructuring charges will be expensed in the periods after the acquisition date.

CICA Handbook Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in the preparation of consolidated financial statements subsequent to a business combination. This standard states that changes in a parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

The new Sections 1582, 1601 and 1602 have been applied effective March 1, 2008, and except for presentation of the non-controlling interest, no restatement of the comparative periods was required. Under the new policy the non-controlling interest is presented as a component of shareholders' equity.

m) Future Accounting Pronouncements

Goodwill and Intangible Assets

The CICA issued new Handbook Section 3064, "Goodwill and Intangible Assets", which will replace Section 3062, "Goodwill and Other Intangible Assets". The new standard establishes revised standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets. The new standard also provides guidance for the treatment of preproduction and start-up costs and requires that these costs be expensed as incurred. The new standard applies to annual and interim financial statements relating to fiscal years beginning on or after October 1, 2008. The Company is currently assessing the impact of these new accounting standards. The Company believes they will not have any significant impact on its consolidated financial statements.

International Financial Reporting Standards ("IFRS")

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB

strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended February 28, 2011. The Company has begun an internal diagnostic review to understand, identify and assess the overall effort required to produce financial information under IFRS, however, at this time, the financial reporting impact of the transition to IFRS cannot be reasonably estimated.

Financial Instruments

The Company's financial instruments consist of cash, amounts receivable, marketable securities, accounts payable, accrued liabilities, due to related parties and loans payable. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments.

Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company's cash and receivables are exposed to credit risk. The Company reduces its credit risk on cash by placing these instruments with institutions of high credit worthiness. As of the end of the period the Company is not exposed to any significant credit risk.

Liquidity Risk

The Company's exposure to liquidity risk is dependent on purchasing commitments and obligations, and the raising of funds to meet commitments and sustain operations. The Company is a development stage company and is reliant on external fundraising to support its operations. The Company manages liquidity risk by continuously monitoring actual and projected cash flows. The Board of Directors reviews and approves the Company's operating and capital budgets, as well as any material transactions not in the ordinary course of business. The majority of the Company's accounts payable and accrued liabilities have maturities of less than three months.

The Company is specifically exposed to cash repayments of the loans payable on October 15, 2009, if it cannot raise US\$5 million of equity capital on or before then. If the loans payable are extended, the Company is further exposed to repayment on or before December 31, 2010, as disclosed in Note 15. Given these circumstances and the uncertainty that the Company can raise additional financing, commence profitable operations and further refinance or extend the loans, the Company could lose all of its interest in the Iron Mountain properties and related equipment.

Palladon Ventures Ltd.
Management's Discussion and Analysis
For the Three Months Ended May 31, 2009
(Expressed in Canadian dollars unless otherwise noted) Date of Preparation: August 10, 2009

Market Risk – Interest Rate and Foreign Exchange

The Company's activities are conducted in U.S. dollars within the United States. Financial results are translated into Canadian dollars for financial reporting purposes.