

Advanced Explorations Inc.

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2007

The following Management Discussion and Analysis (MD&A) is dated April 20, 2008 and reviews the business of Advanced Explorations Inc. (the "Company" or "AEI") for the year ended December 31, 2007 and should be read in conjunction with the Company's audited consolidated financial statements and related notes for the year ended December 31, 2007. All dollar amounts are in Canadian dollars. This MD&A and the accompanying audited consolidated financial statements and related notes for the year ended December 31, 2007 have been approved by the Company's audit committee and Board of Directors.

This MD&A contains certain forward looking statements, such as statements regarding potential mineralization, reserves and exploration results and future plans and objectives of the Company that are subject to various risks and uncertainties. There can be no assurance that such statements will prove to be accurate, and actual results and future events could differ materially from those anticipated in such statements. Readers are cautioned not to place undue reliance on these forward-looking statements.

A. Core Business Strategy

In a departure from its initial focus on technology related opportunities, the Company has developed a strategy to leverage its expertise and experience in identifying business opportunities within the resource sector.

The Company's stock was halted from trading from January 29, 2007 to June 7, 2007. During this period, the Company successfully completed the Option Agreement (as defined herein) to earn an interest in the Roche Bay iron ore magnetite project (the "Roche Bay Project") and related financing on June 4, 2007. The stock was halted at \$0.31 and opened at \$1.71 on the first day of trading. In addition, during this time the Company successfully migrated from the TSX: NEX to the TSX Venture Exchange.

The Roche Bay Project is located on the east coast of the Melville Peninsula, Nunavut Territory, Canada. Its proximity to a natural harbour makes it one of the world's premier iron ore opportunities. The Company also expanded its iron ore exploration and mining capabilities with the acquisition of strategic management personnel through the Option Agreement on the Roche Bay Project. With this acquisition, AEI has the management, technical and exploration experience, and expertise to rapidly advance the Roche Bay Project, as well as develop new opportunities in the area and globally.

Technology

With the core focus of the Company on the development of the Roche Bay Project and other iron ore projects, management of AEI entered into discussions to assign their non-core assets.

On July 17, 2007 the Company announced that it had entered into an Assignment and Assumption Agreement with PinPoint Exploration Ltd. with respect to the License Agreement between AEI and Laser Diagnostic Instruments International Inc. (LD13) for laser technology used in the exploration of petroleum resources. Under this Assignment and Assumption Agreement, AEI assigned the License Agreement to PinPoint along with all right, title and interest of AEI to that agreement, with PinPoint assuming all obligations of AEI under the License Agreement and performing all obligations of AEI. As partial consideration for this assignment and assumption, PinPoint agreed to allot and issue to AEI 111,111 ordinary shares in the capital of PinPoint by August 30, 2007, which shares will represent, immediately following their issue to AEI, 10% of the issued and outstanding ordinary shares in the capital of PinPoint. A delay in the incorporation of PinPoint (Caymans) will result in the shares not being issued until 2008. AEI has the right to participate in any future financings to maintain its equity interest.

B. Mining Properties

The mineral properties and deferred exploration costs are comprised as follows:

	Roche Bay Project	Total
	\$	\$
Balance, December 31, 2006	-	-
Additions:		
Property acquisition costs		
Rights Offering	7,954,493	7,954,493
Fees	473,256	473,256
	8,427,749	8,427,749
Expenditures on property	12,846,374	12,846,374
Balance, December 31, 2007	21,274,123	21,274,123

Roche Bay Iron Ore Project

The Roche Bay Project is located on the east coast of the Melville Peninsula, Nunavut Territory, Canada. The Roche Bay Project consists of 4 mining leases on outcroppings of a banded iron formation. The eastern most exposures are ideally located being within 6 kilometers of tide water. Airborne magnetics and ground mapping indicate approximately 13 km of iron formation within the two eastern leases. Similar strike potential has been identified on the other two leases.

The Roche Bay Project was discovered over 40 years ago and the work undertaken in the 1960s, 1970s and 1980s has been summarized in a NI43-101 compliant report by Golder Associates (Palmer, et al) which is filed on SEDAR. While the historical work summarized in the report is not to current standards, it clearly demonstrates the potential for an extremely large iron ore deposit located near tide water. Previous metallurgical work, some of which has been recently verified by SGS Lakefield, indicates the potential to produce a quality product.

The potential size and location of the project was the motivation for AEI to enter into the Option Agreement with Roche Bay Plc (“Roche Bay”). The Company entered into an agreement with Roche Bay dated January 29, 2007 whereby the Company has the option to acquire up to a 50.1% interest in the Roche Bay Project (the “Option Agreement”). On June 4, 2007 the Company completed the Option Agreement and associated financing for \$11,590,750.

Under the Option Agreement, the Company paid Roche Bay \$250,000 within 5 days of the acceptance of the transaction by the TSX Venture Exchange and issue 12,000,000 rights (“Rights”) to Roche Bay upon TSX Venture Exchange approval of the transaction. Each Right entitled the holder to purchase one common share of the Company. Of the 12,000,000 Rights, 8,000,000 of the Rights will have an exercise price of \$0.35 per Right and shall be issued upon completion of the Option Agreement and final acceptance by the TSX Venture Exchange. The next tranche of 2,000,000 Rights will have an exercise price of \$0.60 per Right and be issued upon completion of 15,000 meters of drilling at the Roche Bay Project. An additional 2,000,000 Rights will have an exercise price of \$1.00 per Right and be issued upon the completion of both (a) a total of 30,000 meters of drilling and (b) a NI 43-101 compliant pre-feasibility study based on an envisioned minimum 6 million tonnes per year mining operation containing a resource estimate of at least 750,000,000 tonnes of iron ore in the aggregate among the “measured” and “indicated” categories.

The Company’s interest in the Roche Bay Project is based on performance and completion of certain milestones. The following milestones have been revised to, as per press releases dated up to December 31, 2007 and include;

- 15% upon completing 7,500 metres of drilling,
- 25% upon completing 15,000 meters of drilling and pre-feasibility study,
- 5% upon completion of a feasibility study that contemplates a 6 Mtpy mining operation, and
- 5.1% upon attaining a mine permit.

Successful completion of these milestones would lead to an ownership interest in the Roche Bay Project of 50.1% by the Company. The company has completed over 9,000 meters of drilling in fiscal 2007 and has earned the first 15%. Upon the exercise of its option on the Roche Bay Project, the Company will form a joint venture with Roche Bay to construct and operate a mine. To maintain operatorship of the joint venture and its interest in the Roche Bay Project, AEI must meet certain additional milestones which

include providing the financing for the Roche Bay Project. Subject to Roche Bay's approval, there are provisions in the Option Agreement should AEI bring a suitable investor/partner for Roche Bay to dilute to 33%.

In October 2007, the Company announced that First China Capital Group Ltd. has acted as the Company's exclusive advisor in China and has facilitated an offtake agreement with a Chinese mine finance Company and Roche Bay Plc. The Joint Venture of the Company and Roche Bay have agreed to supply 1,500,000 metric tons of concentrate and/or pellets per year for a period of 10 years upon successful development of the Roche Bay magnetite iron project located in Nunavut, Canada. The agreement is subject to completion of a final sales contract and production decision.

In December 2007, the Company announced the signing of a Memorandum of Understanding ("MOU") with Melville Capital Corporation ("MCC") to work together in the development of business opportunities both local to and associated with the Roche Bay Project. In consideration for MCC's support in sourcing up to \$65.0 million in financing for the Company, the Company will collaborate and partner with MCC in the development and installation of various turnkey infrastructure components local to Roche Bay. These may include power generation, advanced processing facilities, derivative products and lime/cement and aggregate operations.

The agreements contemplate a multi-stage financing which includes (i) a private placement of up to 3,000,000 shares at \$4.00 per share for gross proceeds of \$12.0 million and convertible debenture in the amount of \$53.0 million with a term of 5 years and conversion price of \$5.25.

Exploration Activity

With the short field season potentially effecting the completion of the 2007 drill program, the Company undertook a series of non-recourse debt financings, prior to the close of the Option Agreement and related financings, in order to allow for the mobilization of a camp and drills to the site in May 2007. The first drilling began in mid-June 2007 and the second drill by the end of the month. In total the Company completed 37 drill holes and 9,277 metres of drilling in the 2007 drill program.

The 2007 drill program focused on the C Zone which was one of 5 zones (A,B,C,D and E) identified in previous exploration programs undertaken in the early 1980s. Based on the field work in 1982, a tonnage of 1.14 billion was estimated with an iron grade between 24% and 34%. The potential quantity and grade is conceptual in nature, as there has been insufficient exploration to define a mineral resource. Although these historical references of resource potential are relevant to recognizing the potential of the Roche Bay Project, they should not be relied upon and accordingly no claim to resources under NI 43-101 is made. The Company has not verified the classification of the historic resource references and is not treating them as NI 43-101 defined resources as defined in Sections 1.2 and 1.3 of NI 43-101.

Drilling over the summer of 2007 indicated the main body of the C zone strikes for over 5000 meters and where tested, has a width that varies from 100m to almost 300 meters. The banded iron formation (“BIF”) has been locally intruded by gabbroic dikes which fragment the iron formations into multiple zones. The 2007 drill results appear to be consistent with previously reported drilling (in the 1980s) with a slightly higher grade in hole. Hole RB-07-03 (145m @ 28.8% Fe including 46.8m @ 34.1% Fe) in comparison to the results from hole DDH-82-C1 (230.1 m @ 25.7% Fe including 159m @ 29.1% Fe) drilled on the same zone 25 years earlier

A complete project review has been undertaken in support of the resource calculation, economic studies and the launch of the 2008 drill program. One outcome of the review is that the geologic section represents a simple east facing inclined (not a synform) sedimentary sequence which contain several units of banded iron formation that in general terms appear to increase in grade to the east. The C Zone comprises two major magnetic trends, C1 and C2. Last year’s exploration drilling focused on assessing the strike extent of C1 with detailed drilling focused on the higher grade and magnetite rich banded iron formation. Exploration drilling was also carried out to assess banded iron formations within the footwall sequence. Initial drilling was carried out using single setups and multiple directions to better define mineralization geometry. Holes in many instances drill iron formation in both directions.

The geologic interpretation of C1 is that it consists of three distinct styles of mineralization. The high grade magnetite mineralization is characterized by massive banded iron formation having a width at surface ranging from 170 metres to 270 metres. The eastern contact and location of this high grade BIF is defined by a late gabbro intrusive that strikes subparallel to the formation. The high grade BIF can be locally displaced to the east and/or digested within the intrusive. In addition there appears to be a left-handed fault (orientation and offset not precisely defined) that appears to dislocate the higher grade BIF sequence in the vicinity of 2600S. There is a transition zone along the western flank of the high grade BIF that ranges from 50 metres to 100 metres on surface with grades ranging from 26% to 29% Fe. The gradational decrease in grade is also characterized by a slight corresponding decrease in magnetite content. The western contact of the transition zone is defined by a 20-40 metre thick sedimentary unit with low iron content. The remaining sequence (lower footwall) is characterized by multiple, generally narrow sequences of banded iron formation within a broad sequence of calc silicates. The BIF sequences range from 20 to 120 metres in thickness with grades ranging from 24% to 28% Fe. The BIF sequences are not only of lower grade but in general the percentage of total Fe that is magnetite decreases (early analysis suggests 65% to 80% of total iron is magnetite and metallurgical review is underway). The western limits of the sedimentary sequences terminate at a faulted contact with a volcanic unit.

The stratigraphic sequence that defines the eastern magnetic anomaly (C2) is not well defined at this time. Mapping has locally defined well mineralized outcrops of BIF but strike and thickness have yet to be verified with drilling. There is more gabbroic intrusive to the east which typically form local ridges with adjacent areas of shallow

talus/overburden covering most of the targets and the reason for limited work to date. With a noted gradational improvement if BIF grades to the east in C1 and local outcrop mapping of massive BIF, drill testing of C2 early in this year's campaign is a priority.

All mineralized intervals have been updated using an 18% Fe cutoff and internal dilution zones in excess of 9 meters identified. The significant and updated intervals are summarized in Tables 1 and 2.

Table 1: Highlights Main Zone C1 Drilling

Hole	Section	Surface width Zone C1 (m)	Dip	Iron Fm (from) m	Iron Fm (to) m	Interval (m)	% Fe	Comment
RB-07-02	1400	240	-45 ⁰ E	6	23.4	17.4	31.25	Zone C1
				33.4	139	105.6	33.25	Zone C1
RB-07-03	1400	240	-45 ⁰ W	0	82.3	82.3	31.11	Zone C1
				82.3	149.9	67.6	25.38	C1 - transition
				0	149.9	149.9	28.5	
RB-07-04	1800	270	-45 ⁰ W	4	52.6	48.6	25.11	C1 - transition
				97.2	119.8	22.6	25.31	C1 - footwall
				97.2	171.7	74.5	20.39	C1 - footwall
RB-07-7	1800	270	-45 ⁰ E	5.8	248.96	243.16	30.26	Zone C1
RB-07-9	1800	270	-90 ⁰	0	56	56	23.55	C1 - footwall
				67.52	111.4	43.88	26.8	C1 - footwall
RB-07-11	2200	170	-45 ⁰ E	53	109.5	56.5	32.52	Zone C1
RB-07-14	2600	170	-45 ⁰ W	66.56	130	63.44	28.45	C1 - transition
				66.56	229	162.44	25.19	
RB-07-17	2600	170	-45 ⁰ W	8	37.8	29.8	25.95	C1 - transition
RB-07-18	2600	170	-45 ⁰ E	48	90.3	42.3	21.1	C1 - footwall
				95.3	186.2	90.9	28.18	C1 - transition
RB-07-24	3000	100	-45 ⁰ W	37	163	126	28.24	C1 - transition
RB-07-25	1800	270	-45 ⁰ E	82.3	191.7	109.4	26.25	Zone C1
				82.3	115	32.7	31.3	Zone C1
RB-07-26	2200	170	-45 ⁰ W	9.47	22.53	13.06	27.1	C1 - footwall
				54	93.1	39.1	24.83	C1 - footwall
RB-07-27	1800	270	-45 ⁰ W	6	112	106	30.41	Zone C1
				6	163	157	28.5	Zone C1
RB-07-28	1800	270	-65 ⁰ E	2	229	227	28	Zone C1
				101	229	128	32.32	Zone C1
RB-07-29	2200	170	-45 ⁰ E	10.2	113.9	103.7	30.58	Zone C1
				135	166	31	31.47	Zone C1
				195.3	257	61.7	25.26	Zone C1
RB-07-30	3000	100	-45 ⁰ E	97	231	134	26.73	C1 - transition Cut by dyke/fault
RB-07-31	1400	240	-45 ⁰ W	19	233	214	29.3	Zone C1
				19	195	176	30.98	Zone C1
RB-07-32	1400	240	-60 ⁰ W	26.64	155	128.36	31	Zone C1
				155	252	97	24.95	C1 - transition
RB-07-34	1400	240	-45 ⁰ W	209	244	35	28.4	Zone C1

Table 2: Highlights Exploration Drilling Footwall :

Hole	Section	Dip	Iron Fm (from) m	Iron Fm (to) m	Interval (m)	% Fe	Comment
RB-07-6	50000	-45 ⁰ W	6.54	154	147.46	25.1	C1 - footwall
			163	166	3	63.48	Secondary Fe
			194.86	197.47	2.61	53.79	Mixed Fe
RB-07-10	4200	-90 ⁰ E	8	117.5	109.5	26.42	C1 - footwall
			141	174.6	33.6	28.01	C1 - footwall
			277.3	309.7	32.4	31.9	C1 - footwall
RB-07-15	4200	-63 ⁰ W	37.39	138.4	101.01	25.86	C1 – footwall
RB-07-20	4600	-70 ⁰ E	6	60	54	27.44	C1 – footwall
RB-07-21	4600	-45 ⁰ W	4	66.88	62.88	26.18	C1 – footwall
			97.43	124.85	27.42	26.20	C1 – footwall
RB 07-23	3800	-45 ⁰ E	8.59	80.98	72.39	31.27	C1 – transition

Gary Williams P. Geo and VP of Advanced Explorations Inc is the QP within the meaning of 43-101, and has reviewed and approves the content of this release.

A resource calculation and economic study are underway and the Company is currently setting up for the 2008 drill program with an objective to complete up to 30,000 meters which will focus on both in-fill drilling and extending the strike of the high grade zone of C1. Drilling will also commence on the eastern flank of the C Zone (C2) and on the A and B Zones which were the focus of drilling and economic studies in the mid 1980s.

In early 2008, the Company completed assembling the members required to complete the Economic Study of the Roche Bay Project. A team of industry leaders have been assembled which is being led by Man Ferrostaal of Germany. The team also includes Golder Associates (UK) Ltd, Siemens GMBh, ABB Switzerland, Agricosales, SGS Lakefield and EBA Engineering. While many of the team members are capable of delivering a full study independently, the Company has intentionally designed a program that will allow for a transition to a Definitive Feasibility Study with each team member capable to deliver an EPC (Engineering, Procurement and Construction) contract on their respective components of the study.

Expenditures

Since the inception of the project, AEI has incurred resource property costs of \$21,274,123. The property costs consist of acquisition costs of \$8,427,749 which are primarily made up of the value of the first 8.0 million Rights issued to Roche Bay, and exploration expenditures of \$12,846,374. The exploration expenditures include the mobilization of the camp to support the drill programs, as well as an intense 2007 drill program.

Mining – New Opportunities

As part of the initiative to expand the Company's iron ore portfolio a number of opportunities were evaluated. The primary focus has been on Canadian projects but international projects have also been considered. On June 14, 2007 the Company announced the signing of partnership and option agreement with A Better Search Inc.

(“Better Search”) to pursue iron ore opportunities in Quebec. Better Search has a number of iron projects in the Quebec-Labrador area that are being evaluated for their economic potential.

The Company has a 4 month exclusive period to review all Better Search’s holdings to identify projects to option. In addition, Better Search will collaborate with AEI during the next 12 months to identify other iron ore projects to acquire. As part of the option and collaboration agreement, the Company will pay Better Search 200,000 common shares of the Company and \$25,000. For each project of merit optioned from Better Search during the 4 month exclusive period, the Company will provide an additional 300,000 shares and \$150,000. No additional compensation will be provided to Better Search for claims/projects acquired under the collaboration agreement. The MOU is subject to TSX approval.

Detailed reviews of the Better Search iron ore properties indicated a number of significant deposits, but most were low grade and contained significant titanium concentrations. There is high grade potential within the known deposits, but tonnage potential at higher grades is uncertain. The most significant project is Lac du Moulin where the government files report historical resources of 242,000,000 tones at 20.0% Fe and 7% TiO₂. If the titanium and iron can be successfully separated then these projects could be of interest. Review is ongoing and the Company continues to work with Better Search in evaluating potential solutions to the Fe-TiO₂ deposits and has expanded its collaborative business initiatives.

C. Selected Financial Information

The following table presents selected financial information in Canadian dollars (\$), for each of the three most recently completed financial years, and have been prepared in accordance with Canadian generally accepted accounting principles.

	2007	2006	2005
	\$	\$	\$
Revenues	-	-	-
Net loss for the year	2,562,825	231,115	387,609
Net loss per share	0.15	0.03	0.05
Total assets	32,363,441	-	70,436
Total long-term financial liabilities	-	-	-

During fiscal 2006 the Company’s business focus was being changed from the technology sector to the resource sector. The losses reported in fiscal 2006 and 2007 reflect that there was no active business in the company. In fiscal 2007, the Company acquired its first mining property, Roche Bay Project and completed its first financing. The financing allowed the Company to build its infrastructure required to support the exploration program on the Roche Bay Project.

Total assets grew to \$32.4 million for the year ended December 31, 2007, as a result of the acquisition of the Roche Bay Project. The majority of the total assets is made up of the \$21.3 million deferred and capitalized acquisition and exploration costs for the Roche Bay Project. In total the Company completed 37 drill holes and 9,277 metres of drilling in 2007's drill program.

D. Results of Operations

This analysis of the results of the Company's operations should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2007.

Revenues

The Company's revenues for the years ended December 31, 2007 and 2006 were \$NIL.

Operating and administrative expenses

Operating and administrative expenses increased to \$2,562,825 for the year ended December 31, 2007, compared to \$231,115 in the prior year.

The significant increase in expense is due to the change in business for the Company, in which the Company developed a strategy to leverage its expertise and experience in identifying business opportunities within the resource sector. During the year ended December 31, 2007, the Company successfully completed the Option Agreement to earn an interest in the Roche Bay Project. The Company's operational and overhead expenses significantly increased in fiscal 2007 as a result of the acquisition of the Roche Bay Project. The Company did not have an active business in the prior year and as result the costs were significantly lower. Operational expenses to support the exploration activities of the Roche Bay Project, as well as the administrative overhead to support the public company, increased significantly in the year. Professional fees such as legal and professional accounting, as well as consulting fees relating to project selection, all increased due to the Company being active and listed on the TSX-V.

Stock based compensation, as explained in Note 8 to the audited consolidated financial statements, increased to \$825,002 for the year ended December 31, 2007 from \$nil in the prior year. The Company was inactive in the prior year and no stock options were issued. For the year ended December 31, 2007 1,235,000 stock options were granted.

Bonus shares valued at \$669,989 were also issued for the year ending December 31, 2007. Bonus shares are explained in Note 7(b)(viii) and 7(b)(ix) to the audited consolidated financial statements' for the year ended December 31, 2007.

E. Liquidity and Capital Resources

The Company's common shares resumed trading on the NEX board of the TSX Venture Exchange on October 12, 2004. The Company completed a change of business as part of the Roche Bay Option and financing and now trades on the TSX venture exchange (TSX-V: AXI).

As at December 31, 2007, the Company had \$9.4 million cash and cash equivalents compared to \$NIL in the prior year. The Company had working capital of \$9.1 million as at December 31, 2007 compared to deficit of \$798,342 in the prior year. The Company has no bank indebtedness. Liabilities include accounts payable and accrued liabilities of \$1,041,471 as at December 31, 2007 compared to \$798,342 as at December 31, 2006.

The source of the cash and cash equivalents is a direct result of the cash proceeds generated from the shares issued from the private placements, as well as the exercise of warrants, rights and options during fiscal 2007. Total gross proceeds from private placements for the year ended December 31, 2007 was \$25.9 million. In addition, the Company generated \$405,671 in proceeds from the exercise of common share purchase warrants, rights and options for the year ended December 31, 2007.

Share Capital Analysis

The authorized share capital is unlimited.

Share Capital	December 31 2007		December 31 2006	
	Number of shares	\$ Amount	Number of shares	\$ Amount
Balance, beginning of year	8,880,677	2,492,152	8,677,892	2,390,760
Shares issued for cash pursuant to a private placements	16,512,367	25,884,849	-	-
Shares issued for settlement of debt	294,763	368,454	202,785	101,392
Bonus shares issued	770,591	963,739	-	-
Shares issued per Bettersearch Option agreement	200,000	300,000	-	-
Shares issued for finder's fees for the acquisition of mineral properties	144,619	180,774	-	-
Rights exercised	480,203	168,071	-	-
Warrants exercised	448,333	190,000	-	-
Options exercised	145,000	47,600	-	-
Fair value of rights, warrants and options exercised	-	548,178	-	-
Less:				
Warrant fair value from private placements	-	(3,997,272)	-	-
Share issue costs	-	(2,923,377)	-	-
Balance – end of year	27,876,553	24,223,168	8,880,677	2,492,152

On January 17, 2007 the Company closed a private placement of 1,000,000 units at a price of \$0.20 per unit. Each unit consists of a common shares and one share purchase warrant at \$0.25 for a period of one year from the date of distribution.

On June 6, 2007 the Company announced the completion of \$11,090,750 financing. D&D Securities Company ("D&D") and Octagon Capital Corporation (the "Agents") sold a total of 1,774,000 units (the "Units") at a price of \$1.25 per Unit and 613,000 flow-through shares (the "FT Shares") for gross proceeds of \$3,137,000 (the "Offering"). Each Unit consists of one common share and one-half of one common share purchase warrant. Each whole warrant will be exercisable into one common share for two years from the closing date (the "Closing Date") at an exercise price of \$2.00.

Concurrent with the offering, the Company also completed a private placement of 5,963,000 units and 333,333 FT shares for gross proceeds of \$7,953,750.

The Company paid a total cash commission of \$250,960 and 141,920 compensation options that will entitle the Agents to purchase 141,920 common shares of the Company at an exercise price of \$1.25 per common share. As a commission for the sale of the FT Shares the Agents were granted 49,040 compensation options that will entitle the Agents to purchase 49,040 common shares of the Company at an exercise price of \$1.50 per common share. All compensation options granted to the Agents will have an exercise period that expires 2 years from the closing Date.

In connection with the concurrent offering, the Company paid a cash commission of \$298,150 to Parolini Marketing Services Ltd. In addition, the Company paid Limited Market Dealer Inc. a cash commission of \$28,500 and compensation warrants which will entitle Limited Market Dealer Inc. to purchase 13,333 common shares of the Company, at an exercise price of \$1.50 per common share and have an exercise period that expires 2 years from the closing date.

For providing advisory and due diligence services to the Company in connection with the concurrent offering, D&D received a payment of \$111,500. In addition, D&D was granted compensation options that will entitle the Agents to purchase 475,000 common shares of the Company at an exercise price of \$1.25 per common share and 13,334 common shares of the Company at an exercise price of \$1.50 per common shares. All of the compensation options will have an exercise period that expires 2 years from the closing date.

The Company also paid finder's fees in connection with the Option Agreement to the following arm's length parties: i) 48,206 common shares issued to 834689 Ontario Ltd.; and ii) 96,413 common shares issued to John Moses.

In addition; during the closing period the Company issued 294,763 common shares to 2053068 Ontario Ltd. to settle outstanding debt for \$368,454.14.

In consideration of entering into certain Non-Recourse Loans Agreements with the Company, the Company issued an aggregate of 420,591 common shares as bonus shares to certain lenders. The following insider is one of the lenders receiving the following amount of bonus shares: John Gingerich, 160,000 (via Geotechnical Business Solutions Inc.) and 64,000 (via Gingerich Family Trust).

The Company completed \$2,631,195 of the non-recourse \$3,000,000 debt financing sought in connection with the Roche Bay transaction. The terms of this financing included a bonus equal to 20% of the loan principal advanced, which was paid in shares of the Company at the financing rate of \$1.25 per share. The interest rate of the loan has been set at 10.0% per annum.

On October 16, 2007 the Company completed a non-brokered private placement for gross proceeds of \$4,972,099 by issuing 3,429,034 units at \$1.45 per unit. Each unit consisted of one common share and one-half of one common share purchase warrant. Each whole warrant is exercisable into one common share of the Company for two years from the date of closing at an exercise price of \$2.00. The company paid a total cash commission of \$397,768 and compensation warrants of 274,323 warrants, with an exercise price of \$2.00 per share for a period of 2 years.

On November 21, 2007, the Company completed a non-brokered private placement. A total of 2,400,000 Flow-through units were sold at a price of \$2.83 unit, for gross proceeds of \$6,792,000. Each unit comprised of one flow-through common share and one half of one non flow-through warrant. Each whole warrant is exercisable into one common share of the Company for two years from the date of closing at an exercise price of \$3.88. The company paid a total cash commission of \$679,200 and compensation warrants of 120,000 warrants, with an exercise price of \$2.83 per share for a period of 2 years.

On November 26, 2007, the Company completed a non-brokered private placement. A total of 1,000,000 Flow-through units were sold at a price of \$2.83 unit, for gross proceeds of \$2,830,000. Each unit comprises of one flow-through common share and one half of one nonflow-through warrant. Each whole warrant is exercisable into one common share of the Company for two years from the date of closing at an exercise price of \$3.88. The company paid a total cash commission of \$278,444 and compensation warrants of 49,195 warrants, with an exercise price of \$2.83 per share for a period of 2 years.

Rights, Warrants and Stock Options

The Company has special rights, warrants and options issued and outstanding that can be converted to shares at predetermined prices. If the entire special share rights, warrants and options were exercised, based on the total amounts outstanding as of December 31, 2007, the Company would be able to generate total proceeds of \$8.7 million. The details are as follows: Total outstanding special rights as at December 31, 2007 were 7,519,797. The total value of proceeds to the Company, if all rights were exercised, would be \$2.6

million. Total outstanding warrants as at December 31, 2007 were 8,970,769. The total value of proceeds to the Company, if all warrants were exercised, would be \$4.7 million. Total outstanding options as at December 31, 2007 were 1,450,000. The total value of proceeds to the Company if all options were exercised would be \$1.1 million.

F. Quarterly Information

Selected quarterly information for the eight most recently completed quarters is presented below, in Canadian currency (\$), and in accordance with Canadian generally accepted accounting principles.

Summary of Quarterly Results:

	2007				2006			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's
Revenues	-	-	-	-	-	-	-	-
Loss for the period	(236)	(1,062)	(1,115)	(150)	(119)	(29)	(49)	(35)
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
	\$	\$	\$	\$	\$	\$	\$	\$
Loss per share	(0.01)	(0.05)	(0.08)	(0.02)	(0.02)	(0.00)	(0.01)	(0.00)

G. Fourth Quarter

During fiscal 2006 the Company's business focus was changed from the technology sector to the resource sector. By the beginning of fiscal 2007 the Company acquired its first property and completed its first financing. The financings completed during fiscal 2007 allowed the Company to build its infrastructure required to support the exploration program of the Roche Bay project.

The exploration program is subject to favourable weather during the non-winter months. This results in a seasonal drill program where the activity is ramped up in the second and third quarter, with sample analysis completed in the fourth. The losses between the quarters are relatively consistent as these costs represent the administrative overhead required to support the Roche Bay project and public company expenses.

H. Off-Balance Sheet Arrangements

The Company had no off-balance sheet arrangements as of December 31, 2007 or December 31, 2006.

I. Changes in Accounting Policies including Initial

The accounting policies used in the preparation of the accompanying audited consolidated financial statements are the same as those described in Note 2 of the Company's audited consolidated financial statements and the notes thereto, for the year

ended December 31, 2007. The Company has adopted the following CICA standards, effective January 1, 2007 as described below:

Financial Instruments

Effective January 1, 2007, the Company adopted the new recommendations of CICA Handbook Section 3855, "Financial Instruments – Recognition and Measurement", and Section 3861 "Financial Instruments – Disclosure and Presentation". Under the new standards, all financial instruments are classified into one of the following five categories: held-for-trading, held-to-maturity, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments are included on the balance sheet and are measured at fair value except for loans and receivables, held-to-maturity investments and other financial liabilities which are measured at amortized cost. Held-for-trading financial instruments are subsequently measured at fair value and all gains and losses are included in net income in the period in which they arise. Available-for-sale financial instruments are subsequently measured at fair value, with revaluation gains and losses included in other comprehensive income until the instrument is derecognized or impaired.

As a result of adoption of these standards, the Company has classified its cash and cash equivalents as held-for trading, which is measured at fair value. Accounts receivable are classified as loans and receivables, which are measured at amortized cost. Marketable securities have been classified as available-for-sale. Accounts payable and accrued liabilities are classified as other financial liabilities which are measured at amortized cost.

Comprehensive Income and Equity

Effective January 1, 2007, the Company adopted the new recommendations of CICA Handbook Sections 1530, "Comprehensive Income", Section 3251, "Equity". These sections establish standards for reporting and presenting certain gains and losses normally not included in net earnings or losses, such as unrealized gains and losses related to available-for-sale investments, in a statement of comprehensive income. The Company had no other comprehensive income transactions for the year ended December 31, 2007 and no opening or closing balances for accumulated other comprehensive income, and as such, comprehensive income is equal to net income. Accordingly, Section 1530 has had no effect on the Company's interim consolidated financial statements.

Non-Monetary Transactions

Effective January 1, 2007, the Company adopted the new recommendations of CICA Handbook Section 3831, "Non-Monetary Transactions", prospectively. This standard requires all non-monetary transactions to be measured at fair value unless they meet one of four very specific criteria. Commercial substance replaces culmination of the earnings process as the test for fair value measurement. A transaction has commercial substance if it causes an identifiable and measurable change in the economic circumstance of the entity. Commercial substance is a function of the cash flows expected by the reporting entity. The adoption of this standard had no impact on the Corporation's interim consolidated financial statements.

Mineral Property

Mineral properties including deferred exploration expenditures are carried at cost until they are brought into production, at which time they are depleted on a unit-of-production basis. The cost of mining properties abandoned or sold and the deferred exploration expenditures relating to the mining claims on these properties are charged to operations in the current year. Should a mineral property become impaired as evidenced by unfavourable exploration results, or a decision to discontinue further work, the acquisition cost and related deferred exploration and development expenditures will be expensed. Effective January 1, 2007, the Company has adopted this policy.

Flow-Through Financing

In connection with the flow-through units, the Company will renounce qualifying expenditures as per flow-through units issued to December 31, 2007. The Company has financed a portion of its exploration activities through the issue of flow-through shares which transfer the tax deductibility of exploration expenditures to the investor. Proceeds received on the issue of such shares have been credited to share capital and the related exploration costs have been charged to mining and resource properties. When the renunciation is made, the tax value of the renunciation is recorded as a liability and charged against share capital. Where the Company has a valuation allowance, which reduces future income tax assets, the valuation allowance is reduced and an income tax recovery is recorded in the statement of operations. Effective January 1, 2007, the Company has adopted this policy.

J. Outlook

The rising prices of the metals market has dramatically increased the level of activity in the mining sector. The continued growth in demand for iron ore and the potential for higher iron ore prices in 2008 has created a significant demand for iron ore projects. This has generated several potential opportunities, both in terms of attracting new financing and/or strategic partnerships in helping move the Roche Bay Project forward. Having a strong management team with strength in iron ore development and exploration opens up other project opportunities for the Company. However, as always, there can be no assurance that the Company will be successful in attracting new financing or new opportunities.

K. Risks and Uncertainties

The prospects of the Company are currently being driven by a single iron ore project. This strategy has required, and continues to require, significant financings and is subject to risks associated with mineral prices, mineral resources and operations. There is no certainty that new projects will be acquired or that the Roche Bay Project will successfully advance. Due to the nature of the Company's business and the present stage of development of its mineral resource projects, readers should carefully review and consider the financial, environmental and operational risk factors affecting the Company.

No Production Revenues

To date, the Company has not achieved a sustainable stream of revenues, neither from mining operations nor from technology agreement. There can be no assurance that significant additional losses will not occur in the near future, or that the Company will be profitable in the future. The amounts and timing of expenditures will depend on the progress of ongoing exploration and development, the results of consultants' analyses and recommendations, the rate at which operating losses are incurred, the execution of any joint venture agreements with strategic partners, the Company's acquisition of new properties and other factors, many of which are beyond the Company's control. In particular, the Company's operating expenses and capital expenditures may increase in subsequent years as needed consultants, personnel, and equipment associated with advancing exploration, development and commercial production of its properties are added.

The Company does not expect to receive revenues from mining operations in the near future. While the Company is encouraged by the results from the Roche Bay project, the Company expects to continue to incur losses until such time as its properties enter into commercial production, and generate sufficient revenues to fund its continuing operations. There can be no assurance that the Company will generate any revenues or achieve profitability.

Political and Economic Uncertainties of Operations

Changes in the laws and regulations within Canada (Provinces and Territories) and foreign countries can have a material adverse impact on the business of AEI with respect to such countries. AEI currently has one project located in northern Canada. The recently formed Territorial Government of Nunavut, while indicating a strong support for the Roche Bay Project, has not yet permitted a mining operation. As the Company examines other opportunities within Canada and abroad, foreign currency exchange controls, expropriation of assets and profits, foreign ownership controls, and changes in taxation laws could negatively affect AEI and its business.

Competition

The business of the Company is intensely competitive. The Company competes with other mining companies, many of which have greater resources and experience. Competition in the mining industry is primarily for mineral properties that can be economically developed, the technical expertise to find, develop, and operate such properties, the labour to operate the properties, and the capital for the purpose of funding such properties. The Company's key asset is the Roche Bay Project. Many competitors both explore for and mine iron ore on a worldwide basis. Such competition may result in the Company being unable to acquire additional properties, to recruit or retain qualified employees, or to acquire the capital necessary to fund its operations and develop its properties. The inability of the Company to compete with other mining companies for

these resources would have a material adverse effect on the results of operations and business of the Company.

Dependence on Management

The success of the operations and activities of the Company are dependent to a significant extent on the efforts and abilities of the management of the Company. Investors must be willing to rely to a significant extent on the discretion and judgment of the management of the Company. The Company does not maintain key employee insurance on any of its employees.

Conflicts of Interest

The directors and officers of the Company may serve as directors or officers of other natural resource companies or companies providing services to the Company, or they may have significant shareholdings in other resource companies and, to the extent that such other companies may participate in ventures in which the Company may participate, the directors of the Company may have a conflict of interest in negotiating and concluding terms respecting the extent of such participation. In the event that such a conflict of interest arises at a meeting of the Company's directors, a director who has such a conflict will abstain from voting for or against the approval of such participation or such terms.

From time to time, several companies may participate in the acquisition, exploration and development of natural resource properties, thereby allowing for the participation in larger programs, permitting involvement in a greater number of programs, and reducing financial exposure in respect of any one program. It may also occur, that a particular Company will assign all or a portion of its interest in a particular program to another of these companies due to the financial position of the Company making the assignment.

In accordance with the laws of Canada, the directors of the Company are required to act honestly, in good faith and in the best interest of the Company. In determining whether or not the Company will participate in a particular program and the interest therein to be acquired by it, the directors will primarily consider the degree of risk to which the Company may be exposed and its financial position at the time.

Mr. Daniel Botes, a director of the Company, also serves as a director of Roche Bay. The Company, as the operator of the Roche Bay Project, has full control and decisions with respect to its project activities. Certain agreements have the potential to require the approval of Roche Bay and when and if such circumstances arise, steps are taken in accordance with best corporate practices to mitigate the risk for conflict to occur. The Company is cognizant of the risks related to Mr Botes role with Roche Bay and is of the opinion that the role enhances the relationship thus reducing the potential for business conflicts between the companies.

L. Disclosure Controls and Procedures

The Company's Chief Executive Officer and Chief Financial Officer are responsible for establishing and maintaining the Company's disclosure controls and procedures, including adherence to the disclosure policy as directed and specified within employment/consulting contracts. Prior to completing the Option Agreement and financing on June 4, 2007 the Company had a limited number of appropriately qualified staff and there was little segregation of duties within the financial internal control environment of the Company. Functions that would normally be segregated within a typical control environment were performed by one individual. The preparation and authorization of certain activities that would normally be separated were not undertaken by one member of staff responsible for substantially all of the day-to-day finance functions and the financial reporting of the Company. The Company relied on certain compensating controls, including substantive periodic review of the financial statements, to ensure that disclosure controls and procedures are effective.

Since completion of the financing and hiring of additional staff the Company is in the process of developing more stringent governance practices consistent with TSX Venture Exchange guidelines. In consultation with the Company's Auditors, Merrelli & Drake Corporate Services ("Merrelli & Drake") were contracted to provide accounting services to the Company. The Company's CEO and CFO have worked with the Auditors and Merrelli & Drake to ensure adequate disclosure policies are in place. All staff are required to keep the CEO and CFO fully apprised of all material information affecting the Corporation, so that they may evaluate and discuss this information and determine the appropriateness and timing for public release. Access to such material information is facilitated by the modest size of the Company's senior management group, and the regular communications between them.

The relatively small size of the Company makes the identification and authorization process relatively efficient, and a process for reviewing internal controls over financial reporting has been developed. To the extent possible, given the Company's modest activity and use of professional outsourcing for part of the process, the internal control procedures provide for separation of duties for receiving, approving, coding and handling of invoices, entering transactions into the accounts, writing cheques and wire requests. The CEO and CFO believe that the system of internal controls is adequate and comparable to those of issuers of a similar size and nature.

M. Other MD&A Requirements

Additional information related to the Company is filed electronically on the System for Electronic Document Analysis and Retrieval (SEDAR) at www.sedar.com.