

MERREX GOLD INC.

Form 51-102F1

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

May 31, 2008

BACKGROUND

The following discussion and analysis, prepared as of July 30, 2008, should be read together with the unaudited consolidated financial statements for three months ended May 31, 2008 and related notes attached thereto, which are prepared in accordance with Canadian generally accepted accounting principles. All amounts are stated in Canadian dollars unless otherwise indicated.

Certain statements in this report that are not historical facts may constitute forward-looking statements. Forward-looking statements are based on reasonable assumptions and current expectations and entail various known and unknown risks and uncertainties which could cause or contribute to actual results varying materially from those described in forward-looking statements. Readers are cautioned not to put undue reliance on forward-looking statements.

Additional information related to the Company is available for view on SEDAR at www.sedar.com.

DESCRIPTION OF BUSINESS

The Company was incorporated on November 28, 1985.

On September 9, 2004 the TSX Venture Exchange NEX approved a special resolution passed by shareholders on July 12, 2004 to consolidate its share capital on a 1:10 basis and to change the name of the Company from LMX Resources Ltd. to Merrex Resources Inc.

On May 24, 2006 the TSX Venture Exchange approved a special resolution passed by shareholders on March 7, 2006 to change the name of the Company from Merrex Resources Inc. to Merrex Gold Inc. The Company also graduated from the TSX Venture Exchange NEX board to the TSX Venture Exchange tier 2.

On May 24, 2006, the Company acquired 100% of the shares of Jubilee Minerals Ltd. ("Jubilee"), a privately held Nova Scotia company incorporated January 16, 1997.

The Company and Jubilee are junior mineral exploration companies engaged in the business of acquiring, exploring and evaluating natural resource properties, and either joint venturing or developing these properties further or disposing of them when the evaluation is complete.

As at the date of this MD&A, the Company has not earned any production revenue, nor has the Company found any proven reserves.

On February 26, 2008 the Company announced a strategic plan to position the Company as a dedicated or 'pure play' gold company focused on its core assets in Mali. The strategic plan includes restructuring the Company by distributing to the shareholders of the Company all non-core assets. The divestiture of assets will be into two companies, one company will hold the Jubilee zinc-lead deposit and related Nova Scotia base metal properties and a second company will hold all remaining non-core assets. The Mali gold assets will remain in the Company.

MERREX GOLD INC.

Form 51-102F1

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

May 31, 2008

RESOURCE PROPERTIES

(Refer to Note 5 of the Unaudited Interim Consolidated Financial Statements)

Jubilee Property, Nova Scotia

The Jubilee Property, which includes the mineralized area known as the Jubilee Deposit, is a 189-claim land position located in Inverness and Victoria counties of Central Cape Breton, Nova Scotia. All 189 claims are 100% owned by the Company: 166 claims (the "Jubilee Claims") through its exercise of an option with its wholly owned subsidiary Jubilee Minerals Limited ("Jubilee") and 23 claims (the "Aur Claims") through its exercise of an option from Teck Cominco Limited, formerly Aur Resources Inc. ("Aur"). Collectively, the Jubilee Claims and the Aur Claims are referred to as the "Jubilee Property".

Acquisition of the Jubilee Minerals Limited Claims

Pursuant to an option agreement dated August 12, 2005 and exercised on May 24, 2006, the Company acquired Jubilee for 10,000,000 common shares issued subject to a Value Securities Escrow Agreement. The Company and Jubilee entered into an option agreement whereby the Company had the right to earn up to 100% of the Jubilee claims by incurring exploration expenditures of \$500,000. Upon meeting the terms of the option agreement in 2007, the option was exercised and the claims were transferred to the Company.

Acquisition of the Aur Claims

On July 31, 2006 the Company optioned from Aur a 100% interest in 23 Aur Claims, including that portion of the Jubilee Deposit not previously owned by the Company, and gave Aur a one-time right to back-in to a 50% interest in the overall Jubilee Property.

The option agreement with Aur, combined with the Company's Jubilee Claims, gave the Company control over known mineralized areas of the Jubilee Deposit including the Main Zone and Northwest Extension, the Road Zone and the Northeast Zone.

To earn the agreed interest the Company paid to Aur cash payments aggregating \$80,000 and incurred \$2,000,000 of exploration expenditures on the combined Jubilee Property with a minimum of \$500,000 expended on the Aur Claims, within a three-year period.

On September 4, 2007 Aur confirmed that the option was exercised and the Aur Claims were transferred to the Company. On October 15, 2007 Aur confirmed that it would not exercise its back-in right. Aur retains a 2% Net Smelter Return over the Jubilee Property provided that 1% of such Net Smelter Return may be purchased by the Company for \$1,000,000.

During the three months ended May 31, 2008, the Company incurred \$15,661 and in exploration expenditures on the Jubilee Property. Total exploration expenditures on the property to May 31, 2008 are \$3,077,258. The Company plans 2008 expenditures on the Jubilee Property of approximately \$2.0 million.

MERREX GOLD INC.

Form 51-102F1

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

May 31, 2008

The Jubilee Property

The Jubilee Property covers the known stratabound and fault-associated zinc-lead bearing breccia systems that have been defined by historic and recent drilling in the Jubilee area, and which the Company collectively terms the "Jubilee Deposit".

The Jubilee Deposit occurs within the River Denys Sub-basin of the Late Devonian to Lower Permian age Maritimes Basin of eastern Canada. Basin fill sedimentary sequences evolved from Late Devonian–Early Carboniferous clastic sediments to overlying marine evaporite, carbonate and fine grained clastic sequences of the Windsor Group. The basal carbonate units of this succession host most of the significant zinc, lead and barite deposits defined to date in the region, foremost among these with respect to past development and mining being the Gays River zinc-lead deposit, which is currently in production, and the previously mined Walton barite-lead-zinc–silver-copper deposit, both located in central Nova Scotia.

The Jubilee Deposit is a carbonate-hosted, stratabound zinc-lead-barite deposit that has been classified to date as showing affinity with both "Irish Style" base metal deposits and the broad Mississippi Valley Type (MVT) deposit class. Mineralization at Jubilee is hosted by carbonate rocks of the Early Carboniferous (Visean) age Windsor Group, with the principal base metal sulfides being galena and sphalerite. These occur as replacements of host rock and as breccia matrix phases, locally accompanied by barite.

The Company has received a mineral resource estimate for its Jubilee Zinc-Lead Deposit that is considered compliant with Canadian Institute of Mining, Metallurgy and Petroleum Standards on Mineral Resources and Reserves *Definitions and Guidelines* (the CIM Standards) and with disclosure requirements of National Instrument 43-101 (NI 43-101). The effective date of the estimate, which was prepared by Mercator Geological Services Limited, is November 5th, 2007. Mineralized intercepts from 49 historic drill holes and 17 of the Company's drill holes fall within the Mercator resource estimate outline, which reflects the Company's drill holes up to MJ-07-30.

Jubilee Zinc-Lead Deposit Mineral Resource Estimate – Effective November 5, 2007

Zinc Equivalent Threshold (%)*	Resource Category	Tonnes (Rounded)	Lead (%)	Zinc (%)	Zinc Equivalent (%)
2.00	Inferred	3,460,000	0.86	3.62	4.48
2.50	Inferred	3,140,000	0.89	3.81	4.71
3.00	Inferred	2,670,000	0.95	4.10	5.05
3.50	Inferred	2,100,000	1.02	4.58	5.60
3.75	Inferred	1,880,000	1.04	4.75	5.79

*Zn Equivalent calculated as $Zn\ Equivalent = (Zn\% + Pb\%)$ based on averaged October 2007 through July 2007 Zn and Pb market pricing.

A total of 211 historic and recent drill holes have been drilled to date on the Jubilee Claims. During 2006 and 2007 the Company conducted a Phase I, 63 hole, 16,070 meter diamond drilling program on

MERREX GOLD INC.

Form 51-102F1

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

May 31, 2008

the Jubilee Property. The program concentrated on the Main Zone trend, both expanding the known area of mineralization and developing further verification data towards establishing a resource estimate compliant with the CIM Standards and recognized under NI43-101. Several holes were also completed outside of the Main Zone area. Overall, the Company's program accomplished three significant objectives. Firstly, drilling along strike to the northwest extended the length of Main Zone mineralization to total over 2.1 kilometres. The Main Zone remains open in this direction and will be the subject of continued drilling to further expand the deposit. Recent results from the Main Zone include 20.16% combined zinc + lead over 2.7 meters, which includes an interval grading 41.39% combined zinc + lead over 1.2 meters (Drill Hole MJ-07-17A, between 455.75m and 458.45m and between 456.65m and 457.85m respectively; see press release dated May 29, 2007). Secondly, step-out drilling outside the Main Zone intersected two, and possibly three, previously unknown areas of zinc and lead mineralization. These are significant because they are currently interpreted as new mineralized zones developed parallel to the Main Zone. In this manner they are similar to, but distinct from, the Road and Northeast Zones. The Company also recognizes that these intercepts could be associated with mineralized northeast trending cross faults. In all cases, this new mineralization has potential to contribute to future resource estimates at Jubilee and will be the subject of further drilling. Results from the new zones include an intersection of 9.6 meters grading 5.3% zinc + lead within which 4.15 meters graded 10.25% combined zinc + lead (Drill hole MJ-07-24, between 380.8m and 390.4m and between 383.65m and 387.8m respectively; see press release dated September 10, 2007). Thirdly, Main Zone infill holes provided further confirmation of previous drill results and mineralization styles within the Main Zone and contributed to development of the NI43-101 compliant resource estimate for the Jubilee Deposit. Additional drill results (see press release dated January 29, 2008) from two holes on the East Parallel Zone indicated continuity within that parallel zone, from 14 holes from the Road Zone indicate this zone is lower in grade than the Jubilee Main Zone but still has the potential to increase the overall resource estimate for the Jubilee Deposit.

During the quarter ending May 31, 2008 the Company completed 19 diamond drill holes aggregating 6,550 metres. The results of this drill program are pending.

Details of the Company's drill program results, as well as diagrams and maps, are available on the Company's website at www.merrexgold.com.

Michael Cullen, M. Sc., P. Geo., Senior Geologist with Mercator Geological Services Limited, is the independent Qualified Person, as defined under NI43-101, responsible for review and approval of the technical information presented above.

Eastville Prospect, Nova Scotia

The Company has staked 84 claims under three licenses over a prospective zinc occurrence in Eastville, Nova Scotia.

Cape Breton Regional Zinc Claims, Nova Scotia

The Company has staked additional claims in Cape Breton, Nova Scotia over four properties: Middle River, Baddeck Forks, River Denys and West Bay. These four claim groups comprise 1006 claims totalling 36,080 acres and have been identified as having geologic potential to host Jubilee-style zinc-lead mineralization. The company has completed preliminary exploration, including some initial

MERREX GOLD INC.

Form 51-102F1

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

May 31, 2008

exploratory diamond drilling, at Middle River (three holes) and Cains Mountain (one hole), none of which produced any significant assays. Additional exploration work such as field mapping and sampling, and possibly soil sampling, will be conducted in 2008 in several areas within the Cape Breton Regional Zinc Project before further drilling is undertaken.

Winterland, Newfoundland

The Company has staked 32 claims under one license near Winterland, Newfoundland over a prospective zinc/molybdenum occurrence.

Mali Properties

Touba Mining Strategic Alliance

The Company optioned from Touba Mining SARL ("Touba") of Bamako, Mali certain mining permits within the west African country of Mali. The Company's relationship with Touba is a strategic alliance whereby Touba assists the Company to acquire mineral permits other than those owned by Touba.

Pursuant to the terms of the Touba option the Company has earned a 95% interest in the Siribaya (132 sq km) and Taya-Malea (177 sq km) mining permits by making cash payments aggregating \$85,000 and incurring exploration expenditures exceeding the minimum requirement of \$750,000. The permits are all within a 4,100 square kilometer defined area of interest in the southern portion of what is referred to as the West Mali Gold Belt. The permits include gold and certain other minerals but the Company's primary interest in the permits is for their potential for gold exploration.

If the permits are to be developed as a mine then the Company's interest will be diluted in favour of the government of Mali as required by the mining laws of Mali as follows:

Parties	Interest
Merrex	75% participating
Government of Mali	10% participating (optional) 10% carried
Touba	5% carried

If the government of Mali elects not to participate then their 10% participating interest reverts to the Company. All permits are subject to a 5% Net Profit Interest in favour of Touba.

The Company has also secured through Touba option rights from other parties for the Kambaya (143 sq km), Kofia (147 sq km) and Babara (142 sq km) permits. All required legalities have been completed for all permits except for the Kambaya permit which is nearing completion. Collectively these permits, along with the Siribaya and Taya-Malea permits, are called the Siribaya Properties or Siribaya Project.

Permits optioned from other parties by Touba for the benefit of the Company require additional cash payments totalling \$291,000 (of which \$146,000 has been paid to date). There are no expenditure requirements for these permits. To date the Company has earned interests in these permits as follows: Babara permit – 75%; Kofia permit – 100% and Kambaya permit – 30%. Additional cash payments

MERREX GOLD INC.

Form 51-102F1

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

May 31, 2008

required to earn a 100% interest in each permit are as follows: \$34,000 by May 2008 for an additional 30% of the Kambaya permit, \$45,000 by December 2008 for the remaining 25% of the Babara permit and \$66,000 by May 2009 for the remaining 40% of the Kambaya permit.

Siribaya Project

Previous exploration work by other parties in the area covered by the various Siribaya permits consisted of regional geochemical surveys (lines spaced one kilometre apart) that reported over 100 kilometres of broad gold anomalous zones associated with geological structures. This historic database reported several soil samples assaying over 1000 ppb and as high as 4000 ppb. These anomalous gold zones were never followed up and the Company has acquired the complete database of past work.

During 2006, an extensive geochemical program consisting of prospecting, mapping, detailed geochemistry, pitting and trenching was conducted to confirm and detail gold zones previously outlined. This program successfully outlined numerous gold anomalies in the area sampled including an eight kilometer gold anomalous structure that has produced trenching results of 3.1 g/t Au over 35 meters at Zone 1A, a grab sample of 76 g/t Au at Timeta 1 and soil samples as high as 14.89 g/t Au at Timeta 2.

The Company also undertook a small orientation diamond drill program over the orpailleur workings at Berekegni on the Siribaya Permit. Drilling was carried out by the Ministry of Mines of Mali and samples from both the drilling and geochemical program were sent to ABILAB, an accredited laboratory in Bamako, Mali, and assayed for gold by the Fire Assay method on pulverized fractions of 50 grams. This program of five shallow holes aggregating 435 meters tested the geology of the old surface workings and yielded gold intersections in four of the five holes confirming that the gold mineralization outlined in the geochemical anomalies continued at depth.

The orientation drill program demonstrated that the Siribaya Permit region has been affected by a strong gold bearing hydrothermal system with the hydrothermal activity being clearly evidenced by silicification and hematisation, and by the encountered chalcopyrite, pyrite, arsenopyrite, galena, and tourmaline mineralisation, in close correlation with a quartz veinlet system.

Between November, 2006 and March 2007 the Company conducted a 31,500 meter Rotary Air Blast ("RAB") drilling program to test the gold discovery in the Siribaya structure. The driller was West African Drilling Services (WADS) of Bamako, Mali. The RAB drill program confirmed a substantial mineralized structure measuring 7 kilometres long, up to one kilometre wide, with a confirmed depth extension of at least 30 metres, open to the north, south and at depth. Further, numerous RAB holes ended in excellent grade mineralization and four longitudinal lines through the anomalies, also with excellent gold grades, provided additional evidence of the continuity of the mineralization in a north-south trend.

In June, 2007 the Company undertook a 3,666 metre, 25 hole Phase I diamond drill program. Holes were drilled to a target depth of approximately 150 metres. This program confirmed the mineralization in zone 1A, 1B and Timeta, established continuity of mineralization over the seven kilometer strike length, and confirmed that the mineralization continued to depth.

In November 2007 the Company received the results of additional geochemical sampling which extended the mineralized zone at Siribaya to 10 kilometers in length and identified and entirely new

MERREX GOLD INC.

Form 51-102F1

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

May 31, 2008

area (Zone Bambadinka) to the west of the present area of exploration. A program of trenching and pitting is underway at Zone Bambadinka.

The 2007 Phase II diamond drill program at Siribaya delivered significant assay results at both Zones 1A and 1B. Encouraging grades of gold mineralization were encountered at depth and along strike and the continuity between the northern and southern mineralized zones at Zone 1B was further evidenced (News Releases dated August 1, September 18 and December 3, 2007). A mineralized zone over 7 kilometres long has been established by diamond drilling.

For 2008 up to 20,000 meters of diamond drilling is planned.

Phase I of the 2008 program was comprised of fifteen drill holes totalling approximately 3,000 metres. Phase I drilling concentrated on a 100 x 300 metre area within Zone 1B which is a one kilometre long portion of the previously drill-identified 10 kilometres long gold-mineralized Siribaya structure.

Fourteen of the holes were gold mineralized (the fifteen hole was lost due to poor rock conditions) and increased significantly the understanding of the geology of the Siribaya project. Diamond drill holes 08-56, 59, 60, 61 and 62 intersected strong gold-polymetallic mineralization hosted by volcanic hydrothermal breccias, and stockworks in felsic rocks (rhyolite and rhyodacite). The mineralization at Zone 1B's Area 55 includes pyrite, arsenopyrite, chalcopyrite, galena and sphalerite. Phase I drill holes returned significant grades over long intersections (**5.07 g/t over 33 metres** in drill hole 08-56 and **5.92 g/t over 20 metres** in drill hole 08-62) in sulphide rich felsic rocks including sections of massive sulphide and are interpreted as suggesting a volcanic hydrothermal gold-polymetallic environment. The gold-polymetallic mineralized lens at Area 55 has drill continuity over a strike length of 200 metres and has been drilled to 200 metres in depth. The mineralization is still open along strike and to depth. Our current interpretation suggests that the mineralization within Area 55 stretches for at least three kilometres from drill hole 08-55 southwards to the prolific old Berekegni workings of similar mineralization and is open at both ends within the previously indentified 10 kilometres long mineralized Siribaya structure. This recent drilling at Area 55 is expected to form the basis of a future resource estimate.

In addition, Phase I drilling revealed a number of other gold-bearing mineralized structures. To the northeast of the Area 55 gold-polymetallic mineralisation, a parallel trending zone returned intersections as high as **2.25 g/t over 30 metres, 2.05 g/t over 30 metres, 4.98 g/t over 14 metres, 4.08 g/t over 10 metres, 4.60 g/t over 8 metres** and **3.79 g/t over 9 metres**. Approximately 200 metres south of that zone several other possible zones returned intersections as high as **4.65 g/t over 17 metres, 6.14 g/t over 8 metres, 3.05 g/t over 18 metres, 2.80 g/t over 20 metres, 4.83 g/t over 9 metres, 2.83 g/t over 14 metres** and **2.82 g/t over 12 metres**. The style of the gold mineralization in these zones appears to be more typical of other producing mines in the West Mali gold belt.

During the quarter ending May 31, 2008 the Company launched Phase II of the 2008 diamond drill program and retained ACA Howe International Limited to prepare a **NI 43-101 compliant resource** estimate. Phase II drilling will concentrate on a 2,000 metre x 300 metre area centred at Zone 1B and extending south and north from Area 55. Zone 1B is a one kilometre portion of the previously drill-identified 10 kilometres long gold-mineralized Siribaya structure. Phase II drilling will further test the

MERREX GOLD INC.

Form 51-102F1

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

May 31, 2008

depth and strike extension of gold mineralization within Area 55, test the southern extension of Area 55 on 80 to 120 metre step-outs along strike and test the northern extension of Area 55. In addition, certain other holes within Zone 1B will be deepened, additional new targets within zone 1B will be drill-tested and the east-west trending structures will be drill-tested.

To date 17 holes aggregating 4,200 metres have been completed. The results of this drill program are pending.

Management believes that the Siribaya Structure is part of a major gold-bearing system with the potential to deliver large deposits.

Details of the drill program results, as well as diagrams and maps, are available from the Company's website at www.merrexgold.com.

The Company has filed all necessary applications to secure an additional mineral permit for the Siribaya project. This permit is contiguous to the east of the Company's Babara Permit and is approximately 150 square kilometers in area. Final approval from the Mali government is pending. When finalized, this additional permit will bring the Company's contiguous land position in the Siribaya Project to over 900 square kilometres.

Jean-Marc Gagnon, P. Eng, MBA, a consultant to the Company, is the Qualified Person, as defined under NI43-101, who supervised this program and reviewed and approved the technical information presented above.

During the three months ended May 31, 2008, the Company incurred \$1,249,504 in exploration expenditures on the Siribaya project. To May 31, 2008 the Company has incurred \$7,701,556 in exploration expenditures and made \$231,000 in cash payments. The Company estimates 2008 expenditures for the Siribaya Project at \$4.0 million.

Kakadian Permit

The Company has optioned from la Societe Dianisse SUARL ("Dianisse") of Djelibougou, Bamako, Mali a 100% interest in the Kakadian mineral permit in west Mali. The Kakadian Permit, which covers approximately 109 square kilometres, includes rights to gold and certain other minerals but the Company's primary interest in the permits is for their potential for gold exploration.

The permit is located in the north portion of the prolific gold producing Sadiola-Kenieba Birimian window, approximately 10 kilometres west of the Sadiola gold mine. The property was acquired due to the presence of structural features and gold geochemical anomalies in the prospective Birimian rocks.

The Company has earned a 100% interest in the Kakadian Permit by making cash payments aggregating approximately \$80,000. There are no exploration expenditure obligations.

If optioned interests are earned and if the permits are to be developed as a mine then the Company's interest will be diluted in favour of the government of Mali as required by the mining laws of Mali as follows:

MERREX GOLD INC.

Form 51-102F1

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

May 31, 2008

Parties	Interest
Merrex	80% participating
Government of Mali	10% participating (optional) 10% carried

If the government of Mali elects not to participate then their 10% participating interest reverts to the Company. The permit has a 3% Net Profit Interest in favour of Dianisse.

Initial exploration consisted of follow-up on known geochemical anomalies including a small geochemical program of prospecting and sampling. Approximately 15% of the Kakadian Permit was sampled with peak values of 639 ppb and 405 ppb Au and, though sparse, do outline the mapped structure.

Jean-Marc Gagnon, P. Eng, MBA, a consultant to the Company, is the Qualified Person, as defined under NI43-101, who supervised this program and reviewed and approved the technical information presented above.

As at May 31, 2008, the Company has incurred \$63,395 in exploration expenditures on the property.

High River Properties

Pursuant to an Agreement dated May 3, 2006 with High River Gold Mines Ltd. ("High River") of Toronto, Ontario the Company acquired a bundle of five resource exploration property interests known and described as West Voisey's Bay Property, Hungry Hills Property, Sutherlands Pond Property, Red Lake/Birch Lake Properties and a 50% back-in right into Fundy Minerals Ltd. Liberian project.

The consideration for the purchase was \$361,415 in cash and 2,245,000 common shares. The Company also issued 144,667 common shares to four directors in consideration of personal guarantees of performance granted to High River.

West Voisey's Bay Property

The Company acquired from High River a 50% interest in 451 claims comprising approximately 112.75 square kilometres in Labrador. These claims, the West Voisey's Bay Property, are held in joint venture with Celtic Minerals Ltd. ("Celtic") as the West Voisey's Bay Joint Venture. Celtic is the West Voisey's Bay Joint Venture operator.

During the three months ended May 31, 2008, the Company incurred exploration expenditures of \$2,427 on the West Voisey's Bay property. As at May 31, 2008, the Company had incurred exploration expenditures of \$2,034,328 on the property. For 2007 the management committee of the West Voisey's Bay Joint Venture had approved an exploration program budget of approximately \$2.2 million of which \$0.9 million has been spent to date, with the remainder of the program to be completed during 2008.

MERREX GOLD INC.

Form 51-102F1

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

May 31, 2008

West Voisey's Bay-2 Property

In October 2006, the Company and Celtic entered into an option agreement with third parties to acquire a 100% interest in the West Voisey's Bay-2 property, a 60-claim (15 sq km) block contiguous to the West Voisey's Bay Property. Under the terms of the agreement, the Company and Celtic will make the following payments over four years: cash payments of \$250,000 (combined), share issuances of 125,000 shares each, and incur exploration expenditures of \$1.6 million (combined).

The option obligations of the Company are as follows:

Due Date	Cash Payments	Share Issuances	Exploration Expenditures
On execution	\$12,500 (paid)	25,000 shares (issued)	
By October 6, 2007	\$25,000 (paid)	25,000 shares (issued)	\$50,000 (completed)
By October 6, 2008	\$37,500	25,000 shares	\$125,000
By October 6, 2009	\$50,000	25,000 shares	\$250,000
By October 6, 2010		25,000 shares	\$375,000
TOTAL	\$125,000	125,000 shares	\$800,000

If the option is exercised, the vendors will receive a 2% Net Smelter Royalty of which the Company and Celtic can purchase one-half for \$2.0 million.

Combined, the West Voisey's Bay Property and the VB-2 property total 511 claims covering approximately 127.75 square kilometres.

During the three months ended May 31, 2008, the Company incurred \$112 in exploration expenditures on the VB-2 property. As at May 31, 2008, the Company had made cash payments of \$37,500, issued 50,000 shares at a value of \$35,000 and incurred \$142,376 in exploration expenditures on the VB-2 property.

West Voisey's Bay Exploration

The West Voisey's Bay Property borders Inco's Voisey's Bay property which contains Inco's operational nickel-copper-cobalt mine and a number of advanced exploration targets, including the Reid Brook zone. The Reid Brook zone is located 10 km to the northeast of the West Voisey's Bay Joint Venture's main exploration target.

During 2005 an MT survey identified four areas of exploration targets known as Mak Lake, West Mak Lake, Red Dog Fault and Konrad Brook. During 2006, the West Voisey's Bay Joint Venture completed infill ground geophysical surveys consisting of Magnetotellurics (MT), UTEM, Gravity and Magnetics over four previously identified target areas. This program was carried out with particular emphasis on the Mak Lake target area, 4km due south of mineralized troctolite at Inco's Ashley prospect.

MERREX GOLD INC.

Form 51-102F1

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

May 31, 2008

In the Mak Lake area an east-west trending MT conductor two kilometres long was identified. The conductor is a broad, north dipping conductor up to 1000 meters deep at the west end shallowing to approximately 350 meters depth on the easternmost line surveyed. This survey filled in earlier line spacing from 500 meters to a tighter 200 and 300 meter line spacing, confirmed continuity of the MT conductor for 1.5 kilometres and measured a stronger MT response between the original lines in one area. A separate offset MT conductor is indicated for the eastern part of the original 2.0 kilometer response.

A detailed ground gravity survey confirmed an anomalous gravity high in direct association with the 1.5 kilometer MT conductor with a weaker anomalous gravity high over the offset MT conductor. It should be noted that gravity surveys have been used to very effectively map out the troctolite magma chambers and their associated feeder zones at the Voisey's Bay deposits.

A UTEM survey completed over the shallower portion of the Mak Lake MT conductor, over the ice on Mak Lake and over the Red Dog Fault MT anomaly detected a multiple line, E-W trending UTEM conductor under Mak Lake coincidental with a strong MT conductor.

Detailed magnetics survey over the Mak Lake grid which overlaps the areas on which gravity, UTEM and MT were completed, outlined a magnetic anomaly in direct correlation with the 1.5 kilometer Mak Lake MT conductor and gravity high and further confirms the significance of the conductor as a priority drill target.

The West Voisey's Bay Joint Venture completed an airborne gravity gradiometry survey over its West Voisey's Bay project, in conjunction with a larger survey being conducted by Inco over its property holdings in the area. The survey was designed to explore for favourable troctolitic rocks, and potentially detect large shallowly buried accumulations of massive sulphides. Both Inco and the West Voisey's Bay Joint Venture shared portions of the data.

Professional geological service providers to the West Voisey's Bay Joint Venture included: Quantec Geosciences of Toronto, Ontario using their proprietary Titan 24 MT system carried out the MT geophysical survey and the detailed ground magnetics survey (a total of 41.40 line km's of MT was completed and 54.75 line km's of magnetics was completed.), the gravity survey was carried out by Eastern Geophysics of Nova Scotia (a total of 25.50 line km's of gravity was completed), and the UTEM survey was carried out the Lamontagne Geosciences of Kingston, Ontario (a total of 39.00 line km's of UTEM was completed).

In 2006 the West Voisey's Bay Joint Venture completed an exploration program comprised of geophysics and diamond drilling. This drilling helped explain the prominent gravity and Magnetotelluric (MT) anomalies in the Mak Lake area as gabbroic to noritic intrusions with a resistivity contrast between the overlying Makhavinekh Lake granite and the underlying mafic intrusions. The mafic intrusions host very minor amounts of pyrrhotite-chalcopyrite sulphide along with disseminated magnetite. The drilling did not intersect any material amounts of sulphide mineralization. However, management considers that additional drilling is required to fully evaluate the property. Additional drilling, which would have included one hole in the West Mak Lake area and a second hole in the Konrad Brook area, was postponed.

MERREX GOLD INC.

Form 51-102F1

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

May 31, 2008

Additional work completed over the winter of 2006-2007 included processing and analysis of ASTER remote sensing and satellite lineament and airborne gravity survey.

In June 2007, diamond drilling resumed. The first hole tested a coincidental magnetotelluric (MT) and gravity high along a prominent east-west structural intersection to a target depth of 1,150 meters. The target was one of four targets selected for test drilling following the completion of a three dimensional Gocad compilation model and additional geophysical data interpretation.

Technical information regarding the West Voisey's Bay Joint Venture exploration activities and results thereof was provided to the Company by Celtic Minerals Ltd., the operator of the West Voisey's Bay Joint Venture.

Hungry Hill Property

The Company holds a 50% interest in the Hungry Hill Property, a 232 claim property in Labrador, in joint venture with Celtic Minerals Ltd., the Hungry Hill Joint Venture operator. Expenditures of up to \$400,000 for ground geophysical work have been authorized for the Hungry Hill and Sutherlands Pond properties combined. During the three months ended May 31, 2008, the Company incurred exploration expenditures of \$1,377 on the Hungry Hill property. As at May 31, 2008, the Company had incurred exploration expenditures of \$98,292 with the remainder of the program expected to be completed in 2008.

Sutherlands Pond Property

The Company holds a 50% interest in the Sutherlands Pond Property, a 50 claim property in Labrador, in joint venture with Celtic Minerals Ltd., the Sutherlands Pond Joint Venture operator. Expenditures of up to \$400,000 for ground geophysical work have been authorized for the Hungry Hill and Sutherlands Pond properties combined. During the three months ended May 31, 2008, the Company incurred exploration expenditures of \$377 on the Sutherlands Pond property. As at May 31, 2008, the Company had incurred exploration expenditures of \$53,359 with the remainder of the program expected to be completed in 2008.

Red Lake/Birch Lake

The Company holds a 100% interest in 17 non-contiguous claim blocks totalling 229 claims in the Red lake and Birch Lake areas of Ontario, east of the active Red Lake, Ontario mining camp. The Birch-Uchi Project is comprised of seven claims groups totalling 230 individual claims located approximately 80 kilometres east-northeast of the town of Red Lake, Ontario. Individually, the properties are known as: Shabumeni (118 claims), East Swain (16 claims), Shabumeni River (16 claims), Skinner (32 claims), Women River (30 claims), Premier Lake (9 claims) and Confederation Lake (9 claims).

The Company's fall 2006 exploration program was directed at identifying the gold potential of the Birch-Uchi Project and consisted of preliminary prospecting and grab sampling of outcrop exposures and historical showings. The program succeeded, returning anomalous gold values including three samples ranging from 59 to 387 ppb, four samples ranging from 1308 to 2788 ppb, three samples ranging from 4456 to 7474 ppb and three samples ranging from 22184 to 30395 ppb gold.

MERREX GOLD INC.

Form 51-102F1

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

May 31, 2008

An exploration program including prospecting, sampling, outcrop stripping and geological mapping was conducted during the summer of 2007. Assays and a consultant's report are pending.

Gregory Isenor, P. Geo., President and Chief Executive Officer and director of the Company is the Qualified Person, as defined under NI43-101, who supervised this program and reviewed and approved the technical information presented above.

During the three months ended May 31, 2008, the Company incurred exploration expenditures of \$750 on the Red Lake/Birch Lake property. As at May 31, 2008 the Company had incurred exploration expenditures of \$450,190 on the property. The Company plans exploration expenditures for 2008 of approximately \$500,000.

Turkey

In January 2008, the Company entered into a strategic alliance with AgeanGold Madencilik Ltd. Sti. ("Agean"), a Turkish corporation, for the exploration for gold in western Turkey. The Company will form a Turkish subsidiary ("Merrex Turkey") which will be owned 90% by the Company and 10% by AgeanGold. AgeanGold and its shareholders will act exclusively for Merrex Turkey when securing exploration permits and all permits will be offered to Merrex Turkey at cost on a 'first refusal' basis. Merrex Turkey will be 100% funded and wholly controlled by the Company and the Company will recover cash advances and related expenses prior to any profit distribution. The strategic alliance, which had an initial term of 12 months ending June 1, 2007, has been extended on a month-to-month basis.

Merrex Turkey will focus on exploration permits in the region of Turkey west of 33° east longitude.

To date, the Company and AgeanGold have acquired eleven exploration permits in four regions: Efemçukuru (one permit of 1830 hectares), Odemis (four contiguous permits totalling 7450 hectares), Ordu-Ulubey-Sayaca (one permit of 887 hectares) and Kure (five contiguous permits totalling 8588 hectares). Total cost of operations and permits was \$345,644 to May 31, 2008. The costs are accounted for by the Company as exploration advances receivable until the permits are transferred to Merrex Turkey, at which time the Company will consolidate the accounts of Merrex Turkey.

The Efemçukuru permit is contiguous to the south of Eldorado Gold's 30 square kilometre Efemçukuru Project which has a reported proven and probable reserve of 3,875,000 tonnes grading 10.04 grams per tonne gold totalling 1,221,000 ounces of contained gold and has reported drill intersections as high as 41.54 g/t gold over 35.3 meters and 218.6 g/t gold over 5.6 meters.

The Efemçukuru permit is located in Izmir province on the south-west coast of Turkey approximately 20 kilometers from the provincial capital Izmir. The Kure and Odemis permit areas are also in Izmir province; Kure approximately 83 kilometres from Izmir and Odemis approximately 64 kilometres from Izmir. The Ordu-Ulubey-Sayaca permit is located in Ordu province in the north-east of Turkey near the Black Sea approximately 22 kilometres from the provincial capital Ordu.

MERREX GOLD INC.

Form 51-102F1

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

May 31, 2008

For the foreseeable future, Merrex Turkey will function as an incubator of projects. Merrex Turkey may undertake initial exploration programs but generally the Company plans to seek joint venture partners for its Turkish exploration permits.

Sand Brook Property

Effective December 21, 2007, the Company optioned the Sand Brook gold prospect in New Brunswick. The Company acquired a 15% vested interest by making a cash payment of \$134,280 and may acquire an additional 35% interest by incurring \$350,000 in exploration expenditures by June 30, 2009. The additional 35% interest vests in 5% increments with each additional \$50,000 in exploration expenditures incurred. The Company will be the operator during the earn-in phase.

The Sand Brook gold prospect is contiguous to and on strike along the Sawyer Brook Fault with Freewest Resources Ltd.'s Clarence-Stream gold deposit. A NI 43-101 compliant resource estimate on the Clarence-Stream gold deposit disclosed an Indicated Mineral Resource of 648,000 tonnes grading 7.30 g/t gold or 152,000 ounces of gold, an Inferred Mineral Resource of 544,000 tonnes grading 6.58 g/t gold or 115,000 ounces of gold and an Indicated Mineral Resource of 126,000 tonnes grading 2.30% antimony or 6,395,000 pounds of antimony. Additionally, all of the gold zones are reported to remain open along strike and to depth.

In 1987 a rock chip-sampling program by Rio Algom Exploration yielded results up to 18 g/t Au with anomalous values in copper, lead, zinc, silver, antimony and arsenic. In 1989 Grand Empire Exploration drilled 10 short holes – the best intersections were 0.45m of 1949 ppb Au and 0.3m of 3481 ppb Au. In 1992 detailed prospecting and trenching by Brunswick Mining and Smelting reported 9.8 ppm Au in 1 - 1.5 m outcrops along strike, with a spot high of 18 g/t Au. In 2004 a program of geological mapping by Fundy Minerals led to the discovery of a mineralized zone hosting a quartz vein with chip sample and grab sample assays up to 19 g/t Au.

MERREX GOLD INC.

Form 51-102F1

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

May 31, 2008

SELECTED FINANCIAL DATA

The following table sets out selected financial information for the period indicated. The Company's financial statements have been prepared in accordance with Canadian generally accepted accounting principles and all amounts are in Canadian dollars.

	Quarters Ended		Years Ended		
	May 31		August 31		
	2008	2007	2007	2006	2005
	\$	\$	\$	\$	\$
OPERATIONS					
Revenue	Nil	Nil	Nil	Nil	Nil
Net Loss	(696,755)	(362,410)	(1,291,451)	(1,076,709)	(104,396)
Loss per share (basic and diluted)	(0.01)	(0.01)	(0.03)	(0.06)	(0.02)
BALANCE SHEET					
Working capital (deficiency)	146,915	275,657	3,886,672	817,806	(175,362)
Total assets	19,932,696	11,364,486	18,039,233	6,259,823	22,135
Total deferred exploration expenditures and property costs	17,943,395	9,779,969	12,687,285	4,913,673	Nil

The Company's total assets are increasing due to the acquisition and exploration of mineral properties.

RESULTS OF OPERATIONS

The Company incurred a net loss of \$696,755 for the three months ended May 31, 2008, as compared to a net earnings of \$362,410 for the comparable period in 2007, primarily due to Future Income Tax recovery recognized in 2007.

EXPENSES

Total administrative expenses for the three months ended May 31, 2008 were \$641,351 compared to \$615,570 for the same period in 2007.

The overall increase in costs for the third quarter of 2008 compared to 2007 was due to the following:

Professional fees increased to \$102,913 from \$78,947 for the same quarter in previous year, primarily related to higher legal fees for advisory services for exploration and other administrative activities of the Company. Significant but not all legal work is carried out in-house by a director/officer of the Company who is qualified to practice law and is a member of the Law Society of British Columbia.

MERREX GOLD INC.

Form 51-102F1

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

May 31, 2008

Stock-based compensation expense for the three months ended May 31, 2008 decreased to \$141,121 compared to \$265,236 for the same quarter in the prior year due to the timing of the vesting of stock options.

Travel and business development expense for the three months ended May 31, 2008 increased to \$120,952 compared to \$52,773 for the same period the prior year primarily due to increased attendance at trade shows and an increase in travel for investor relations activities.

SUMMARY OF QUARTERLY RESULTS

The following table presents selected financial information for the quarters ended:

	May 31 2008	Feb. 29 2008	Nov. 30 2007	Aug.31 2007	May 31 2007	Feb. 28 2007	Nov. 30 2006	Aug.31 2006
	\$	\$	\$	\$	\$	\$	\$	\$
Revenue	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Net loss before taxes	(696,755)	(587,587)	(515,085)	(1,116,041)	(596,137)	(813,623)	(612,322)	(687,371)
Net earnings (loss)	(696,755)	(587,587)	(515,085)	(227,916)	362,410	(813,623)	(612,322)	(687,371)
Basic/Diluted earnings (loss) per share	(0.01)	(0.01)	(0.01)	(0.00)	0.01	(0.02)	(0.02)	(0.02)

The fluctuation in net loss before taxes on a quarterly basis is primarily due to changes in stock-based compensation expense which fluctuates based on the number of options vesting in the quarter. Administrative expenses, excluding stock-based compensation, for the three months ended May 31, 2008 were \$500,230 compared to \$350,334 in the previous quarter, primarily due to more travel and attendance at trade shows and higher professional fees in the third quarter. Administrative expenses averaged \$340,000 per quarter in fiscal 2007. Administrative expenses are generally higher in 2008 due to the expansion of staffing and infrastructure throughout 2008 to support significant growth in financing and exploration activities.

Net earnings for the quarter ended May 31, 2007 compared to a net loss in all other quarters presented was due to the future income tax recovery related to the renunciation of flow-through expenses in the quarter.

LIQUIDITY AND CAPITAL RESOURCES

	May 31, 2008	February 29, 2008	November 30, 2007	August 31, 2007
Working capital	(1,380,085)	2,400,033	1,748,443	3,886,672
Deficit	(14,432,314)	(13,735,559)	(13,147,972)	(12,632,887)

The Company has financed its acquisition and exploration of mineral properties and its ongoing operating costs with proceeds from equity subscriptions and the exercise of share purchase warrants. The Company expects to continue to raise capital primarily through the issuance of equity and will

MERREX GOLD INC.

Form 51-102F1

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

May 31, 2008

require financing of approximately \$5.5 million in fiscal 2008 to carry out its exploration plans, of which \$3.1 million in flow-through funds was raised in December 2007. Cash required to maintain mineral properties and agreements in good standing in 2008 is approximately \$300,000.

On December 21, 2007 the Company completed a private placement for 4,769,185 flow-through common shares at a price of \$0.65 per share for total gross proceeds of \$3,099,970. The Agent received a cash commission of \$216,998 and 333,843 share purchase warrants exercisable into common shares at a price of \$0.60 expiring December 21, 2009. All securities issued are subject to a hold period until April 21, 2008. The flow-through funds must be used for expenses qualifying as Canadian exploration expenses (CEE) under the Income Tax Act (Canada) by December 31, 2008. As at May 31, 2008, \$941,913 in expenditures qualifying as CEE had been incurred. The Company has indemnified flow-through share subscribers for any tax payable by the subscribers under the *Income Tax Act* (Canada) if the Company fails to incur the CEE by December 31, 2008.

As at May 31, 2008, the Company has working capital of \$2,400,033 as compared to working capital of \$2,400,033 at February 29, 2007 and working capital of \$1,748,443 at November 30, 2007 as follows:

	May 31, 2008 \$	February 29, 2008 \$	November 30, 2007 \$
Cash and cash equivalents	1,141,615	3,497,130	2,722,686
Prepaid expenses	4,724	17,501	18,377
Taxes and other receivables	223,681	185,007	227,749
Exploration advances	54,421	26,217	125,557
Accounts payable and accruals	(1,277,526)	(998,824)	(1,018,926)
Loan payable	-	-	-
Future income tax liability	(1,527,000)	(327,000)	(327,000)
WORKING CAPITAL	(1,380,085)	2,400,033	1,748,443

Cash equivalents of \$1,141,615 (2007: \$569,571) are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

During the 2007 fiscal year, the Company raised \$12,766,022 through brokered private placements, of which \$4,000,000 was flow-through funds which were used for expenses qualifying as Canadian exploration expenses (CEE) under the *Income Tax Act* (Canada) by December 31, 2007.

Cash used in operating activities was \$297,147 for the period compared to \$758,391 for the same period in the previous year. Although there were higher administrative costs in the quarter compared to the previous year, these were offset by the increase in accounts payable and decrease in prepaid expenses.

Cash used in investing activities for the second quarter was \$2,123,298 compared to \$1,204,653 for the same quarter in 2007. The decrease was primarily due to the timing of exploration advances and no capital asset purchases in the third quarter of 2008.

MERREX GOLD INC.

Form 51-102F1

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

May 31, 2008

Cash provided by financing activities was \$64,900 for the quarter (2007: \$122,271). A revocation of eligible CEE for gross proceeds of \$1.2 million was completed in the third quarter of 2008 for flow through costs.

RELATED PARTY TRANSACTIONS

During the three months ended May 31, 2008, the Company entered into the following transactions with related parties:

- a) The Company paid or accrued the following amounts to related parties:
- For management and exploration management fees \$84,752 (2007 - \$70,041) to a director of the Company, to a corporation of which a director and officer is a shareholder, and to a member of the immediate family of a director and officer of the Company. Of this amount, \$50,752 (2007 - \$55,000) was charged to loss for the period and \$37,500 (2007 - \$9,600) was included in deferred exploration expense;
 - For directors' fees \$11,200 (2007 - \$16,550) to non-executive directors of the Company which was charged to loss for the period;
 - For office rent, related overhead expenses, and vehicle rental \$12,000 (2007 - \$20,250) to corporations of which directors are shareholders. Of this amount, \$4,500 (2007 - \$2,500) was charged to loss for the period and \$7,500 (2007 - \$13,500) was charged to deferred exploration expense; and
 - For professional services \$43,481 (2007 - \$51,572) to a director, to a corporation of which an officer is a shareholder, and to a firm of which a director is a partner. Of this amount, \$43,481 (2007 - \$51,572) was charged to loss for the period and \$Nil (2007 - \$Nil) was charged to share capital.

Included in accounts payable and accrued liabilities are amounts owing to directors and officers and corporations in which directors and officers are shareholders totalling \$53,781 (2007 - \$114,055). Included in prepaid expenses is a deposit on a consulting contract with an officer of \$Nil (2007 - \$4,800). Amounts payable to related parties are unsecured, non-interest bearing and have no fixed terms of repayment.

Related party transactions are in the ordinary course of business, occurring on terms that are similar to those of transactions with unrelated parties, and therefore are measured at the exchange amount.

CHANGES IN ACCOUNTING POLICIES AND RECENT ACCOUNTING PRONOUNCEMENTS

Recently adopted accounting pronouncements

On September 1, 2007, the Company adopted new accounting standards issued by the Canadian Institute of Chartered Accountants ("CICA") Handbook Sections 1530 "Comprehensive Income", 3251 "Equity", 3865 "Hedges", 3855 "Financial instruments – Recognition and Measurement" and 3861 "Financial Instruments – Presentation and Disclosure". These standards were adopted on a prospective basis; accordingly comparative amounts for prior periods have not been restated.

MERREX GOLD INC.

Form 51-102F1

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

May 31, 2008

CICA Section 1530 established standards for reporting and presenting comprehensive income which is defined as the change in equity from transactions and other events from non-owner sources. Other comprehensive income refers to items recognized in comprehensive income that are excluded from net income calculated in accordance with generally accepted accounting principles. The Company has no changes in its net assets that are not included in the statement of operations.

CICA Section 3251 established standards for the presentation of equity and changes in equity during the period. Accumulated other comprehensive income is included on the consolidated balance sheet as a separate component of shareholders' equity, and includes the foreign currency cumulative translation adjustment.

CICA Section 3865 specifies the circumstances under which hedge accounting is permissible and how hedge accounting may be performed. The Company does not have any hedges.

CICA Section 3855 prescribes when a financial asset, financial liability or non-financial derivative is to be recognized on the balance sheet and at what amount, requiring fair value or cost based measures under different circumstances. Transaction costs related to held-to-maturity financial liabilities are charged to interest expense as incurred. The fair value of all short-term financial assets, liabilities, cash and short term investments approximates their carrying value, particularly given their short maturities. Unless otherwise noted, it is management's opinion that there are no significant currency and credit risks arising from these financial instruments.

CICA Section 3861 establishes standards for presentation of financial instruments and non-financial derivatives, and identifies the information that should be disclosed about them. Under the new standards, policies followed for periods prior to the effective date generally are not reversed and, therefore the comparative figures have not been restated.

The changes in accounting policy did not have a material impact on the financial statements.

Recently issued accounting pronouncements

In December 2006, the CICA issued three handbook sections which apply to fiscal years beginning on or after October 1, 2007. The Company is currently evaluating the impact of these new handbook sections on the consolidated financial statements and will adopt the sections commencing September 1, 2008.

Section 3862 - Financial Instruments – Disclosures describes the required disclosures related to the significance of financial instruments on the Company's financial position and performance and the nature and extent of risks arising for financial instruments to which the entity is exposed and how the entity manages those risks. This section complements existing handbook section 3855, Financial Instruments - Recognition and Measurement and section 3863, Financial Instruments – Presentation.

Section 3863 - Financial Instruments – Presentation establishes standards for presentation of financial instruments and non-financial derivatives. This section complements the existing handbook section 3861, Financial Instruments –Disclosure and Presentation.

MERREX GOLD INC.

Form 51-102F1

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

May 31, 2008

Section 1535 – Capital Disclosures establishes standards disclosing information about a Company's capital and how it is managed to enable users of financial statements to evaluate the Company's objectives, policies and procedures for managing capital.

CICA Section 3031 – Inventories is effective for fiscal years beginning on or after January 1, 2008 and aligns accounting for inventories under Canadian GAAP with International Financial Reporting Standards (IFRS). This standard will not impact the Company's financial statements.

In February 2008 the Accounting Standards Board announced that accounting standards in Canada are to converge with IFRS and companies will begin reporting, with comparative data, under IFRS for fiscal years beginning on or after January 1, 2011. While IFRS is based on a conceptual framework similar to Canadian GAAP, there are significant differences with respect to recognition, measurement and disclosure which the Company is beginning to assess.

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and notes. Critical accounting estimates used in the preparation of the consolidated financial statements include the Company's estimate of recoverable value of its mineral properties and related deferred expenditures, stock-based compensation, and future income tax assets and liabilities.

The Company's recoverability of the recorded value of its mineral properties and associated deferred expenses is based on market conditions for minerals, underlying mineral resources associated with the properties and future costs that may be required for ultimate realization through mining operations or by sale. The Company operates in an industry that is subject to a number of risk factors, including legal and political risks, the existence of economically recoverable reserves, and the ability of the Company to obtain necessary financing to complete the development and future profitable production or the proceeds of disposition thereof.

The factors affecting stock-based compensation include estimates of when stock options might be exercised and the stock price volatility. The timing for exercise of options is out of the Company's control and will depend on a variety of factors including the market value of the Company's shares and the financial objectives of the stock-based instrument holders.

Future income tax assets and liabilities are computed based on differences between the carrying amounts of assets and liabilities on the balance sheet and their corresponding tax values. Future income tax assets also result from unused loss carryforwards and other deductions. The valuation of future income tax assets is adjusted, if necessary, by use of a valuation allowance to reflect the estimated realizable amount.

OUTSTANDING SHARE DATA

As of the date of this report, the Company had authorized an unlimited number of common shares without par value and issued capital was 59,670,755 common shares (November 30, 2007: 54,601,570).

MERREX GOLD INC.

Form 51-102F1

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

May 31, 2008

Stock options outstanding:

Exercise Price	Number of Shares	Expiry Date
\$0.45	100,000	December 5, 2010
\$0.75	2,100,000	June 1, 2011
\$0.75	275,000	November 7, 2011
\$0.90	1,120,000	December 19, 2011
\$0.75	1,170,000	December 4, 2012
	<u>4,665,000</u>	

Agents' compensation options outstanding:

As of the date of this report, there were 623,360 agents' compensation options outstanding exercisable into one common share at an exercise price of \$1.00 expiring December 7, 2008.

Warrants outstanding:

Exercise Price	Number of Shares	Expiry Date
1.25 - \$1.75	4,000,000	December 7, 2008
\$0.60	333,843	December 21, 2009
	<u>4,333,843</u>	

MERREX GOLD INC.

Form 51-102F1

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

May 31, 2008

As of the date of this report, there were 4,335,500 shares subject to a Value Securities Escrow Agreement. These shares will be released on the following basis:

Release Dates	Number of Escrowed Securities to be Released
November 24, 2008	2,167,750
May 24, 2009	2,167,750
Total	4,335,500

RISK AND UNCERTAINTIES

Under Canadian reporting requirements, management of the Company is required to identify and comment on significant risks and uncertainties associated with its business activities. For a summary of potentially significant inherent risks and uncertainties that management considers to be particularly unique to its operations and business plans in the upcoming years, please refer to the Company's 2007 Management Discussion and Analysis, which is available on the Canadian System for Electronic Document Analysis and Retrieval (SEDAR) at www.sedar.com.