

MERREX GOLD INC.

Form 51-102F1

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

August 31, 2007

BACKGROUND

The following discussion and analysis, prepared as of December 17, 2007, should be read together with the audited consolidated financial statements for year ended August 31, 2007 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.

RESOURCE PROPERTIES

(Refer to Note 5 of the Audited 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

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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 July 20, 2007, the Company notified Aur that the conditions precedent to the exercise of its option to acquire 100% of the Aur Claims had been satisfied and 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.

As at August 31, 2007, the Company had made cash payments of \$80,000 and incurred \$2,741,666 in exploration expenditures on the Jubilee Property. The Company plans 2008 expenditures on the Jubilee Property of approximately \$2.0 million.

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

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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 207 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 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

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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.

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 at a cost of \$17,600 paid in lieu of assessment work requirements and \$28,569 in exploration expenditures to date.

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 (675 as at August 31, 2007 and 331 acquired in October 2007) 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 diamond drilling at Middle River.

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.

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Pursuant to the terms of the Touba option the Company earned a 95% interest in the Siribaya (132 sq km) and Taya-Malea (177 sq km) mining permits as at October 18, 2007 by making cash payments aggregating \$85,000 and incurring exploration expenditures aggregating \$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 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.

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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 to 10 kilometers in length and identified an entirely new area (Zone Bambadinka) to the west of the present area of exploration.

Recently the Company commenced a 2,500 metre Phase II diamond drill program at Zones 1A and 1B at Siribaya. Results from this drill program will be released upon receipt and interpretation of all analyses.

Details of the drill program results and geochemical survey 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, 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

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presented above.

As at August 31, 2007, the Company has incurred \$4,594,563 in exploration expenditures on the Siribaya Project and made \$138,000 in cash payments. Additional option payments required to date have been made. 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 to date. As at August 31, 2007, the Company had earned 80% by making \$35,000 in cash payments. 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:

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, 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 August 31, 2007 the Company has incurred \$60,795 in exploration expenditures on the Kakadian permit.

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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.

West Voisey's Bay-2 Property

During the first quarter of 2007, 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.

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As at August 31, 2007, the Company had made cash payments of \$12,500, issued 25,000 shares valued at \$17,500 and incurred \$141,239 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.

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

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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.

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.

As at August 31, 2007, the Company had incurred exploration expenditures of \$2,000,618 on the West Voisey's Bay 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.

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. As at August 31, 2007, the Company had incurred exploration expenditures of \$52,109 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

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Sutherlands Pond properties combined. As at August 31, 2007, the Company had incurred exploration expenditures of \$52,234 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.

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.

As at August 31, 2007 the Company had incurred exploration expenditures of \$243,284 on the Red Lake/Birch Lake property. The Company plans exploration expenditures for 2008 of approximately \$500,000.

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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 generally accepted accounting principles in Canada and all amounts are in Canadian dollars.

	Years Ended August 31		
	2007	2006	2005
	\$	\$	\$
OPERATIONS:			
Revenue	Nil	Nil	Nil
Net Loss	(1,291,451)	(1,076,709)	(104,396)
Basic and diluted loss per share	(0.03)	(0.06)	(0.02)
BALANCE SHEET			
Working capital (deficiency)	4,213,672	817,806	(175,362)
Total assets	18,039,233	6,259,823	22,135
Total deferred exploration expenses	12,687,285	4,913,673	Nil

The Company's total assets have increased over the three-year period primarily due to the acquisition and exploration of mineral properties. The Company's net loss has increased over the three-year period as the Company established an administrative infrastructure to support its exploration, compliance and governance activities.

RESULTS OF OPERATIONS

The Company incurred a net loss before taxes of \$3,138,123 for the year ended August 31, 2007, as compared to a net loss before taxes of \$1,076,709 for the 2006 year and a net loss before taxes of \$104,396 in 2005, primarily due to higher stock-based compensation expense associated with the vesting of stock options and an increase in management, office staff and professional fees costs to support the Company's expanded exploration, financing and regulatory activities.

EXPENSES

Total administrative expenses for 2007 were \$3,132,653 compared to \$1,050,072 in 2006.

The increase in costs for 2007 compared to 2006 was due to the following:

Amortization for the year was \$20,196 compared to \$7,136 for the previous year, due to the amortization of leaseholds, office equipment and furniture purchased for the Halifax office established late in 2006.

Consulting fees increased to \$113,038 compared to \$37,609 in the previous year due to the cost of investor relations consultants for the full year in 2007 compared to a partial year in 2006 and the cost of geological consultants for investigation of potential exploration properties in 2007.

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Director fees increased to \$38,150 compared to \$Nil in 2006 due to the approval of fees for non-executive directors beginning in the second quarter of 2007.

Filing and transfer fees for the year decreased to \$37,663 compared to \$71,575 for the previous year, due to a reorganization of the Company in 2006.

Finders fees and commissions were \$Nil in 2007 compared to \$83,718 in 2006 as new properties were identified internally in the current year.

Management fees increased to \$214,500 compared to \$85,100 in 2006 due to higher approved fees for management contracts.

Marketing and public relations expense increased to \$179,942 for the year compared to \$37,819 in the previous year due to increased attendance at trade shows, web site upgrades and increased shareholder and other financial communications.

Office and rent expense increased to \$259,560 in 2007 compared to \$100,943 in 2006, as the Halifax corporate office was open and staffed for the full year in 2007 compared to a partial year in 2006.

Printing and postage increased to \$38,691 compared to \$8,880 in the previous year due to the increase in collateral information for trade shows and conferences and the production of an Annual Report in 2007.

Professional fees increased to \$210,330 from \$128,973 for the previous year, as a result of higher audit, accounting and financial management fees related to the expansion of exploration activities. 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.

Property investigation costs increased to \$60,000 in 2007 compared to \$Nil the prior year due to the expensing of exploration expenditures made pursuant to an option agreement which the Company has allowed to expire.

Stock-based compensation expense for the year increased to \$1,782,107 compared to \$362,600 for the prior year due to the vesting of stock options issued late in 2006 and during 2007.

Total other expenses were \$5,470 in 2007 compared to \$26,637 in 2006. The 2007 net expense was primarily due to interest income of \$84,983 from short-term deposits being offset by an accrual of interest expense of \$97,107 (in the form of Part XII.6 tax) on flow-through funds spent after February 2007.

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SUMMARY OF QUARTERLY RESULTS

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

	Aug.31 2007	May 31 2007	Feb. 28 2007	Nov. 30 2006	Aug.31 2006	May 31 2006	Feb. 28 2006	Nov. 30 2005
	\$	\$	\$	\$	\$	\$	\$	\$
Revenue	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Net earnings (loss) before taxes	(1,116,041)	(596,137)	(813,623)	(612,322)	(687,371)	(262,363)	(76,236)	(50,739)
Net earnings (loss)	(227,916)	362,410	(813,623)	(612,322)	(687,371)	(262,363)	(76,236)	(50,739)
Basic/Diluted earnings (loss) per share	(0.00)	0.01	(0.02)	(0.02)	(0.02)	(0.02)	(0.01)	(0.01)

Administrative expenses for the past four quarters, excluding stock-based compensation, have averaged approximately \$340,000 per quarter. This significant increase over an average of \$170,000 per quarter in 2006 is due to the Company having expanded its staffing and infrastructure to support significant growth in financing and exploration activities. Stock-based compensation expense varies by quarter based on the vesting provisions of stock options awarded.

Net earnings in the third quarter of 2007 compared to a net loss in all other quarters presented was due to the future income tax recovery related to the renunciation of \$6.35 million in flow-through expenses in the quarter.

LIQUIDITY AND CAPITAL RESOURCES

	August 31, 2007	May 31, 2007	February 28, 2007	November 30, 2006
Working capital (deficiency)	3,886,672	275,657	2,381,999	(779,499)
Deficit	(12,632,887)	(12,404,971)	(12,767,381)	(\$11,953,758)

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 require financing of approximately \$5.5 million in 2008 to carry out its exploration plans. Cash required to maintain mineral properties and agreements in good standing in 2008 is approximately \$300,000.

On December 7, 2007 the Company announced it had entered into an agreement to raise up to \$3,000,000 by way of a private placement of up to 4,615,385 flow-through common shares at a price of \$0.65 per share. The Agent will receive a cash commission equal to 7% of the gross proceeds raised and warrants equal to 7% of the number of shares issued, exercisable into common shares at a price of \$0.60 for a period of two years. Completion of the financing is subject to satisfactory due diligence by the Agent and receipt of all necessary regulatory approvals.

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As at August 31, 2007, the Company has working capital of \$3,886,672 as compared to working capital of \$817,806 at August 31, 2006, as follows:

	August 31, 2007 \$	August 31, 2006 \$
Cash and cash equivalents	3,911,520	1,128,572
Prepaid expenses	311,274	18,750
Taxes and other receivables	631,300	127,470
Exploration advances	105,621	-
Accounts payable and accruals	(746,043)	(456,986)
Future income tax liability	(327,000)	
WORKING CAPITAL	3,886,672	817,806

Cash equivalents of \$3,530,716 (2006: \$500,000) 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 year, the Company completed two brokered private placements for gross proceeds of \$12,766,022 and received \$991,290 pursuant to the exercise of warrants and agents' compensation options. Of this amount, \$4,000,000 was flow-through. Funds raised from flow-through share issuances and flow-through warrant exercises must be used for expenses qualifying as Canadian exploration expenses (CEE) under the *Income Tax Act* (Canada). As at August 31, 2007, \$3.1 million of the flow-through funds had been used for expenses qualifying as CEE and the remaining \$0.9 million must be incurred on expenses qualifying as CEE by December 31, 2007.

Cash used in operating activities was \$2,460,227 for the year compared to \$587,276 in the previous year, primarily due to the increased administrative costs and working capital requirements associated with operations and exploration activity which were not fully underway until late in the previous year.

Cash used in investing activities for 2007 increased to \$7,585,695 compared to \$3,087,635 in 2006. The increase was primarily due to expenditures on mineral properties of \$7,244,624 in 2007 compared to \$3,009,902 in the previous year, due to the ramping up of drilling at both the Siribaya Project in West Mali (\$3.5 million in cash used in 2007 compared to \$1.1 million in 2006) and the Jubilee Property (\$2.0 million in cash used in 2007 compared to \$0.2 million in 2006).

Cash provided by financing activities was \$12,828,870 for the year (2006: \$4,797,541), reflecting net financing proceeds of \$11,837,580 (2006: \$4,303,791) and \$991,290 from the exercise of warrants and options (2006: \$493,750).

RELATED PARTY TRANSACTIONS

During the year ended August 31, 2007, the Company paid or accrued the following amounts to related parties:

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For management and exploration management fees \$262,644 (2006 - \$99,100) 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;

For directors' fees \$38,150 (2006: \$Nil) to non-executive directors of the Company;

For office rent, related overhead expenses and vehicle rental \$70,370 (2006 - \$15,000) to corporations of which directors are shareholders; and

For professional services \$230,843 (2006 - \$92,290) to a director of the Company, to a corporation of which an officer is a shareholder, and to a firm of which a director is a partner.

As at August 31, 2007, accounts payable includes \$67,367 (2006 - \$259,944) payable to directors and officers and to corporations in which directors and officers are shareholders or partners.

During the year, The Company borrowed and repaid short-term loans totalling \$400,000 from a director (2006: \$70,500). The loans were without interest and without specific terms of repayment.

Transactions with related parties are measured at the exchange amount of consideration established by the related parties.

DISCLOSURE CONTROLS AND PROCEDURES

Management is responsible for establishing and maintaining disclosure controls and procedures for the Company. Based on an evaluation of the Company's disclosure controls and procedures as of the end of the period covered by this MD&A, management believes such controls and procedures are effective in providing reasonable assurance that material items requiring disclosure are identified and reported in a timely manner.

OUTSTANDING SHARE DATA

As at August 31, 2007 the Company had authorized an unlimited number of common shares without par value.

Issued capital as at August 31, 2007 was 54,576,570 common shares (August 31, 2006: 35,992,275). During the year, the Company issued 25,000 common shares pursuant to the acquisition of mineral properties, 3,611,264 common shares pursuant to the exercise of warrants and agents' options and 14,948,031 common shares pursuant to financings. Since August 31, 2007, the Company issued 25,000 common shares pursuant to its option agreement for the West Voisey's Bay-2 property.

As at August 31, 2007 there were 1,095,607 share purchase warrants outstanding, exercisable until December 6, 2007 at a price of \$0.90 per share and 4,000,000 share purchase warrants outstanding, exercisable until December 7, 2008 at a price of \$1.25 per share until June 7, 2008 and \$1.75 per share until December 7, 2008. None of the share purchase warrants expiring on December 6, 2007 was exercised.

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As at August 31, 2007 the Company had 4,260,000 stock options outstanding at a weighted average price of \$0.69 with exercise prices ranging from \$0.11 to \$0.90 and a weighted average remaining contractual life of 3.8 years. On December 7, 2007 the Company granted 1,200,000 stock options to directors, officers, employees and consultants pursuant to the Company's incentive stock option plan, subject to a four month hold period and exercisable for five years at \$0.75 per share.

As at August 31, 2007 there were 243,181 agents' compensation options outstanding exercisable into units at an exercise price of \$0.70 until December 6, 2007. Each unit consists of one common share and one-half of a common share purchase warrant. Each full purchase warrant entitles the holder to purchase one additional common share at an exercise price of \$0.90. As at August 31, 2007 there were 623,360 agents' compensation options outstanding exercisable into one common share at an exercise price of \$1.00 expiring December 7, 2008. None of the agents' compensation options expiring on December 6, 2007 was exercised.

As at August 31, 2007 there were 8,671,000 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, 2007	2,167,750
May 24, 2008	2,167,750
November 24, 2008	2,167,750
May 24, 2009	2,167,750
Total	8,671,000

RISK AND UNCERTAINTIES

The Company is in the business of acquiring and exploring mineral properties, a business with numerous inherent risks and uncertainties common to other junior mineral exploration companies. Management has identified the following potentially significant inherent risks and uncertainties specific to its operations and plans in the coming years.

Funding Requirements

The Company and its mineral exploration programs are at an early stage and the Company is not profitable and has no source of revenues. The Company relies upon the placement of equity and the exercise of stock options for its financing. While it has been successful at raising equity in the past, there can be no assurance that it will be able to do so in the future.

Exploration and Development

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There can be no assurance that the activities of the Company will result in the discovery of a mineral deposit or that any such discovery will be of sufficient size and grade to warrant production.

Each of the mineral claims and exploration permits which the Company holds or has a right to acquire an interest in is in the exploration stage only and without a known body of commercial ore. After discovery of mineralization, significant stages of exploration and assessment are required before economic viability can be determined and development is dependent upon success at every stage. Very few precious or base metal properties that are explored are ultimately developed into production.

Exploration Risks

Mineral resource exploration activities involve risks which even a combination of experience, knowledge and prudence may not be able to overcome. The activities in which the Company is directly or indirectly involved will be subject to the hazards normally incidental to exploration activities which could result in injury and damage to life and property, possible adverse environmental impacts and possible legal liability for some or all of such injury, damage or impact. The Company maintains some liability insurance; however, any exposure may be outside the coverage of or exceed the limit of the insurance policy in which case the Company could be exposed to significant defence costs and ultimate financial liability.

Reliance on Personnel

The Company is highly dependent on its key executive and operating officers, the loss of any of which could have an adverse effect on the Company.

Recent increases in resource exploration activity worldwide have resulted in increased demand for and a resulting shortage of experienced technical field personnel and in increased costs of field personnel and related goods and services. The inability of the Company to secure such personnel when required or at affordable prices could have an adverse effect on the Company's performance.

Title Risks

The Company's exploration properties are in Canada and Mali, and both countries are politically stable with respect to the laws governing mining tenure and mining activities. Nevertheless, the possibility of political instability or changes to mining regulations could result in the impairment or loss of mining title or impairment of the value of interests held.

The Company exercises usual due diligence with respect to determining title to properties in which it has a material interest. However, the Company's property interests may be subject to prior unregistered agreements, or transfers or native land claims and title may be affected by undetected defects. There is no guarantee that property titles will not be challenged or impugned.

Foreign Currency Exchange Rate Risk

Certain of the Company's exploration permits are in Mali. The currency of commerce in Mali is the Mali franc and the United States dollar. Significant fluctuations in the Mali franc against the Canadian dollar could have a material effect on the Corporation's financial results, which are denominated and reported in Canadian dollars.