

# **ASTRAL MINING CORPORATION**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2008**

### **Introduction**

The following management discussion and analysis and financial review, prepared as at November 28, 2008, should be read in conjunction with the unaudited interim consolidated financial statements and related notes for the six months ended September 30, 2008, of Astral Mining Corporation (the "Company"). The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). Except as otherwise disclosed, all dollar figures in this report are stated in Canadian dollars. Additional information relevant to the Company can be found on the SEDAR website at [www.sedar.com](http://www.sedar.com).

### **Forward Looking Statements**

Certain information included in this discussion may constitute forward-looking statements. Forward-looking statements are based on current expectations and entail various risks and uncertainties. These risks and uncertainties could cause or contribute to actual results that are materially different than those expressed or implied. The Company disclaims any obligation or intention to update or revise any forward-looking statement, whether as a result of new information, future events, or otherwise.

### **Company Overview**

The Company was incorporated under the Company Act (British Columbia) on February 12, 2004 and was transitioned under the Business Corporations Act (British Columbia) on November 1, 2004. On June 6, 2005, the Company changed its name from Amanda Resources Corp. to Astral Mining Corporation. The Company completed its initial public offering and on March 1, 2006 commenced trading on the TSX Venture Exchange ("TSX-V") under the symbol "AST".

The Company commenced limited operations in February 2004; however, the year ended March 31, 2007 was the first active year of operations and exploration. The Company has entered into option agreements or acquired through direct staking, a number of properties located in Nevada, USA and British Columbia, Canada.

The Company is a junior mineral exploration company 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 completed. All of the Company's mineral property interests are located in Canada and USA. As of the date of this MD&A, the Company has not earned any production revenue, nor found any proved reserves on any of its properties. The Company is a reporting issuer in British Columbia, Alberta and Ontario.

The Company is committed to the prudent use of cash and, to assist in dealing with current market conditions, the Company has been and will continue to undertake the necessary steps to preserve capital including postponing work programs, reducing personnel and minimizing non-essential expenditures.

### **Exploration Projects**

#### ***Jumping Josephine Property, British Columbia***

In 2006, the Company entered into an option agreement with Kootenay Gold Inc. ("Kootenay Gold") to earn a 60% undivided interest in the 11,785 hectare Jumping Josephine Property ("JJ Property") located in the Nelson Mining Division of southern British Columbia. The JJ Property consists of mineral claims held 100% by Kootenay Gold and straddles Highway 3, north of the town of Rossland and west of Castlegar.

To fulfill the terms of the option agreement the Company was required to spend \$2.1 million on exploration, issue 400,000 shares and make \$97,000 in option payments over 5 years. Early in 2008 Astral completed its obligations under the option agreement to earn a 60% undivided interest in the JJ Property. The companies are now completing a formal joint venture agreement and have formed a management committee which will direct all future exploration work on the

project. Funding will be on a proportional basis under the direction of the management committee with voting rights proportional to ownership percentage. Either party may be diluted on the basis of a standard formula if they do not contribute to the planned programs. If either party is diluted to 5%, their interest will convert to a 2.5% NSR royalty, 2% of which can be purchased at any time for \$2 million by the surviving partner.

Gold mineralization is interpreted to be localized by several prominent north to north-northwest trending structural zones. Four main mineralized areas have been identified to date within a 15 by 10 kilometre area and are referred to as: JJ Main; JJ West; Pb-Zn; and Granville Mountain, which includes two historical prospects: the Albion and Dubrovnik veins. Another prospect, the Bonanza Pass, is located south of Granville Mountain. In 2006, the Company completed an airborne geophysical survey and carried out a surface exploration program, which included a first phase soil sampling, rock-chip and channel sampling at Bonanza Pass and Albion prospects and two phases of trenching at JJ Main. This work revealed extensive gold mineralization in the JJ Main zone, significant gold anomalies in the Bonanza Pass and Albion Prospects and three main anomalous soil zones over Bonanza Pass.

The Company completed two phases of drilling in 2007. Phase I drill program started in the spring of 2007 and targeted JJ Main (20 holes for 1,431m), Bonanza Pass (2 holes for 643m) and Albion-Dubrovnik areas (9 holes for 553m). Phase II drill program comprised 5,101m in 38 holes on the JJ Main Gold Zone.

At the JJ Main discovery zone Phase I drilling was completed in 5 fences along 40m-spaced section lines, testing the gold-bearing quartz stockwork zone over a strike length of 180m and to a vertical depth in excess of 100m. The Phase II drill program included four infill holes (#'s 37,38,39,42) and thirty-four step out holes to the north and south of Phase I drilling. Significant intervals for both phases of drilling at the JJ Main zone are included in the table below.

#### JJ Main: 2007 Phase I and II Drilling Intercepts

Hole Number	From (m)	To (m)	Width (m)	Au (g/t)
07JD001	6	16	10	9.95
07JD002	10	19	9	1.34
07JD003	32	34	2	2.81
07JD004	24	29	5	2.04
07JD006	11	17	6	3.49
07JD007	18	21	3	10.41
07JD008	3	6	3	0.69
07JD009	6	8	2	0.92
07JD010	37	40	3	6.08
07JD011	35	37	2	1.43
07JD012	28	36	8	3.06
07JD013	46	65	19	7.01
07JD014	77	78	1	3.07
07JD015	105	108	3	0.68
07JD016	91	101	10	1.17
07JD017	83	84	1	0.34
07JD018	20	24	4	0.42
07JD019	Core lost in transport accident			
07JD020	58	59	1	0.38
07JD032*	29	33	4	15.18
07JD033*	32	34	2	3.81
<i>and</i>	37	38	1	4.83
<i>and</i>	42	45	3	3.25
07JD034*	101	106	5	7.74
07JD035*	94	104	10	1.96
07JD036*	145.91	151.25	5.34	1.48
07JD037*	26	28	2	2.55
07JD038*	32	36	4	3.85
07JD039*	76	80	4	7.48
07JD040*	64	65	1	3.09

Hole Number	From (m)	To (m)	Width (m)	Au (g/t)
07JD041*	100	105	5	0.54
07JD042*	124	127	3	1.82
07JD043*	28	31	3	13.83
<i>and</i>	35	37	2	3.59
07JD044*	47	52	5	3.94
<i>and</i>	55	56	1	3.07
07JD045*	120	121	1	4.73
<i>and</i>	127	132	5	1.44
07JD046*	128	134	6	8.28
07JD047*	40	43	3	4.04
07JD048*	54	62	8	12.44
07JD049*	88	89	1	4.52
<i>and</i>	97	99	2	2.08
07JD050*	no significant intercepts			
07JD051*	58	63	5	7.96
07JD052*	70	71	1	1.40
<i>and</i>	73	74	1	2.62
07JD053*	123	133	10	0.62
07JD054*	159	160	1	1.55
07JD055*	78	79	1	2.5
07JD056*	93	94	1	2.57
07JD057*	53	54	1	1.72
07JD058*	90	95	5	0.63
07JD059*	36	37	1	0.69
07JD060*	no significant intercepts			
07JD061*	no significant intercepts			
07JD062*	21	22	1	1.10
07JD063*	5	6	1	1.53
07JD064*	no significant intercepts			
07JD065*	no significant intercepts			
07JD066*	no significant intercepts			
07JD067*	83	84	1	0.78
07JD068*	218	219	1	5.96
<i>and</i>	256	257	1	1.78
07JD069*	239	240	1	0.39

\* Phase 2 drilling

All HQ core except for holes 18-20, 68, 69 (NQ2)

Gold mineralization hosted by structurally-controlled quartz stockwork veining has now been intersected along 15 section lines over a strike length of 700m and to vertical depths of up to 225m below surface. Current information indicates the JJ Main Gold Zone has an estimated true width of up to 12.6m as evidenced by hole 13. The stockwork zone remains open along both strike directions and to depth. Infill aeromagnetics, geological mapping and surface geochemistry suggest that the host structure for the mineralized stockwork at JJ Main may extend for over three kilometres.

Two NQ2 drill holes were completed at Bonanza Pass in order to test soil geochemical anomalies and gold bearing quartz veins observed in road cuts. Results from this prospect are reported in the table below.

#### Bonanza Pass: 2007 Drilling Intercepts

Hole Number	From (m)	To (m)	Width (m)	Au (g/t)	Mo (%)
07JD021	21.0	208.5	187.5		0.0035%
07JD022	261.0	265.5	4.5	0.54	

Five holes at the historical Albion prospect and four at the adjacent Dubrovnik vein were also completed. Results for this work are reported in the table below.

**Albion (07JD023-027) and Dubrovnik (07JD028-031) 2007 Drilling Intercepts**

Hole Number	From (m)	To (m)	Width (m)	Au (g/t)
07JD023	44.5	52.0	7.5	0.49
07JD024	no significant results			
07JD025	no significant results			
07JD026	no significant results			
07JD027	no significant results			
07JD028	22.0	26.5	4.5	1.14
07JD029	22.0	25.0	3.0	0.51
<i>and</i>	29.5	31.0	1.5	0.58
07JD030	18.0	21.0	3.0	0.36
07JD031	28.5	30.0	1.5	0.32

An independent 43-101 report detailing work on the JJ Project up to the end of 2007 by Apex Geoscience has been completed and is posted on SEDAR ([www.sedar.com](http://www.sedar.com)).

In 2008 the Company carried out a 34-hole 5,071m drill program and conducted a 40 line km 3D-IP survey as well as carrying out geological mapping and trenching. The 40 line km 3D-IP was located to cover a circular 2km diameter aeromagnetic feature that the JJ Main Discovery Zone is centred over. It was carried out to augment currently available geochemical, geological and aeromagnetic data in identifying new JJ Main-style gold zones, assessing the potential for porphyry-style mineralization associated with the circular magnetic feature at depth and extending the 700m strike length of the JJ Main zone.

Preliminary results of the 3D IP survey show a large zone of elevated chargeability (>10 milliseconds) occurs directly below and aligned with the JJ Main Zone structure in a northeast orientation. This anomaly starts at approximately 300m depth and extends 2.4km along strike and is 250 to 600m wide. The core of the anomaly has a chargeability level of greater than 15 milliseconds. Several chimney-like arms of high chargeability protrude upwards into the area of the JJ Main Zone, however, they appear to have been inadequately tested by the drilling completed to date. The deep chargeability anomaly extends 1km north of the current drilling to the northern edge of the survey. Resistivity data demonstrates that the JJ Main zone is related to a linear resistivity low.

Infill drilling comprised 30 HQ diamond drill holes (08JD070-100, 08JD091 abandoned) for a total of 3,632.49m; all holes intersected quartz stockwork veining within and below the known JJ Main stockwork zone. The 2008 drilling provides better definition to the mineralized zone delineated in 2007 with significant assays including 4m grading 21.04 g/t gold from Hole 08JD092. Drilled intercept density within the higher-grade mineralized shoot underneath the surface discovery zone is now approximately 20m x 20m.

**2008 Infill Drilling – Significant Results**

Hole ID	From	To	Interval (m)	Au * (g/t) (wt avg)	Interval (ft)	Au** (opt)
08JD073	37.5	39.5	2.0	7.01	6.56	0.205
<i>including</i>	37.5	38.5	1.0	12.60	3.28	0.368
08JD074	11.0	19.0	8.0	8.31	26.24	0.243
<i>including</i>	11.0	14.0	3.0	20.98	9.84	0.613
08JD075	16.0	31.3	15.3	0.71	50.1	0.021
08JD076	30.5	37.3	6.8	0.84	22.1	0.025
08JD077	37.5	54.5	17.0	1.50	55.8	0.044
<i>including</i>	49.5	50.5	1.0	15.90	3.3	0.464
08JD078	40.0	49.0	9.0	3.94	29.5	0.115
<i>including</i>	41.0	42.0	1.0	13.75	3.3	0.402
08JD079	54.0	71.0	17.0	1.25	55.8	0.037
<i>including</i>	64.0	67.0	3.0	2.58	9.8	0.075

Hole ID	From	To	Interval (m)	Au * (g/t) (wt avg)	Interval (ft)	Au** (opt)
08JD080	102.0	103.0	1.0	1.31	3.3	0.038
08JD081	30.0	37.0	7.0	2.43	22.9	0.071
08JD082	44.5	48.0	3.5	11.24	11.5	0.328
08JD083	51.0	59.0	8.0	1.71	26.2	0.050
<i>and</i>	67.0	68.0	1.0	2.48	3.3	0.072
08JD084	61.0	65.0	4.0	1.60	13.1	0.047
08JD085	74.0	84.0	10.0	1.01	32.8	0.029
08JD086	104.0	119.0	15.0	1.24	49.20	0.036
08JD087	144.0	147.0	3.0	1	9.84	0.029
08JD088	127.0	129.0	2.0	3.42	6.56	0.100
08JD089	140.0	141.0	1.0	6.77	3.28	0.198
08JD090	164.0	172.0	8.0	1.84	26.24	0.054
<i>and</i>	180.0	183.0	3.0	3.34	9.84	0.098
08JD092	118.0	122.0	4.0	21.04	13.12	0.614
<i>including</i>	119.0	120.0	1.0	50.2	3.28	1.466
08JD093	122.1	124.0	1.9	1.10	6.23	0.032
08JD094	167.0	169.0	2.0	2.96	6.56	0.086
08JD095	61.0	65.0	4.0	4.08	13.12	0.119
08JD096	74.0	80.0	6.0	8.73	19.68	0.255
08JD097	98.5	102.0	3.5	3.30	11.48	0.096
<i>and</i>	110.0	112.0	2.0	1.70	6.56	0.050
09JD098	37.0	38.0	1.0	0.22	3.28	0.006
08JD099	170.0	188.0	18.0	1.14	59.04	0.033
<i>including</i>	172.0	176.0	4.0	2.46	13.12	0.072
08JD100	227.0	228.0	1.0	5.72	3.28	0.167
<i>and</i>	232.0	***236.0	4.0	1.17	13.12	0.034

\* grams per metric tonne

\*\* troy ounce per short ton

\*\*\* 1.05m core loss within interval

Two drillholes (08JD101 and 102) totalling 893.59m were completed to test two selected 3D-Induced Polarization chargeability anomalies beneath and adjacent to known mineralization. 08JD101 (453.35m) targeted a columnar-shaped chargeability anomaly extending upwards from a deeper and larger anomaly centred beneath the location of the JJ Main showing. Gold values were generally low, though one significant intercept was returned from 08JD101 where the hole passed through the JJ Main stockwork zone (see Table 2).

08JD102 (440.24m) collared some 400m southeast (perpendicular to strike) from the JJ Main Zone and targeted a columnar chargeability anomaly extending to near surface. This hole encountered a 2.5m wide zone of stockwork veining from 162m averaging 0.36 g/t gold, containing arsenopyrite and pyrite, visually similar to the JJ Main Zone, suggesting the existence of a new previously-undiscovered stockwork zone. Given the variability of grade along strike and down plunge at the JJ Main Zone, this discovery is considered to be very significant and lends support to Astral's model that predicts the presence of additional structurally-controlled, parallel stockwork zones within the immediate 2km x 3km area surrounding the JJ Main Discovery Zone. Significant intercepts are presented below.

#### 2008 I.P. Anomaly drilling – Significant Results

Hole ID	From (m)	To (m)	Interval (m)	Au (g/t) (wt. avg)	Interval (ft)	Au (opt)
08JD101	163.7	165.5	1.8	0.84	5.9	0.025
08JD102	162.0	164.5	2.5	0.36	8.2	0.011

Two drillholes (08JD103 and 104) totalling 545.73m were completed to test the southward extension of the JJ Main structure. 08JD103 (116.77m) sought to test for possible flexure in the mineralized structure while 08JD104 (428.96m) tested the main zone 180m south, and directly along strike from, previous drilling. 08JD103 did not detect a south-trending flexure. 08JD104 intersected a 12.4m wide quartz stockwork zone from 263m containing minor pyrite and

chalcopyrite ± arsenopyrite. This zone is visually similar to the quartz stockwork that comprises the JJ Main Zone and effectively increases known occurrence of veining along the structural corridor to 900m.

### 2008 Extension Drilling – Significant Results

Hole ID	From (m)	To (m)	Interval (m)	Au (g/t) (wt avg)	Interval (ft)	Au (opt)
08JD103	no significant intercepts					
08JD104	264.0	275.0	11.0	0.32	36.1	0.009

A series of permit applications for work at Jumping Josephine will be prepared over the winter period and will include an expanded drill program designed to further test JJ Main and for parallel zones, an expanded trenching operation over several prospective showings, and preparations for an application for bulk testing at the JJ Main Discovery Zone. The extraction of a 10,000 tonne bulk sample will provide a reconciled head grade for JJ Main Zone, useful in determining the effectiveness of assay methods where coarse gold is present. Astral is also planning metallurgical test work on samples from JJ Main over the winter to assess the amenability of the material to modern processing methods.

Phase I analytical results for JJ Main (holes 07JD001-020) are from 500g samples analyzed using the Metallic Gold method by Acme Laboratories (“Acme”) in Vancouver B.C. Re-assayed intervals from JJ Main were analyzed by 1kg Metallic Gold method at Analytical Laboratories Services Chemex (“ALS”) of North Vancouver using reject material from the original Acme work. Phase II assays (holes 07JD032-069) and all 2008 drilling (08JD070-104) were completed using the 1kg Metallic Gold method at ALS. Bonanza Pass and Albion-Dubrovnik analyses were done by Acme and utilized 30g Fire Assay for gold and a 0.5g aqua regia digestion with ICP-MS analysis for a 36-element suite. Both laboratories are internationally-recognized analytical service providers. In addition to laboratory standards the Company has included independently-prepared standards into the sample sequence to assure proper quality assurance/quality control (QA/QC).

The exploration work at the JJ Property was completed under the supervision of the Company’s project geologist, Dale Brittliffe, B.Sc., P.Geo. Technical information has been reviewed by Dr. David Terry, P.Geo, a director and Vice-President Exploration of the Company and a Qualified Person as defined in National Instrument 43-101 (a “Qualified Person”).

#### ***Blueberry Property, British Columbia***

On July 4, 2007 the Company entered into an agreement to acquire a 100% interest in the 7,000 ha Blueberry property located immediately east of the JJ Property. The property is considered strategic due to its location. No work was carried out on the Blueberry property in 2008 but surface work is planned for 2009 to evaluate its mineral potential.

To earn a 100% undivided interest in the Blueberry property the Company must issue a total of 140,000 shares (50,000 shares issued) and make cash payments totaling \$75,000 (\$30,000 paid) over four years to a private Canadian company. During the term of the option the Company must keep the properties in good standing. Upon exercise of the option the vendor will retain a 2.5% NSR. The Company has the right to purchase 2.0% of the NSR for a total of \$2 million. Under the terms of the Company’s option agreement with Kootenay Gold, any properties acquired within 5 kilometres of the boundaries of the JJ Property must be offered to the other party for inclusion in the claims covered by JJ option agreement.

#### ***Columbia-Rosslund Property, British Columbia***

On June 20, 2008 the Company announced it entered into an agreement to acquire a 100% interest in mineral claims known as the Columbia-Rosslund claims. The claims consist of 15,000 hectares and are adjacent to the Company’s Blueberry and Jumping Josephine claims.

To earn a 100% undivided interest in the Columbia-Rosslund claims the Company must issue a total of 150,000 shares (50,000 shares issued) over three years and make a cash payments of \$15,000 to a private Canadian company over a three year period. Upon completion of the option the vendor will retain a 2.5% NSR, of which 2.0% is purchasable by the Company for a total of \$2 million. The Company is planning a preliminary surface work program to evaluate the property in 2009.

### ***Chenier Property, British Columbia***

On April 17, 2007 the Company entered into an option agreement with Kootenay Gold to earn a 60% undivided interest in the 6,591 hectare Chenier Copper-Gold Project located in the West Kootenay region of southern British Columbia. The Chenier Project is located 30km north of Rock Creek and straddles the Greenwood-Osoyoos Mining Division boundary. The property covers a newly-discovered mineralized system with the characteristics of the upper level of an alkalic porphyry copper-gold/silver system including well zoned structurally controlled alteration and mineralization.

To fulfill the terms of the option agreement the Company must spend \$2.5 million on exploration over four years and issue up to 500,000 shares (237,500 issued) over a four year period. Should the property go into commercial production Kootenay Gold will receive an additional 200,000 shares of the Company. Subsequent to exercise of the earn-in, the Company and Kootenay Gold will form a 60/40 joint venture. Funding of further work on the Chenier Property will be on a proportional basis under the direction of a management committee with voting rights proportional to ownership percentage. Either party may be diluted on the basis of a standard formula if they do not contribute to the planned programs. If either party is diluted to 5%, their interest will convert to a 2.5% NSR royalty, 2% of which can be purchased at any time for \$2 million by the surviving partner.

In late April 2007, an AeroTEM helicopter-borne geophysical survey was completed on the Chenier Project. The 1,000 line-kilometre airborne survey was flown by Aeroquest Limited of Mississauga, Ontario using an AeroTEM helicopter time-domain EM system. The survey was flown at a 100 metre line spacing to produce a high definition product. The Company carried out a surface exploration program in 2007 comprising primarily of soil sampling. No work was carried out on the property during 2008, however, an exploration program comprising further soil sampling, IP geophysics and trenching to delineate drill targets is planned for 2009.

The analytical work to date on samples from the Chenier property was carried out by Acme. Work on the Chenier Project has been carried out under the supervision of Dr. Trygve Hoy, P.Eng., a Qualified Person, Dale Brittliffe, B.Sc., P.Geo. and Dr. David Terry, P.Geo, Director and Vice President Exploration and a Qualified Person.

### ***Gold Springs Project, Nevada***

The Company has acquired an undivided 100% interest in 127 claims located within the Stateline Mining District along the Nevada-Utah border (collectively the "Gold Springs Project"). The Gold Springs Project is subject to a 3% NSR. In addition, the Company will be required to pay US \$75,000 annually, commencing March 5, 2009, as an advance on the NSR. The Company has the right to purchase 1.5% NSR (the "NSR Buyback") for US \$1,500,000, less any advances paid by the Company.

The property comprises 127 claims and covers an area approximately three kilometres in an east-west direction by six kilometres in a north-south direction. The property is located within the Stateline Mining District along the Nevada-Utah border which had small-scale production from at least 13 high-grade narrow veins from the late 1800s through to the mid 1900s. Gold Springs is underlain by Tertiary-aged intermediate to felsic volcanic rocks that have demonstrated potential to host both precious metal deposits in high-grade narrow vein zones and quartz stockwork/disseminated bulk tonnage targets. Three main targets have been identified on the property: Jumbo, Jennie North and Etna.

In 2006 the Company completed an initial ten-hole 1,760m reverse circulation drill program testing the three main targets. Of the 10 RC holes completed, 8 were drilled in the Jumbo area (holes GS-06-01, 02, 03, 05, 06, 07, 08, 09), one hole in the Jennie North area (GS-06-04), and one hole in the Etna area (GS-06-10). The drill program has intersected narrow high-grade structures and wide zones of anomalous gold mineralization.

The Company is currently planning a 1,500m diamond drill program for fiscal 2009 to test several targets including the Jennie North anomaly and a permit has been applied for to facilitate this work..

A National Instrument 43-101 report on the Gold Springs Project authored by Gregory Smith, a Qualified Person, has been filed on the SEDAR website at [www.sedar.com](http://www.sedar.com).

The fiscal 2007 drilling program was carried out under the supervision of John Rice, C.P.G., a Qualified Person and all technical information has been reviewed by Dr. David A. Terry.

### ***Roy and Hills Properties, Nevada***

On June 9, 2006 the Company signed a letter of intent (amended on September 28, 2007) to option from Amera Resources Corporation (“Amara”) the Roy and Hills properties, located in the Walker Lane Mineral Belt of West Central Nevada, where past production has yielded more than 35 million gold equivalent ounces. Under the terms of this letter of intent, the Company may earn up to an 80% undivided interest in the Roy and Hills properties. An initial 65% interest in the project may be earned by incurring US\$2,500,000 in work expenditures over four years and issuing 500,000 common shares (100,000 shares issued) to Amara. Upon earning the initial 65%, the Company may then elect to earn an additional 15% interest, by issuing a further 500,000 shares and completing a bankable feasibility study, within three years.

The Roy and Hills properties are situated midway between the historic mining district of Tonopah (3.5 million ounces gold equivalent) and the more recently mined Paradise Peak deposit (1.5 million ounces gold). These claim blocks are underlain by Oligocene and Miocene-age volcanic rocks that consist of latites, quartz latites and dacite flows that have undergone epithermal alteration and mineralization prior to being covered by lacustrine volcanic sediments and Quaternary gravels.

On the Roy property a gold-silver epithermal system is hosted within an alteration zone that outcrops over a 2.25 square kilometre area. The Hills property is located 7km to the northwest of the Roy property and hosts a prospective silver-gold epithermal system within a 1km by 500m alteration area.

A phase I reverse circulation (“RC”) drill program of the Roy and Hills Properties was carried out between January and February 2007. The program comprised seven RC drill holes totaling 1,075.9m. Six of the holes were drilled on the Roy property and one was drilled on the Hills property, 7km to the northwest.

The aim of the 2007 drill program was to test geophysical and geochemical gold-silver targets in epithermal alteration zones identified on both properties. The best results from the program were a 6.1m interval averaging 0.89 g/t gold, including a 1.5m interval assaying 2.1 g/t gold, in hole R-07-5. This hole, along with R-07-03, was designed to test the area where surface samples of subcropping bladed quartz vein material assayed 41.5 g/t gold. Zones of anomalous arsenic concentration were observed in all holes except R-07-7; zones of elevated silver and copper were detected in hole R-07-05 and a 20.1m wide zone of arsenic-mercury±antimony±copper was present near the top of hole R-07-06.

After consultation with Amara the Hills property was dropped due to the lack of encouraging results from the drill program. Management believes several more holes are required to follow up on the anomalous zone identified in hole R-07-05 and to further test the structure and vein system near hole R-07-05 on the Roy property.

The Roy and Hills drilling program was carried out under the supervision of John Rice, C.P.G., a Qualified Person. All analytical work for the Roy and Hills drilling program was performed by American Assay. The technical information above has also been reviewed by Dr. David A. Terry.

### **Selected Financial Information**

The following selected financial information is derived from the unaudited interim consolidated financial statements of the Company prepared in accordance with Canadian GAAP.

	Fiscal 2009		Fiscal 2008				Fiscal 2007	
	Sep 30 \$	June 30 \$	Mar 31 \$	Dec 31 \$	Sep 30 \$	June 30 \$	Mar 31 \$	Dec 31 \$
Revenues	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Net income (loss)	(66,667)	(844,352)	496,440	(569,397)	(258,646)	(328,024)	99,401	(171,227)
Net income (loss) per common share - basic and diluted	(0.00)	(0.04)	0.03	(0.03)	(0.01)	(0.02)	0.01	(0.01)

### **Results of Operations**

For the six months ended September 30, 2008 (the “2008 period”), the Company reported a consolidated loss of \$911,019 (\$0.04 per share), an increase in loss of \$324,349 from the \$586,670 loss (\$0.03 per share) for the period ended September 30, 2007 (the “2007 period”). The increase in consolidated loss is due to a \$663,996 write-off of mineral properties and deferred costs in the 2008 period, and partially offset by a reduction in corporate and investor

relations activities compared to the 2007 period and no stock-based compensation expense in the 2008 period. The Company did not have any write-offs of its mineral properties in the 2007 period.

Excluding stock-based compensation the Company's operating expenses for the 2008 period were \$262,544 compared to \$466,704 for the 2007 period. The decrease in expenses in the 2008 period reflects the Company's implementation of changes to reduce its corporate overhead expenses. Significant expenditures were incurred in the following categories:

- corporate development and investor relations expenses of \$34,659 were incurred for the 2008 period compared to \$163,345 for the 2007 period, a decrease of \$128,686. The decrease was mainly due to the Company's reduced use of public relations advisory services in the 2008 period;
- management fees of \$55,000 were incurred in the 2008 period compared to \$47,931 in the 2007 period. The management fees are for the services of the President of the Company and is currently set at \$110,000 per annum;
- rent, salaries and office expenses of \$81,876 were incurred for the 2008 period compared to \$181,326 for the 2007 period, a decrease of \$99,450. The rent, salaries and office expenses for the 2007 period represented an allocation of such expenses from Grosso Group Management Ltd. (the "Grosso Group"). Effective May 31, 2008, the arrangement with the Grosso Group was terminated;
- professional fees of \$31,341 were incurred for the 2008 period compared to \$14,444 for the 2007 period, an increase of \$16,897. The main factors attributed to the increase were: (i) an increase of \$8,623 in audit fees from \$13,206 for the 2007 period to \$21,829 for the 2008 period; and (ii) an increase of \$8,274 in legal fees from \$1,238 for the 2007 period to \$9,512 for the 2008 period; and
- stock-based compensation expense recorded in the 2007 period was \$117,944, which represented the estimated fair value of 485,000 stock options granted to directors and consultants in the 2007 period. In addition, in the 2007 period \$7,586 in stock-based compensation expense was capitalized to mineral properties and deferred costs. The Company did not grant any stock options in the 2008 period.

During the 2008 period the Company capitalized \$942,642 of expenditures to the JJ Property, \$23,414 on the Chenier Property, \$21,750 on the Blueberry Property and \$19,681 on the Columbia-Rossland Property in western Canada. In addition, the Company also capitalized \$49,509 on the Gold Springs Project, \$10,020 on the Roy and Hills Properties and \$72,901 on other properties in the United States. During the 2008 period the Company determined to abandon the Monzo Claims, the Saluda and Bear Creek Properties, and the Emmy and REF Properties and wrote off \$663,996 of costs. See "Exploration Projects" section above for further discussion.

### **Financial Condition / Capital Resources**

On June 27, 2008, the Company completed a private placement financing of flow-through units to raise \$898,770 gross proceeds. As at September 30, 2008, the Company had working capital of \$151,635, had not yet achieved profitable operations, had accumulated losses of \$2,685,159 since inception and expects to incur further losses in the development of its business, all of which casts substantial doubt about the Company's ability to continue as a going concern. The Company has taken measures to reduce its ongoing corporate overhead activities and requirements. It has also reviewed its portfolio of mineral property interests and has terminated further activities of certain of its non-core mineral property interests. For the ensuing year, the Company plans to focus its exploration activities on its JJ and nearby projects. The Company anticipates that it will need to raise further financings to enable it to continue with planned exploration activities, property payments and its ongoing corporate overhead requirements. In addition, exploration activities may change due to ongoing results and recommendations or the Company may acquire additional mineral properties, which may entail significant funding or exploration commitments. The Company has relied solely on equity financing to raise the requisite financial resources. While it has been successful in the past there can be no assurance that the Company will be successful in raising future financings should the need arise. Should the Company be unable to realize on its assets and discharge its liabilities in the normal course of business, the net realizable value of its assets may be materially less than the amounts recorded on the balance sheet. The consolidated financial statements do not give effect to any adjustments that might be necessary if the Company were unable to meet its obligations or continue operations.

Subsequent to September 30, 2008, the Company received US \$100,000 from Kootenay Gold for partial reimbursement of its share of funding on the JJ Property

## **Off-Balance Sheet Arrangements**

The Company has no off-balance sheet arrangements.

## **Proposed Transactions**

The Company has no proposed transactions.

## **Critical Accounting Estimates**

A detailed summary of all the Company's significant accounting policies is included in Note 2 to the March 31, 2008 audited consolidated financial statements.

## **Changes in Accounting Policies**

### *New Accounting Pronouncements*

#### *Assessing Going Concern*

The Accounting Standards Board ("AcSB") amended CICA Handbook Section 1400, to include requirements for management to assess and disclose an entity's ability to continue as a going concern. This section applies to interim and annual financial statements relating to fiscal years beginning on or after January 1, 2008. The adoption of this standard did not have an effect on the Company's disclosure in the financial statements for the six months ended September 30, 2008.

#### *Financial Instruments*

The AcSB issued CICA Handbook Section 3862, Financial Instruments - Disclosures, which requires entities to provide disclosures in their financial statements that enable users to evaluate (a) the significance of financial instruments for the entity's financial position and performance; and (b) the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the balance sheet date, and how the entity manages those risks. The principles in this section complement the principles for recognizing, measuring and presenting financial assets and financial liabilities in Section 3855, Financial Instruments - Recognition and Measurement, Section 3863, Financial Instruments - Presentation, and Section 3865, Hedges. This section applies to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007.

The AcSB issued CICA Handbook Section 3863, Financial Instruments - Presentation, which is to enhance financial statement users' understanding of the significance of financial instruments to an entity's financial position, performance and cash flows. This section establishes standards for presentation of financial instruments and nonfinancial derivatives. It deals with the classification of financial instruments, from the perspective of the issuer, between liabilities and equity, the classification of related interest, dividends, losses and gains, and the circumstances in which financial assets and financial liabilities are offset. This section applies to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007.

The adoption of these standards did not have an effect on the Company's disclosure in the financial statements for the six months ended September 30, 2008.

#### *Capital Disclosures*

The AcSB issued CICA Handbook Section 1535, which establishes standards for disclosing information about an entity's capital and how it is managed. This section applies to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007. Refer to Note 11.

#### *Goodwill*

In February 2008, the AcSB issued CICA Handbook Section 3064, Goodwill and Intangible Assets, which replaces Section 3062, Goodwill and Other Intangible Assets and Section 3450, Research and Development Costs. Section 3064 establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial

recognition and the recognition, measurement and presentation of intangible assets. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062. This section applies to annual and interim financial statements beginning on or after October 1, 2008.

The Company is currently assessing the impact of the above new accounting standards on the Company's financial position and results of operations.

### ***International Financial Reporting Standards ("IFRS")***

In 2006, the AcSB published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011, will require the restatement for comparative purposes of amounts reported by the Company for the year ended March 31, 2011. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

### **Transactions With Related Parties**

- (a) The Company had engaged Grosso Group Management Ltd. ("Grosso Group") to provide services and facilities to the Company. The Grosso Group provides its shareholder companies with geological, corporate development, administrative and management services. The shareholder companies pay monthly fees to the Grosso Group. The fee is based upon a pro-rating of the Grosso Group's costs including its staff and overhead costs among each shareholder company with regard to the mutually agreed average annual level of services provided to each shareholder company.

The arrangement with the Grosso Group was terminated effective May 31, 2008. During the six months ended September 30, 2008, the Company incurred fees of \$52,630 (2007 - \$169,721) to the Grosso Group which have been allocated to rent, salaries and office expenses.

- (b) Effective June 1, 2008, the Company entered into an agreement with Chase Management Ltd. ("Chase"), a private company owned by a director of the Company, to provide accounting, administrative and management services for a minimum term of one year, at a rate of \$3,000 per month, plus disbursement. Chase may also provide additional services as required. During the six months ended September 30, 2008, the Company was billed a total of \$18,588 by Chase.
- (c) The President of the Company provides his services on a full-time basis under a contract with a private company controlled by the President of the Company for a current annual fee of \$110,000. During the six months ended September 30, 2008, the President was paid an amount of \$55,000 (2007 - \$45,000). The contract also provides that, in the event the services are terminated without cause or upon a change in control of the Company, a termination payment would include three months or eighteen months, respectively, of compensation plus a bonus amount agreed to by the parties.
- (d) During the six months ended September 30, 2008, the Company was billed \$20,000 for geological services provided by a director of the Company. The amount remained outstanding at September 30, 2008, and has been included in accounts payable and accrued liabilities.

Unless otherwise stated, related party transactions are measured at the exchange amount, being the amount of consideration established and agreed to by the related parties.

### **Risks and Uncertainties**

The Company's operations and results are subject to a number of different risks at any given time. These factors, include but are not limited to disclosure regarding exploration, additional financing, project delay, titles to properties, price fluctuations and share price volatility, operating hazards, insurable risks and limitations of insurance, management, foreign country and regulatory requirements, currency fluctuations and environmental regulations risks. Exploration for mineral resources involves a high degree of risk. The cost of conducting programs may be substantial and the likelihood

of success is difficult to assess. For a more complete discussion of these risks and others, reference should be made to the March 31, 2008 Management Discussion and Analysis.

### **Investor Relations Activities**

Mr. Manfred Kurschner is the Company's President and coordinates investor relations activities. The Company also maintains a web site at [www.astralmining.com](http://www.astralmining.com).

### **Outstanding Share Data**

The Company's authorized share capital is unlimited common shares with no par value. As at November 28, 2008, there were 25,044,507 issued common shares and 1,355,000 stock options outstanding, at exercise prices ranging from \$0.40 to \$0.50 per share and 6,033,949 warrants outstanding at exercise prices ranging from \$0.45 to \$0.75 per share.