

**COLUMBIA YUKON EXPLORATIONS INC.**

**MANAGEMENT'S INTERIM DISCUSSION AND ANALYSIS**

**SIX MONTH PERIOD ENDED OCTOBER 31, 2008**

**Contact Information:**

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## **DESCRIPTION OF BUSINESS AND OVERVIEW OF OPERATIONS AND FINANCIAL CONDITION**

The following management's discussion and analysis, prepared as of December 29, 2008, should be read together with the Company's interim unaudited financial statements and accompanying notes for the six month period ended October 31, 2008, and the audited annual financial statements and accompanying notes for the years ended April 30, 2008 and 2007 and the notes thereto, which are prepared in accordance with Canadian generally accepted accounting principles. All amounts are stated in Canadian dollars unless otherwise indicated.

Statements in this report that are not historical facts are forward-looking statements involving known and unknown risks and uncertainties, which could cause actual results to vary considerably from these 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](http://www.sedar.com), and on the Company's website [www.columbiayukon.com](http://www.columbiayukon.com).

### **Description of Business**

Columbia Yukon Explorations Inc. is a mineral exploration company and its main focus is the acquisition and exploration of mineral properties. In particular, the Company is focused on the exploration and development of the "Storie" Molybdenum property. The property is located near the historical mining camp of Cassiar, British Columbia and is approximately five kilometres away from a paved road. The Company also holds interests in certain properties in the Province of Labrador (Newfoundland).

The Company trades on the TSX Venture Exchange under the symbol CYU.

### **Mineral Properties**

Title to mineral properties

Title to mineral properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mineral properties. The Company has investigated title to all of its mineral properties and, to the best of its knowledge, title to all of its properties are in good standing.

Several aboriginal groups are claiming unextinguished aboriginal title to certain lands and resources in the Provinces of British Columbia and Labrador (Newfoundland), which may include one or more of the mineral claims beneficially owned by the Company. The extent to which any successful aboriginal claim would materially affect the ability of the Company to exploit its mineral properties is not determinable at this time.

All costs related to the acquisition, exploration and development of mineral properties are capitalized by property. If economically recoverable ore reserves are developed, capitalized costs of the related property are reclassified as mining assets and amortized using the unit of production method. When a property is abandoned, all related costs are written off to operations. If, after management review, it is determined that the carrying amount of a mineral property is impaired, that property is written down to its estimated net realizable value. A mineral property is reviewed for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable.

The amounts shown for mineral properties do not necessarily represent present or future values. Their recoverability is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof.

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***Storie Property, British Columbia***

The Company entered into an option agreement dated March 20, 2006 with Eveready Resources Corporation ("Eveready") to earn a 100% interest in the Storie Property located in the Liard Mining Division in British Columbia. Under the terms of the agreement, the Company was granted a right to earn a 100% interest by spending a total of \$4,000,000 in exploration expenditures, issuing a total of 600,000 common shares and by paying Eveready \$1,150,000 over five years. During the year ended April 30, 2008, the Company accelerated the exploration payments, option payments and share issuances under the agreement and issued the remaining 300,000 common shares and paid the remaining \$700,000. As a result, the Company has earned a 100% interest in its Storie Property and the property has been transferred to the Company. Eveready has retained a 2.5% NSR which may be purchased by the Company for a total purchase price of \$4,000,000, or \$1,600,000 for each 1% NSR purchased.

During the year ended April 30, 2007, the Company issued 300,000 shares as a property payment valued at \$153,500 and issued 100,000 shares as finders' fees valued at \$53,750 upon completion of the first \$1,000,000 of expenditures.

During the year ended April 30, 2008, the Company issued 300,000 shares as a property payment valued at \$326,000.

As of October 31, 2008, the Company incurred \$13,887,999 in deferred acquisition and exploration costs on the Storie Property.

***Barnes Creek Property, British Columbia***

The Company held an option to acquire a 100% interest in the Barnes Creek Property. During the year ended April 30, 2008, the Company completed the terms of the option, and accordingly, title to the Barnes Creek Property has been transferred to the Company. Consideration for the exercise of the option included payments totaling \$100,000 and the issuance of an aggregate of 200,000 at a value of \$107,100, and the completion of a work program totaling \$1,000,000. The optioner has retained a 3% net smelter returns ("NSR") royalty interest, 2% of which can be purchased by the Company for \$2,000,000.

On March 11, 2008, the Company entered into an option agreement with White Tiger Mining Corp. ("WTC") (formerly known as BHR Buffalo Head Resources Ltd) pursuant to which WTC has acquired the right to earn a 60% interest in the Barnes Creek Property by incurring \$500,000 in exploration expenditures over two years. The Company and WTC have certain common directors. The option agreement is subject to WTC obtaining regulatory approval.

As of October 31, 2008, the Company has incurred \$1,349,005 in acquisition and deferred exploration costs.

***VBE Claims, Labrador***

The Company holds a 50% interest, subject to a 2.5% NSR royalty, in the VBE-2 property located in the Voisey's Bay area of Labrador. The Company, together with CanAlaska Ventures Inc., now known as CanAlaska Uranium Ltd. ("CanAlaska"), entered into an Option Agreement ("Agreement") dated September 6, 2006 (effective date: October 6, 2006) with Celtic Minerals Ltd ("Celtic") and Merrex Gold Inc ("Merrex") whereby Celtic and Merrex acquired the right to earn a 100% interest in the VBE-2 property. Under the terms of the Agreement, Celtic and Merrex were required to spend \$1.6 million in exploration over a four year period. The annual exploration expenditure consisted of a firm commitment of \$100,000 in the first year; \$250,000 in the second year; \$500,000 in the third year; and \$750,000 in the fourth year of the option period.

Effective September 8, 2008, Merrex and Celtic elected to terminate the Agreement and discontinue exploration work on the VBE-2 Property.

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During the year ended April 30, 2007, the Company received 12,500 shares of Celtic valued at \$7,125 plus a cash payment of \$6,250. The Company also received 12,500 shares of Merrex valued at \$8,750 plus a cash payment of \$6,250. The option payments were recorded in the statement of operations as the carrying value of the property was nominal.

During the year ended April 30, 2008, the Company received 12,500 shares of Celtic valued at \$15,125 plus a cash payment of \$12,500. The Company also received 12,500 shares of Merrex valued at \$10,000 plus a cash payment of \$12,500. The option payments were recorded in the statement of operations.

Additionally, CanAlaska and the Company jointly own the VBE-1 property located in the Voisey's Bay area of Labrador. As of April 30, 2008 the Company owns a 51.4% interest and CanAlaska owns a 48.6% interest in the VBE-1 property.

***1506 Claims, Labrador (Newfoundland)***

The Company holds a 100% interest in the 1506 property, which it previously staked which consists of certain mineral claims located in the Voisey's Bay area of Labrador and is subject to a 3% NSR, 2% of which can be purchased by the Company for \$1,000,000 for each 1% NSR purchased.

As of July 28, 2008, the Company entered into an option agreement with Black Panther Mining Corp. ("BPC") (formerly known as Consolidated Venturex Explorations Inc.) pursuant to which BPC has acquired the right to earn a 60% interest in the 1506 Claims Property by incurring \$500,000 in exploration expenditures over two years. The Company and BPC have certain common directors.

As of October 31, 2008, the Company incurred \$216,408 in deferred acquisition and exploration costs on the VBE/1506 mineral properties.

**Performance Summary**

During the year ended April 30, 2008 and the year ended April 30, 2007, the Company completed several private placements to increase its cash position and to fund exploration expenditures and the acquisition of certain mineral properties.

The following is a summary of the significant events and transactions that occurred during the six months ended October 31, 2008 and for the subsequent period to the report date:

For the six months ended October 31, 2008:

- a) On June 2, 2008, the Company granted 470,000 stock options to certain directors, officers, employees and consultants at an exercise price of \$0.50 per share for a term of five years.
- b) On June 6, 2008, the Company amended the exercise price for certain warrants previously issued in connection with two non-brokered private placements that the Company completed in June 2007. Accordingly, 1,500,000 warrants issued on June 18, 2007 and the 1,500,000 warrants issued on June 28, 2007 have been repriced from \$3.00 per share to \$2.10 per share. The expiry dates for the warrants (June 18, 2009 and June 28, 2009 respectively), remained unchanged.
- c) On June 12, 2008 the Company announced its intention to make a normal course issuer bid (the "Bid") for its common shares through the facilities of the TSX Venture Exchange (the "Exchange"). Pursuant to the policies of the Exchange, the Company is permitted to re-purchase through open market purchases, up to 2% of its outstanding common shares in a given 30 day period, up to a maximum in a 12 month period commencing June 17, 2008, and ending on June 16, 2009, of 2,041,868 common shares, being 5% total of the issued and outstanding common shares of the Company. The price that the Company will pay for any common share will be the market price at the time of

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the acquisition and any common shares purchased pursuant to the Bid will be cancelled. As of October 31, the Company acquired 1,769,747 shares pursuant to the normal course issuer bid at a cost of \$833,978

- d) On July 11, 2008, the Company granted 25,000 stock options to certain consultants at an exercise price of \$0.51 per share for a term of 5 years.
- e) On July 14, 2008, the Company announced that it had commissioned Dillon Consulting Limited of Richmond, British Columbia to commence phase three of ongoing environmental baseline work in support of the preparation of an Environmental Application for submission to the British Columbia Environmental Assessment Office. As well, the Environmental Assessment program will be of sufficient detail to meet Canadian Environmental Act requirements.
- f) On July 22, 2008, the Company reported that the fourth drill rig had arrived at the Storie Property. The Company has been drilling outside the initial resource area where the resource is open with the intent of significantly increasing the size of the resource.
- g) On August 5, 2008, the Company reported that Watts, Griffis and McOuat Limited ("WGM"), Consulting Geologists and Engineers of Toronto, Ontario, and Mintec, Incorporated of Tucson, Arizona, ("Mintec"), issued an updated NI 43-101 Mineral Resource estimate for the Storie molybdenum property deposit based on the results of historical drilling by Shell Canada in 1979 and 1980 and drilling completed by the Company in 2006 and 2007. The new report (the "WGM Report") was commissioned, in part, for the objective of reclassifying the Mineral Resource of the Storie molybdenum deposit from an Inferred category to Indicated and Inferred categories. The updated NI 43-101 report has been prepared by Robert M. Kuehnbaum, P.Geo., Senior Associate Geologist with WGM and Abdullah Arik, AusIMM, Principal MineSight Specialist with Mintec.
- h) On August 27, 2008, the Company announced the assay results for the initial 8 drill holes from its 2008 core drilling program on the Company's "Storie" Molybdenum property deposit located near Cassiar in Northern British Columbia. The current drilling program is designed to significantly expand and further improve the confidence of the recently announced updated NI 43-101 Mineral Resource estimate of 98.3 million Indicated tonnes, grading 0.064% Mo at a cutoff grade of 0.030% Mo, with an additional 31 million Inferred tonnes, grading 0.059% Mo at the same cutoff grade of 0.030%. The full report is available on SEDAR at [www.sedar.com](http://www.sedar.com).
- i) On September 10, 2008, the Company announced the appointment of Mr. Edward Yurkowski, P. Eng., as an independent director to the Company's Board and as a member of the Company's Audit Committee.
- j) On September 17, 2008, the Company announced a significant advancement of the Company's "Storie" property molybdenum deposit located near Cassiar in northern British Columbia. Drilling of the extensions to the resource (identified in the 3-D modeling completed earlier this year by Mintec, Inc.) successfully intersected molybdenum mineralization. Drill hole ST08-108, located 150 metres west of the known Indicated resource, intersected 362 metres grading 0.060% Mo. Further grid drilling will be required, however, this mineralized drill hole does substantiate the presence of molybdenum mineralization considerably beyond the known deposit and may significantly increase the size of the deposit over that referred to in the Company's recently updated NI 43-101 Mineral Resource estimate.

Subsequent to October 31, 2008

- k) On November 17, 2008, the Company announced the appointment of Mr. Robert (Bob) Middleton, P.Eng., Geophysicist, to the Company's Senior Advisory Board. Mr. Middleton is a renowned geophysicist and known for his wealth of experience in earth sciences in Canada. Mr. Middleton has been involved with many of the major discoveries made in Canada during the last four decades.

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**Selected Annual Information**

	<b>Year Ended April 30, 2008</b>	<b>Year Ended April 30, 2007</b>	<b>Year Ended April 30, 2006</b>
Revenues	532,600	126,065	2,300
Operating loss	3,670,278	1,038,508	607,540
Net income (loss)	(3,156,256)	(1,685,039)	(723,557)
Basic and diluted loss per share	(0.05)	(0.05)	(0.11)
Total assets	22,061,889	8,221,055	1,562,863
Total long term liabilities	628,000	-	-

**Results of Operations**

The following discussion addresses the operating results and financial condition of the Company for the six months ended October 31, 2008. The Management Discussion and Analysis should be read in conjunction with the Company's unaudited interim financial statements and the accompanying notes for the six months ended October 31, 2008.

**For the six months ended October 31, 2008:**

**Other income**

During the six months ended October 31, 2008, the Company reports income from interest, unrealized gains (losses) from marketable securities and option proceeds, less mineral property write downs for a total of \$154,358 compared to \$448,138 for the same period the last year. All revenue reported is interest income earned of \$99,460 (2007 - \$385,590), unrealized gains on investments available for trading of \$17,400 (2007 - \$12,423), and realized losses on sale of investments \$26,627 (2007 - \$nil).

**Operating Expenses and Net Loss**

The Company had a net loss for six months ended October 31, 2008 of \$712,159 (2007 - \$1,451,443). The net increase in the net loss from the six months ended October 31, 2008 compared to the same period in 2007 was primarily due to an decrease in general and administration expenses of \$1,033,064 as noted below and a decrease in interest income of \$286,130 in the six months ended October 31, 2008 from the same period in 2007.

General and administrative expenses of \$866,517 (2007 - \$1,899,581) are primarily comprised of consulting, management, administrative and professional fees, transfer agent and filing fees, stock-based compensation and general office expenses. The decrease of \$1,033,064 from the same period in 2007 was due largely to a reduction of stock options issued, ie: stock-based compensation during the six month period ended October 31, 2008 compared to the same period in 2007.

In comparison to the six months ended October 31, 2007:

- Stock-based compensation of \$185,471 (2007 - \$1,176,210) has decreased due to the timing of the issuances in each fiscal quarter.
- Consulting fees of \$150,765 (2007 - \$179,080) have declined slightly compared with the same period last year.
- Investor relations of \$131,982 (2007 - \$56,449) have increased due to financings during the year ended April 30, 2008 and the increased market and shareholder communication activities.
- Professional fees of \$150,977 (2007 - \$121,501) have increased due to higher legal, accounting and audit fees associated with increased business activities and exploration of the Storie Property.
- Office and miscellaneous of \$30,371 (2007 - \$78,461) have decreased due to the initial costs incurred in 2007 in expenditures relating to the Storie Property.
- Travel expenses of \$54,734 (2007 - \$88,446) have decreased due to the timing of the current years agenda for trade show attendances and associated travel for investor communications.
- Trade shows and advertising of \$5,978 (2007 - \$9,799) have decreased due to the timing of the current years agenda for trade show attendances and associated travel for investor communications.

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**For the three months ended October 31, 2008:**

**Other income**

During the three months ended October 31, 2008, the Company reports income from interest, unrealized gains (losses) from marketable securities and option proceeds, less mineral property write downs for a total of \$128,857 compared to \$290,404 for the same period the last year. All revenue reported is interest income earned of \$73,984 (2007 - \$225,732), unrealized gains on investments available for trading of \$17,375 (2007 - \$14,547), and realized losses on sale of investments \$26,627 (2007 - \$nil).

**Operating Expenses and Net Loss**

The Company had a net loss for three months ended October 31, 2008 of \$221,598 (2007 - \$1,291,168). The net decrease in the net loss from the three months ended October 31, 2008 compared to the same period in 2007 was primarily due to a decrease in general and administration expenses of \$1,231,177 as noted below and a decrease in interest income of \$151,748 in the three months ended October 31, 2008 from the same periods in 2007.

General and administrative expenses of \$350,455 (2007 - \$1,581,572) are primarily comprised of consulting, management, administrative and professional fees, transfer agent and filing fees, stock-based compensation and general office expenses. The decrease of \$1,231,117 from the same period in 2007 was due largely to a reduction of stock options issued, ie: stock-based compensation during the three month period ended October 31, 2008 compared to the same period in 2007.

In comparison to the three months ended October 31, 2007:

- Stock-based compensation of \$nil (2007 - \$1,176,210) has decreased due to the timing of the issuances in each fiscal quarter.
- Consulting fees of \$72,782 (2007 - \$100,350) have declined compared with the same period last year.
- Investor relations of \$66,844 (2007 - \$43,949) have increased due to financings during the year ended April 30, 2008 and the increased market and shareholder communication activities.
- Professional fees of \$81,403 (2007 - \$85,927) have decreased due to the timing of legal, accounting and audit fees associated with increased business activities and exploration of the Storie Property.
- Office and miscellaneous of \$17,572 (2007 - \$32,366) have decreased due to the initial costs incurred in 2007 in expenditures relating to the Storie Property.
- Travel expenses of \$25,637 (2007 - \$58,661) have decreased due to the timing of the current years agenda for trade show attendances and associated travel for investor communications.
- Trade shows and advertising of \$23,520 (2007 - \$41,557) have decreased due to the timing of the current years agenda for trade show attendances and associated travel for investor communications.

**Exploration Programs**

A summary of the Company's current exploration programs is set out below, however, for additional information and details regarding such matters, reference is made to the Company's news releases and related filings that can be viewed on [www.sedar.com](http://www.sedar.com) and the Company's website [www.columbiayukon.com](http://www.columbiayukon.com).

**Storie Property, British Columbia**

The Company entered into an option agreement dated March 20, 2006 with Eveready Resources Corporation ("Eveready") and has since earned a 100% interest in the Storie Property located in the Liard Mining Division near Cassiar in northern British Columbia. The Storie Property is accessed by 5km of gravel road from the paved highway at Cassiar where an airstrip is also located. The project is managed out of a camp based in Cassiar. The Storie Property consists of two contiguous claims totalling 900 hectares in size.

As of April 30, 2007, the Company had completed 20 NQ sized core drill holes totalling 4,960 metres of drilling. This drilling was designed to test the quality of the historical holes drilled by Shell Resources Canada in 1979 and 1980. The core

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was split and analysed and the technical data and analysis results were sent to Watts, Griffis and McOuat, Consulting Geologists and Engineers (WGM) to calculate a NI 43-101 compatible resource for the molybdenum deposit.

The 2007 drill program was also designed to further define and potentially expand the known historical resource and to provide additional confirmation of the resource with infill drilling and to test the potential increase of the size of the resource with exploration along strike and in parallel targets. As part of its 2007 drilling program, the Company completed 76 drill holes on the Storie Property for a total of 23,000 metres of core drilling.

On July 5, 2007, the Company announced that it had received a NI 43-101 Mineral Resource estimate for its Storie Property Molybdenum Deposit. Watts, Griffis and McOuat, Geological Engineering Consultants ("WGM"), prepared a Mineral Resource estimate for the Storie Molybdenum Deposit using 38 drill holes, primarily NQ (47.6 mm) diameter, from drilling programs completed in 1979, 1980 and 2006. WGM calculated an inferred resource of 101.6 million tonnes grading 0.067% Mo (0.112% MoS<sub>2</sub>). This calculation was made using a 0.035% Mo (0.058% MoS<sub>2</sub>) cut off grade, a 1.5:1 waste to ore stripping ratio and a maximum open pit mining depth of 325 metres. Based on these findings, WGM stated that "The Storie Deposit warrants further work, and that the deposit is presently known to be open to the east, west and north, as well as at depth, and there are untested structures (the X Fault) and molybdenum occurrences (M Zone) which merit further investigation".

In 2008, the Company completed approximately 20,000 to 25,000 metres of core drilling. The objective of the 2008 drilling program was to test the areas to the north, south and west of the known resource area in an effort to increase the size of the resource.

On August 5, 2008, the Company reported that Watts, Griffis and McOuat Limited ("WGM"), Consulting Geologists and Engineers of Toronto, Ontario, and Mintec, Incorporated of Tucson, Arizona, ("Mintec"), issued an updated NI 43-101 Mineral Resource estimate for the Storie molybdenum property deposit based on the results of historical drilling by Shell Canada in 1979 and 1980 and drilling completed by the Company in 2006 and 2007. The updated report (the "WGM Report") was commissioned, in part, for the objective of reclassifying the Mineral Resource of the Storie molybdenum deposit from an Inferred category to Indicated and Inferred categories. The updated NI 43-101 report was prepared by Robert M. Kuehnbaum, P.Geo., Senior Associate Geologist with WGM and Abdullah Arik, AusIMM, Principal MineSight Specialist with Mintec. The updated NI 43-101 Mineral Resource indicated estimates of 98.3 million Indicated tonnes, grading 0.064% Mo at a cutoff grade of 0.030% Mo, with an additional 31 million Inferred tonnes, grading 0.059% Mo at the same cutoff grade of 0.030%. The exploratory WGM report was prepared in an effort to determine drill locations for the 2008 program model.

The Company incurred exploration and acquisition costs as follows:

- for the six month period ended October 31, 2008 \$5,159,251 (2007 - \$5,192,645)
- for the year ended April 30, 2008 \$6,744,196 (2007 - \$1,979,518)
- as at October 31, 2008 the Company had incurred \$13,887,999 in exploration and acquisition costs.

**Barnes Creek Property, British Columbia**

As of May 31, 2007, the Company completed 6 core holes on the Barnes Creek Property totaling 2,000 metres of drilling. The Company has completed the payments, share issuances and exploration work expenditures under its Mining Option Agreement and has earned a 100% interest in the property.

On March 11, 2008, the Company entered into an option agreement with White Tiger Mining Corp. ("WTC") (formerly known as BHR Buffalo Head Resources Ltd) pursuant to which WTC has acquired the right to earn a 60% interest in the Barnes Creek Property by incurring \$500,000 in exploration expenditures over two years. The Company and WTC have certain common directors. The option agreement is subject to WTC obtaining regulatory approval.

The Company incurred exploration and acquisition costs as follows:

- for the six month period ended October 31, 2008 \$64,318 (2007 - \$297,339)
- for the year ended April 30, 2008 \$311,762 (2007 - \$429,903)
- as at October 31, 2008 the Company had incurred \$1,349,005 in exploration and acquisition costs.

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**1506 Claims, Labrador (Newfoundland)**

The Company holds a 100% interest in the 1506 property, which it previously staked which consists of certain mineral claims located in the Voisey's Bay area of Labrador and is subject to a 3% NSR, 2% of which can be purchased by the Company for \$1,000,000 for each 1% NSR purchased.

As of July 28, 2008, the Company entered into an option agreement with Black Panther Mining Corp. ("BPC") (formerly known as Consolidated Venturix Explorations Inc.) pursuant to which BPC has acquired the right to earn a 60% interest in the 1506 Claims Property by incurring \$500,000 in exploration expenditures over two years. The Company and BPC have certain common directors.

The Company incurred exploration and acquisition costs as follows:

- for the six month period ended October 31, 2008 \$79,997 (2007 - \$22,500)
- for the year ended April 30, 2008 \$132,516 (2007 - \$828)
- as at October 31, 2008 the Company had incurred \$216,408 in exploration and acquisition costs.

**Mineral Properties**

The Company's expenditures on mineral properties are as follows:

<b>October 31, 2008</b>	Storie Property	Barnes Creek	VBE/1506 Properties	Total
Balance, April 30, 2008	\$8,728,748	\$ 1,284,687	\$ 136,411	\$ 10,149,846
Deferred exploration costs:				
Additions during the year:				
Accommodations	327,303	-	-	327,303
Airborne survey	-	62,647	-	62,647
Assays	106,429	-	-	106,429
Communications	8,756	-	-	8,756
Drilling costs	2,582,513	-	-	2,582,513
Environmental	167,806	-	-	167,806
Equipment rentals	258,638	-	-	258,638
Exploration permitting costs (recovery)	62,500	-	(25,350)	37,150
First aid and safety	(9,046)	-	-	(9,046)
Fuel	294,362	-	58	294,420
Geological and professional fees	1,024,139	-	104,769	1,128,908
Logging	12,475	-	-	12,475
Report costs	55,834	1,671	-	57,505
Site office and field supplies	74,137	-	-	74,137
Storage	26,425	-	-	26,425
Travel	72,683	-	520	73,203
Trenching	600	-	-	600
Trucking and shipping	93,697	-	-	93,697
Total additions for the period	5,159,251	64,318	79,997	5,303,566
Balance, October 31, 2008	\$13,887,999	\$ 1,349,005	\$ 216,408	\$ 15,453,412

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**Mineral Properties (con't)**

<b>April 30, 2008</b>	Storie Property	Barnes Creek	VBE/1506 Properties	Total
Balance, April 30, 2007	\$ 1,984,552	\$ 972,925	\$ 3,895	\$ 2,961,372
Acquisition costs	1,026,000	-	68,220	1,094,220
Deferred exploration costs:				
Additions during the year:				
Accommodations	519,753	5,815	57	525,625
Assays	191,833	6,642	-	198,475
Bulk sampling	28,320	-	-	28,320
Communications	7,486	-	-	7,486
Drilling costs	2,615,274	149,758	-	2,765,032
Environmental	162,386	-	-	162,386
Equipment rentals	179,157	14,172	-	193,329
First aid and safety	53,879	155	-	54,034
Fuel	194,634	3,859	-	198,493
Geological and professional fees	1,006,787	62,903	40,003	1,109,693
General labour	89,033	-	-	89,033
Heavy equipment operator	174,248	-	-	174,248
Helicopter	8,076	1,790	-	9,866
Line cutting	39,606	13,069	-	52,675
Logging	11,330	-	-	11,330
Mineral tenure assessment	62,500	-	22,500	85,000
Report costs	37,347	34,987	-	72,334
Site office and field supplies	90,254	4,744	-	94,998
Storage	50,141	-	-	50,141
Travel	114,027	7,662	1,736	123,425
Trenching	3,500	6,206	-	9,706
Trucking and shipping	78,625	-	-	78,625
Total deferred exploration	5,718,196	311,762	64,296	6,094,254
Total additions for the year	6,744,196	311,762	132,516	7,188,474
Balance, April 30, 2008	\$ 8,728,748	\$ 1,284,687	\$ 136,411	\$ 10,149,846

**LIQUIDITY AND CAPITAL RESOURCES**

The Company's mineral exploration activities have been funded to date primarily through the issuance of common shares, and the Company expects that it will continue to be able to utilize this source of financing until it develops cash flow from its mining operations. Other than as discussed herein, the Company is not aware of any trends, demands, commitments, events or uncertainties that may result in its liquidity either materially increasing or decreasing at present or in the foreseeable future.

Material increases or decreases in the Company's liquidity will be substantially determined by the success or failure of its exploration programs on its properties, as well as its continued ability to raise capital.

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As at October 31, 2008, the Company had working capital of \$4,177,251 compared to a working capital of \$10,620,103 as at April 30, 2008. As at October 31, 2008, the Company had cash and equivalents of \$4,115,495 compared to cash of \$10,836,076 as at April 30, 2008. Included in cash at October 31, 2008 was \$nil (April 30, 2008 - \$1,945,767) which is reserved for flow-through purposes.

Net cash used in operating activities for the six months ended October 31, 2008 was \$756,804 (2007 - \$363,765) consisting primarily of the operating loss for the period and the change in non-cash items.

Net cash used in investing activities for the six months ended October 31, 2008 was \$5,129,799 (2007 - \$5,025,218) consisting of deferred exploration costs and the acquisition of property plant and equipment and investments, \$5,303,566 of which was specifically due to exploration expenditures.

Net cash provided by (used in) financing activities for the six months ended October 31, 2008 was (\$833,978) (2007 - \$11,539,670 provided by proceeds on private placements), which was primarily in connection with shares purchased under the Company's normal course issuers bid.

**SUMMARY OF QUARTERLY RESULTS**

	<b>October 31, 2008</b>	<b>July 31, 2008</b>	<b>April 30, 2008</b>	<b>January 31, 2008</b>
Total assets	20,441,783	22,094,228	22,061,889	21,248,852
Mineral properties and deferred costs	15,453,412	12,908,082	10,149,846	9,643,826
Working capital (deficit)	4,177,251	7,249,298	10,620,103	11,219,239
Shareholders' equity	19,507,453	20,077,756	20,868,119	21,196,063
Total Revenue	128,857	25,476	(52,627)	137,089
Operating expenses	350,455	516,062	1,370,528	400,168
Write off of mineral properties	-	-	-	-
Net Income (loss)	(221,598)	(490,561)	92,266	(263,079)
Basic and diluted income (loss) per share	(0.01)	(0.01)	0.02	(0.01)

	<b>October 31, 2007</b>	<b>July 31, 2007</b>	<b>April 30, 2007</b>	<b>January 31, 2007</b>
Total assets	21,835,234	20,211,931	8,221,055	4,897,621
Mineral properties and deferred costs	8,473,856	4,485,815	2,961,372	2,555,962
Working capital	12,632,336	14,596,078	4,768,705	2,227,377
Shareholders' equity	21,327,571	19,316,447	7,931,552	4,790,061
Total Revenue	290,404	157,734	76,382	8,858
Operating expenses	1,581,573	318,009	435,516	163,135
Write off of mineral properties	-	-	(13,818)	-
Net Income (loss)	(1,291,168)	(160,275)	567,048	(154,277)
Basic and diluted income (loss) per share	(0.04)	(0.01)	0.04	(0.01)

**RELATED PARTY TRANSACTIONS**

As at October 31, 2008, the Company held investments in shares of a company with common directors, as marketable securities, with a cost of \$2,500 (April 30, 2008 - \$2,500) (market value of \$1,650 (April 30, 2008 - \$1,800)).

As at October 31, 2008, accounts payable and accrued liabilities included \$nil (April 30, 2008 - \$270,176) owing to certain companies or entities controlled by directors and/or officers (See following table):

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Name of Company or Director	Directors/Officers	October 31, 2008	October 31, 2007
Beachfront Enterprises Limited Partnership	Douglas L. Mason	-	2,650
North American Mortgage Corp.	John Morita	-	4,505
Coombes & Sons Administration Inc.	Ronald A Coombes	-	2,120
		<u>\$ -</u>	<u>\$ 9,275</u>

The Company entered into the following additional transactions with related parties:

- a) Paid or accrued \$24,038 (2007 - \$32,792) for rent to Beachfront Enterprises Limited Partnership, (a limited partnership, the majority of which is owned by Douglas L. Mason, a director of the Company);
- b) Paid or accrued \$21,000 (2007 - \$21,000) for administrative services to Waterfront Capital Corporation, a company with common directors, namely, Douglas L. Mason, Bruce E. Morley and Sead Hamzagic;
- c) Paid or accrued \$98,000 (2007 - \$72,000) for consulting fees to Criterion Capital Corporation (a company controlled by a director, namely, Douglas L. Mason) and to Coombes & Sons Administration Inc. (a company controlled by a director, namely, Ronald A. Coombes);
- d) Paid or accrued \$24,300 (2007 - \$15,000) for geological and professional fees recorded as deferred exploration costs to JMK Geological Services (an entity controlled by an officer, namely, John Kowalchuk);
- e) Paid or accrued \$27,060 (2007 - \$21,220) for financial consulting services to Sead Hamzagic, Inc (a company controlled by a director, namely, Sead Hamzagic) and to North American Mortgage Corporation, (a company controlled by a former director, namely, John Morita); and
- f) Paid or accrued \$55,105 (2007 - \$35,119) for legal services to Bruce E. Morley Law Corp. (a company controlled by a director, namely, Bruce E. Morley).

These transactions were in the normal course of operations and were measured at the exchange value, which represented the amount of consideration established and agreed to by the parties.

**COMMITMENTS**

The Company has entered into an operating lease agreement, with a limited partnership, the majority of which is owned by a director of the Company, for premises with minimum annual lease commitments as follows:

2009	\$ 48,720
2010	50,093
2011	53,005
2012	54,550
2013	<u>56,156</u>
	<u>\$ 262,524</u>

The Company has entered into four 5 year term renewable agreements with companies controlled by four directors of the Company for the provision of consulting and/or legal services at a cost of \$9,000 per month (\$108,000 per annum), \$7,000 per month (\$84,000 per annum), \$7,000 per month (\$84,000 per annum) and \$6,000 per month (\$72,000 per annum) respectively. If any of such agreements are terminated without cause or if there is a change in control of the Company, the Company is required to pay an amount equal to five times the annual fee payable thereunder.

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Pursuant to these agreements, the Company may, as an incentive and in recognition that the services have exceeded the level of service which is required, provide a bonus to such consultants from time to time, the payment of such bonuses being in the sole discretion of the Company. For the year ended April 30, 2008, the Company accrued or paid a total of \$255,000 in bonuses to companies controlled by three directors.

The Company has entered into four agreements with certain directors/officers for services. If such agreements are terminated without consent of the director/officer or the director/officer resigns within 120 days following a change in control, the Company must pay \$100,000 to such director/officer and allow any unvested stock options to vest.

In October 2008, the Company adopted a bonus program for the 2009 fiscal year and for future years (the "Bonus Program"), which program does not limit the Company's discretion to grant bonuses generally as an incentive and in recognition of the services provided to it by its directors, officers, employees and consultants. The Bonus Program is summarized as follows:

- a) As of October 2008, the Company's market capitalization was approximately \$21 million and for any increase in the Company's market capitalization up to and including \$50 million, 2% of such increase shall, if such funds are available to the Company, be allocated to the Company's Bonus Program for distribution by the Company in its sole discretion to directors, officers, employees and/or consultants;
- b) For any increases in market capitalization in excess of \$50 million, then 1% of any such additional increase in the Company's market capitalization shall, if such funds are available, be allocated to the Bonus Program for distribution by the Company in its sole discretion to directors, officers, employees and/or consultants.

**OUTSTANDING SHARE DATA**

- a) Authorized Capital: Unlimited number of common shares without par value  
Unlimited number of preferred shares without par value
- b) Issued and outstanding as at December 29, 2008: 40,837,368 common shares (of which 1,853,747 shares have been purchased by the Company under its normal course issuer bid at a cost of \$851,355) with a stated value of \$32,463,081.
- c) Outstanding incentive stock options as at December 29, 2008: 3,815,000

Options	Number of Options	Exercise Price	Expiry Date
	625,000	\$ 0.85	October 21, 2009
	210,000	0.63	April 21, 2010
	1,090,000	0.55	September 25, 2011
	710,000	0.81	September 24, 2012
	350,000	1.27	October 15, 2012
	100,000	1.28	November 7, 2012
	25,000	0.82	January 11, 2013
	175,000	0.57	February 12, 2013
	25,000	0.60	April 11, 2010
	25,000	0.63	April 21, 2013
	455,000	0.50	June 3, 2013
	25,000	0.51	July 11, 2013
	3,815,000		

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On September 24, 2007, the Company's shareholders approved the adoption of a "rolling" stock option plan that is in keeping with current policies of the TSX Venture Exchange. The Company previously had a "fixed" stock option plan that allowed for a fixed number of options to be issued under such plan (up to 20% of the Company's issued and outstanding common shares at the time that such plan was implemented). Under the rolling stock option plan, the Company is allowed to issue options of up to 10% of the Company's issued and outstanding common shares at any given time. Under the stock option plan, options can be granted for a maximum term of 5 years and vesting of stock options is at the discretion of the board of directors at the time options are granted.

d) Outstanding share purchase warrants as at December 29, 2008:

<b>Warrants</b>	Number of Warrants	Exercise Price	Expiry Date
	2,200,000	1.25	May 14, 2009
	550,000	1.35	May 14, 2009
	1,500,000	2.10	June 18, 2009 (Repriced from \$3.00)
	1,500,000	2.10	June 28, 2009 (Repriced from \$3.00)
	<u>5,570,000</u>		

**INTERNAL CONTROL OVER FINANCIAL REPORTING**

Changes in Internal Control in Financial Reporting ("ICFR")

No changes occurred in the Company's year ended April 31, 2008. ICFR that has materially affected, or is reasonably likely to materially affect the Company's ICFR.

**NEW ACCOUNTING POLICIES**

Effective May 1, 2007, the Company adopted the new recommendations of the Canadian Institute of Chartered Accountants (CICA) under CICA Handbook Section 1530, Comprehensive Income, Section 3251, Equity, Section 3855, Financial Instruments – Recognition and Measurement, Section 3861, Financial Instruments – Disclosure and Presentation and Section 3865, Hedges. These new Handbook Sections, which apply to fiscal years beginning on or after October 1, 2006, provide requirements for the recognition and measurement of financials instruments and on the use of hedge accounting.

Comprehensive Income

Section 1530 introduces comprehensive income, which consists of net income and other comprehensive income (OCI). OCI represents changes in shareholder's equity during a period arising from transactions and other events with non-owner sources and includes such items as unrealized gains and losses on financial assets classified as "available for sale", and changes in the fair value of the effective portion of cash flow hedging instruments. There was no impact on the Company's financial statements as a result of implementing this change.

Financial Instruments – Recognition and Measurement

Section 3855 requires that all financial assets and financial liabilities (including derivatives) be measured at fair value on initial recognition except for certain related party transaction. Measurement in subsequent periods depends on whether the financial asset or liability has been classified as held-for-trading, available-for-sale, held-to-maturity, loans and receivables or other liabilities.

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Financial instruments classified as held-for-trading are measured at fair value and unrealized gains and losses are included in net income in the period in which they arise.

Available-for-sale assets are those non-derivative financial assets that are designated as available-for-sale or are not classified as held-for-trading, held-to-maturity, or loans and receivables. Available-for-sale assets are measured at fair value with unrealized gains and losses recorded in other comprehensive income until realized, at which time they will be recognized in net income. The Company does not have any financial assets classified as available-for-sale.

Other accounting implications arising upon the adoption of Section 3855 include the use of the effective interest method ("EIM") for any transaction costs or financing fees earned or incurred for financial instruments measured at amortized cost, and the recognition of the fair value of the obligation undertaken in issuing a guarantee that meets the definition of a guarantee pursuant to Accounting Guideline 14, Disclosure of Guarantees (AcG 14). No subsequent re-measurement at fair value is required unless the financial guarantee qualifies as a derivative. If the financial guarantee meets the definition of a derivative, it is re-measured at fair value at each balance sheet date.

#### Financial Instruments – disclosure and presentation

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.

On adopting these new standards, the Company designated its cash and marketable securities as held-for-trading, which are measured at fair value. Receivables are classified under loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities are classified as other financial liabilities, which are measured at amortized cost.

#### Transition

On May 1, 2007, the Company recognized all of its financial assets and financial liabilities in the balance sheet according to their classification under the new standards. The total adjustment to deficit at May 1, 2007 was \$5,500 for the fair value of marketable securities.

#### Accounting changes

The Canadian Accounting Standards Board ("AcSB") issued CICA Handbook Section 1506. The main features of Section 1506 are (a) voluntary changes in accounting policy are made only if they result in the financial statements providing reliable and more relevant information; (b) changes in accounting policy are applied retrospectively unless doing so is impracticable (as defined in the section); (c) prior period errors are corrected retrospectively; and (d) new disclosures are required in respect of changes in accounting policies, changes in accounting estimates and correction of errors. This new standard was effective for fiscal years beginning on or after January 1, 2007 and had no effect on the Company's financial statements.

#### Assessing Going Concern

The 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.

#### 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.

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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 non-financial 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.

#### 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.

#### Goodwill and Intangible Assets

The AcSB issued CICA Handbook Section 3064 which replaces Section 3062, Goodwill and Other Intangible Assets, and Section 3450, Research and Development Costs. This new section establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets. Standards concerning goodwill remain unchanged from the standards included in the previous Section 3062. The section applies to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2008.

#### 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 May 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended April 30, 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.

The Company is evaluating the impact of these new standards on the financial statements.

#### **SUBSEQUENT EVENTS**

Subsequent to October 31, 2008, the Company acquired an additional 84,000 shares pursuant to its normal course issuer bid at a cost of \$17,377.

#### **DIRECTORS AND OFFICERS**

Douglas Mason, Chairman, Secretary and Director  
Ronald Coombes, President, CEO and Director  
Sead Hamzagic, CFO and Director  
Bruce Morley, Director  
Benjamin Ainsworth, Director  
Edward Yurkowski, Director