

# **Metropolitan Mining Inc.**

## **Management Discussion & Analysis**

**Second Quarter Ended July 31, 2008**

**Dated: September 29, 2008**

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**Management Discussion and Analysis**  
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*This discussion and analysis should be read in conjunction with the unaudited interim consolidated financial statements and related notes thereto for the six months ended July 31, 2008, and the January 31, 2008 year end audited consolidated financial statements and the related notes therein and the Company's prospectus dated June 6, 2008 (the "Prospectus"). The financial information in the MD&A is derived from the Company's consolidated financial statements prepared in accordance with Canadian generally accepted accounting principles. All amounts in the financial statements and this discussion and analysis are expressed in Canadian dollars, unless otherwise indicated.*

**FORWARD LOOKING INFORMATION**

This management discussion and analysis ("MD&A") contains certain forward-looking statements and information relating to Metropolitan Mining Inc. ("Metropolitan" or the "Company") that are based on the beliefs of its management as well as assumptions made by and information currently available to Metropolitan. When used in this document, the words "anticipate", "believe", "estimate", "expect" and similar expressions, as they relate to the Company or its management, are intended to identify forward-looking statements. This MD&A contains forward-looking statements relating to, among other things, regulatory compliance, the sufficiency of current working capital, the estimated cost and availability of funding for the continued exploration and development of Metropolitan's exploration properties. Such statements reflect the current views of Metropolitan with respect to future events and are subject to certain risks, uncertainties and assumptions. Many factors could cause the actual results, performance or achievements of Metropolitan to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements.

**DESCRIPTION OF BUSINESS**

Metropolitan was incorporated on July 16, 2007 under the Business Corporations Act of British Columbia and is engaged principally in the acquisition, exploration and development of mineral resource properties. Since incorporation, the Company has, amongst other matters: completed a round of seed financing; entered into an option agreement to acquire up to a 60% interest in a mineral property in Argentina; established a branch office in Salta, Argentina; obtained a receipt for the Prospectus; completed an initial public offering; and obtained a listing on the TSX Venture Exchange. A summary of these transactions is set out below.

Effective October 18, 2007, the Company entered into a letter of understanding with Argentine Frontier Resources Inc. ("AFRI") outlining a proposal and principal terms for the Option Agreement in respect of the Fruso mineral property comprised of the two claims in the province of Salta, in northwestern Argentina, Fruso Este and Aracar, comprised of 5,684 Hectares (the "Fruso Property").

The Company had incurred a total of \$242,357 in exploration program expenditures on the Fruso Property by April 30, 2008. Pursuant to an option agreement dated March 31, 2008 (the "Option Agreement") between the Company, Salta Exploraciones S.A. ("SESA") and AFRI, (collectively with SESA the "Optionor"). The Company has an option to earn up to a 60% interest in the Fruso Property by completing the following within 3 years of March 31, 2008, the Effective Date of the Option Agreement:

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- (i) spending mineral exploration expenditures of up to US\$1,250,000 on the Fruso Property, subject to incurring qualifying exploration expenditures of no less than US\$250,000 in any one year;
- (ii) making cash payments of US\$250,000 as follows: US\$25,000 was paid upon receipt of a National Instrument 43-101 report on the Fruso Property (the "43-101 Report"); US\$25,000 on or before one year from the Effective Date; and US\$200,000 upon exercise of the option to acquire a 60% interest in Fruso Property and entering into a joint venture; and
- (iii) issuing to AFRI a total of 200,000 Common Shares, which Common Shares were issued on March 31, 2008, at a deemed price of \$0.20 per Common Share.

Pursuant to the Option Agreement, upon the Company performing the requirements as set out in clauses (ii) and (iii) above, and incurring expenditures on the Fruso Property within 3 years of the Effective Date of not less than US\$500,000, US\$333,333.33 and US\$416,666.67, respectively, the Company will have earned a 20%, 40% and 60% interest, respectively, in the Fruso Property. Moreover, in the event that the Company will have earned up to a 60% interest in the Fruso Property, then the Optionor and the Company agree to associate on a joint venture basis for further exploration and development of the Fruso Property and to contribute to all further costs including exploration and development in accordance with their respective interests in the Fruso Property.

The Company may terminate the Option Agreement at any time upon 30 days' written notice to the Optionor and subject to certain requirements as set out in the Option Agreement. In the event of default by the Company in the performance of all or part of the requirements as set out in clauses (i), (ii) and (iii) above, the option and the Option Agreement will terminate provided that any rights to the Fruso Property acquired by the Company shall be retained and remain with the Company.

As of June 6, 2008, when a receipt was issued for the Prospectus, the Company became a reporting issuer in the provinces of Ontario, Alberta and British Columbia. Effective July 15, 2008, the Company completed an initial public offering of 3,000,000 common shares (the "Offering"), at a price of \$0.30 per common share, for gross proceeds of \$900,000. First Canada Capital Partners Inc. ("First Canada") acted as agent for the Offering and was paid a commission of 9% of the gross proceeds, or \$81,000, and was issued agent's warrants to purchase up to 300,000 shares in the capital of the Company, at a price of \$0.30, for a period of 18 months from the date of the Offering.

On July 18, 2008, the common shares of the Company were listed and called for trading on the TSX Venture Exchange. The common shares trade on the TSX.V under the symbol "MNZ".

## **THE FRUSO PROPERTY**

The Fruso Property is located in the province of Salta in northwestern Argentina, approximately 15 kilometres east of the Chilean border and 25 kilometres north of the railroad to Antofagasta, Chile. It is located 350 kilometres by all-weather road west of Salta and 50 kilometres by secondary roads northwest of the village of Tolar Grande.

The Fruso Property is accessed by all-weather roads 350 kilometres from Salta. The final 70 kilometres from the village of Tolar Grande is by secondary gravel roads. Access to all parts of the

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Fruso Property is readily obtained by all terrain vehicles. The Fruso Este claim adit and Rio Tinto 1997 drill sites can be accessed by existing gravel roads. Travel time from Salta is about two days surface travel, with an overnight stop over at Tolar Grande.

The nearest town to the Fruso Property is Tolar Grande where accommodation, telephone, meals and limited services can be found. Manpower resources, both skilled and labour, are obtained in Salta. A new 120 kilovolt power line crosses Argentina approximately 50 kilometres to the northwest. Local generation of electric power is required. No public airstrips are available, but a private airstrip is reported at the Taca Taca Abajo Fruso Property 35 kilometres to the south. Service from Salta to Antofagasta by means of the Chile railway that passes approximately 25 kilometres south of the Fruso Property was terminated in 2006, but may be restarted. Water resources are sparse. A small spring is located on the Fruso Property, but adequate water for exploration purposes can be obtained from a larger spring on the northeast side of Salar Taca Taca.

Topography is gentle, with rolling rounded hills interspersed with broad Salar-filled valleys. Intrusive rocks underlie more rugged terrain, with local relief attaining 500 metres. The physiography of the Puna resembles that of the Basin and Range province of the southwestern United States, with block faulting generated by Andean stage deformation. Rock exposure is fair to good. Vegetation is limited to grasses and low shrubs in widely spaced wet areas.

## **SELECTED ANNUAL FINANCIAL RESULTS**

From date of incorporation of the Company to January 31, 2008 in \$000's except per share amounts:

**From the Date of incorporation of the Company**  
**July 16, 2007 to January 31, 2008<sup>(1)</sup>**

<b>Financial results</b>	
Total revenue	Nil
Net loss for year and period	52
Basic and diluted loss per share	-
Expenditures on resource properties	136

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<b>Balance sheet data</b>	
Cash and cash equivalents	609
Resource properties	136
Total assets	745
Long term liabilities	-
Shareholders' equity	666

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**SELECTED QUARTERLY FINANCIAL RESULTS**

In \$000's except per share amounts, for the fiscal quarters ended:

	July 31, 2008	April 30, 2008	Jan 31, 2008	Oct 31, 2007	July 31, 2007	April 30, 2007	Jan 31, 2007	Oct 31, 2006
<b>Financial results</b>								
Net Revenue	Nil	Nil	Nil	Nil	Incorporated July 16, 2007			
Net loss for period	142	45	42	10	-	-	-	-
Basic and diluted loss per share	\$0.015	\$0.005	\$0.013	\$0.00	-	-	-	-
Expenditures on Resources properties	-	106	136	-	-	-	-	-
<b>Balance sheet data</b>								
Cash and cash equivalents	1048	419	609	645	25	-	-	-
Resource properties	242	242	136	-	-	-	-	-
Total assets	1299	751	745	646	25	-	-	-
Long term liabilities	-	-	-	-	-	-	-	-
Share holders' equity	1,257	663	666	696	25	-	-	-

Notes: 1) The Company was incorporated on July 16 2007 . There was no business activity other than financing until the 4<sup>th</sup> quarter of Fiscal 2008.

**RESULTS OF OPERATIONS**

The Company reported a net loss for the three months ended July 31, 2008 of \$141,572 compared with a net loss of \$44,807 for the previous quarter. The increased loss was attributable to increased travel and accommodation and non-cash stock option compensation of \$67,222 being expensed during the second quarter. Corporate travel and accommodation expenses were at \$10,415 compared to \$2,803 for the previous quarter due to increased travel associated with the initial public offering. Management and consulting fees were \$19,027 in the second quarter of 2008 compared to \$19,663 in the previous quarter ended April 30, 2008. Audit and professional fees were only \$1,200 for the second quarter as compared to \$12,500 in fees related to the Prospectus during the first quarter. In addition, the Company capitalized deferred financing costs of \$229,768 (includes First Canada's commission of \$81,000) relative to an initial public offering of securities which closed on July 15, 2008.

Interest income of \$891 for the quarter was lower than the \$4,196 reported during the previous quarter due to reduced cash on deposit.

As an exploration stage company, there is no source of operating income and losses are expected to continue. Net loss, quarter over quarter, is affected by the level of general exploration and project investigation expenses undertaken during the period.

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**LIQUIDITY AND CAPITAL RESOURCES**

By the end of the first fiscal year ended January 31, 2008, the Company had raised \$722,754 through the sale of 8,779,001 Common Shares. Effective July 15, 2008, the Company raised an additional \$900,000 (net \$670,232) through its initial public offering of 3,000,000 Common Shares.

Working capital as of July 31, 2008 was \$1,035,075 compared to \$550,585 as at January 31, 2008 and \$355,661 as at April 30, 2008.

		July 31, 2008		January 31, 2008
Working capital	\$	1,035,075	\$	550,585
Deficit	\$	238,908	\$	52,529

With working capital of \$1,035,075 as at July 31, 2008, consisting of \$1,047,692 in cash, management considers this to be sufficient to meet the cost of the Company's 2008 Phase I mineral exploration program and estimated general and administrative overhead for the next 12 months. The Company has no income producing assets, therefore additional financing will be required to fund any significant further exploration programs or new property acquisitions.

See "Risk and Uncertainties" and, in particular, the sub-sections, entitled "Exploration and Development", "Loss of Interest in Properties" and "Financial Capability and Additional Financing".

**RESOURCE PROPERTIES**

The initial exploration program commenced in the latter part of 2007 and was completed in January 2008. The expenditures for the exploration program are as follows:

		July 31, 2008		January 31, 2008
<b>Metropolitan Properties</b>				
Acquisition ( Option Payments)	\$	65,205	\$	-
Deferred Exploration:				
Assaying and laboratory		35,215		4,438
Drilling		-		-
Engineering and consulting		5,890		3,815
Trenching and geophysical		275		127,183
Permits and fees		-		336
Stock compensation expense		-		-
<b>Total deferred expenditures for the year and period</b>		41,380		135,772
<b>Balance – beginning of year and period</b>		135,772		-
<b>Balance – end of year and period</b>	\$	242,357	\$	135,772

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Subsequent to July 31, 2008, the Company entered into a drilling contract on September 18, 2008 (the "Drilling Contract") with Connors Argentina S.A., a subsidiary of Boart Longyear. Boart Longyear Limited (ASX: BLY) reportedly operates in 35 countries. The Company entered into the Drilling Contract in anticipation of carrying out its Phase I exploration program (the "Program") on the Fruso Property, as recommended by Kenneth Dawson, Ph. D., P. Eng., of Terra Geological Consultants, in the 43-101 Report prepared by him. The Program will consist of 6 – 8 HQ drill holes, of approximately 300 – 400 metres in depth, to test the mineralization potential of a copper porphyry system. It is anticipated that the Program can be carried out in roughly 30 – 35 days at an estimated cost of U.S. \$585,000. The Company has engaged Terra Geological to oversee the Program and is continuing to work with the Optionor of the Fruso Property, AFRI and SESA. SESA has already done some preparatory road work and is making improvements to the camp. SESA has agreed to manage the exploration program and to carry out related services for the Company.

In its Press Release dated September 18, 2008, the Company announced that it anticipated that a UDR 650 mk11 truck mounted surface drilling rig would be mobilized on the Fruso Property on or about September 28, 2008 and that drilling was expected to commence on or about October 5, 2008.

#### **CRITICAL ACCOUNTING ESTIMATES**

A detailed summary of all of the Company's critical accounting estimates is included in Note 2(a) to the Unaudited Financial Statements for the three month period ended July 31, 2008.

#### **RISK AND UNCERTAINTIES**

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. The recovery of the Company's investment in resource properties and the attainment of profitable operations are dependent upon the discovery and development of economic ore reserves and the ability to arrange sufficient financing to bring the ore reserves into production. The ultimate outcome of these matters cannot presently be determined because they are contingent on future events including but not limited to the following:

##### **Exploration and Development**

The Fruso Property is in the exploration stage and there are no known commercial quantities of mineral reserves on the Fruso Property. The purpose of the Offering referred to herein is to raise funds to carry out exploration and development with the objective of establishing economic quantities of mineral reserves. There can be no assurance that any economic quantities of mineral reserves will be discovered on the Fruso Property.

##### **Political and Regulatory Framework in Argentina**

In the past, Argentina has been subject to political instability, changes and uncertainties, which may cause changes to existing governmental regulations affecting mineral exploration and mining activities. The Company's operations and the Fruso Property are subject to a variety of governmental regulations including, among others regulations promulgated by the province of Salta in northwestern Argentina with respect to water rights. Argentine regulators have broad authority to shut down and/or levy fines against facilities that do not comply with regulations or standards. The Company's mineral exploration and mining activities in Argentina may be adversely affected in varying degrees by changing government regulations relating to the mining industry or shifts in political conditions that increase the costs related to the Company's activities or maintaining its properties. Operations may also be affected in varying degrees by government regulations with respect to restrictions on

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production, price controls, export controls, income taxes, expropriation of Fruso Property, environmental legislation and mine safety. There can be no assurance that changes in the laws of Argentina or changes in the regulatory environment for mining companies or for non-domiciled companies in Argentina will not be made that would adversely affect the Company. It is also possible that current or future social unrest in Argentina will adversely affect the Company's operations. In addition, Argentina's status as a developing country may make it more difficult for the Company to obtain any required financing for its projects.

**Chile's Economy: History of Instability and Future Instability and Uncertainty**

The Fruso Property is situated close to the Chilean border. Historically, Chile's economy has suffered periods of instability, which include high inflation, capital flight, default on international debts, and high government budget deficits. Results of these problems included domestic disturbances and riots, government resignations and instability in the currency and banking system. Such disorder in the future could have adverse effect on the overall economy of the region and make it difficult or impossible for the Company to operate effectively in Argentina and may require the Company to reduce or suspend its operations in Argentina.

**Loss of Interest in Properties**

Pursuant to the Option Agreement, the Company has the obligation to incur exploration and development expenditures in order to maintain and/or earn its interest thereof. The Company's ability to maintain its interest in the Fruso Property may be dependent on its ability to raise additional funds by equity financing. Failure to obtain additional financing may result in the Company being unable to make payments required or satisfy its expenditure obligations and could result in a delay or postponement of further exploration and the partial or total loss of the Company's interest in the Fruso Property.

**Permits and Government Regulations**

The future operations of the Company may require permits from various governmental authorities and will be governed by laws and regulations governing prospecting, development, mining, production, export, taxes labour standards, occupational health, waste disposal, land use, environmental protections, mine safety and other matters. There is no assurance that the Company will be able to obtain all necessary permits and approvals that may be required to undertake exploration activity or commence construction or operation of mine facilities on the Fruso Property or any other properties the Company may acquire in the future.

**Title Risks**

Although the Company has exercised the usual due diligence with respect to determining title to the Fruso Property, there can be no assurance that the Company's rights or interests in and to the Fruso Property will not be challenged, impugned or revoked. The Company's rights or interest in and to the Fruso Property may be subject to prior unregistered agreements or transfers or native land claims and title may be affected by undetected defects. If title defect exists, it is possible that the Company may lose all or a portion of its rights or interest in and to the Fruso Property. Until competing rights or interest to the Fruso Property have been determined, there is no assurance as to the validity of the Company's rights or interest to the Fruso Property.

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**Financial Capability and Additional Financing**

The Company has limited financial resources and has no source of operating income. There is no assurance that future funding will be available to the Company for further exploration and development of its Fruso Property. There is no assurance that the Company will be able to obtain sufficient financing in the future on terms acceptable to it. The ability of the Company to arrange additional financing in the future will depend, in part, on the prevailing capital market conditions as well as the business performance of the Company. Failure to obtain additional financing on a timely basis may cause the Company to postpone or abandon exploration and development of its Fruso Property, forfeit its rights to the Fruso Property or reduce or terminate its operations.

**Difficulties in Conducting Business through Foreign Branch Office**

The Company is in the process of registering the Argentine branch office in the province of Salta in northwestern Argentina, and has completed the first phase of that process. If registered, the Company will be able to conduct business through the Argentine Branch office. Any limitation on the transfer of cash or other assets between the Company and the Argentine Branch or the perception that such limitation may exist now or in the future, could have an adverse impact on the Company's valuation and the price of its Common Shares.

**Currently Limited Trading Market for the Common Shares**

Effective July 18, 2008, the common shares of the Company commenced trading on the Exchange, under the symbol "MNZ". Since listing, there has been a public market for the Company's Common Shares, but limited liquidity. The listing of the Common Shares on an exchange, market or other quotation system is not a guarantee of liquidity. An active public market for the Common Shares might not develop or be sustained. If an active public market for the Common Shares does not develop, the liquidity of a shareholder's investment may be limited and the price of Common Shares may decline below the initial public offering price.

Should one or more of these risks and uncertainties materialize, or should underlying assumptions prove incorrect, then actual results may vary materially from those described on forward-looking statements. The Company has not completed a feasibility study on any of its properties to determine if they host mineral resources that can be economically developed and profitably mined.

A more detailed listing of the Risks and Uncertainties associated with an investment in the Company is available in the Company's Prospectus dated June 6, 2006 which is available on SEDAR at [www.sedar.com](http://www.sedar.com).

**LEGAL CLAIMS AND CONTINGENT LIABILITIES**

At September 29, 2008, there were no material legal claims or contingent liabilities outstanding.

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**RELATED PARTY TRANSACTIONS**

During the three month period ending July 31, 2008, the Company paid or accrued \$18,000 in management fees to a director and officer of the Company and \$4,375 in accounting fees to an officer of the Company. As at July 31, 2008, an amount of \$9,221 was owed by the Company to directors and officers related to expenses and services provided, which is included in accounts payable and accrued liabilities.

**SHARE CAPITAL**

The following table sets out the share capitalization of the Company as at the date of this MD&A and gives effect to the Offering (3,000,000 common shares) and the issuance of 200,000 common shares pursuant to the Option Agreement. The table should be read in conjunction with, and is qualified in its entirety by reference to, the Unaudited Financial Statements attached to and forming part of this MD&A.

Description	Authorized	Outstanding as at January 31, 2008	Outstanding as at July 31, 2008	Outstanding as at the date of this MD&A
Common Shares	Unlimited	8,779,001	11,979,001	11,979,001 <sup>(1)</sup>

Notes:

(1) Does not include any Common Shares issuable upon exercise of the Agent's Warrants on the Offering and Stock Options allotted to directors, officers and consultants.

**INVESTOR RELATIONS**

Investor relations inquiries are handled by the directors of the Company.

**OFF BALANCE SHEET ARRANGEMENTS**

The Company has no off-balance sheet arrangements.

**OTHER INFORMATION**

Additional information is available on SEDAR at [www.sedar.com](http://www.sedar.com).