

Pitchstone Exploration Ltd.

(An Exploration Stage Company)

Management's Discussion and Analysis

For the Six Months Ended June 30, 2008

Pitchstone Exploration Ltd.
Management's Discussion and Analysis of Financial Results
For the Six Months Ended June 30, 2008
Containing information up to and including August 25, 2008.

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Management's Discussion and Analysis ("MD&A") is intended to help the reader understand Pitchstone Exploration Ltd.'s ("Pitchstone" or the "Company") consolidated financial statements. The information provided herein should be read in conjunction with the interim consolidated financial statements for the period ended June 30, 2008 and the audited consolidated financial statements for the year ended December 31, 2007. The following discussion may contain management estimates of anticipated future trends, activities or results. These are not a guarantee of future performance, since actual results could change based on factors and variables beyond management control.

Management is responsible for the preparation and integrity of the consolidated financial statements, including the maintenance of appropriate information systems, procedures and internal controls, and to ensure that information used internally or disclosed externally, including the consolidated financial statements and MD&A, is complete and reliable. The Company's board of directors follows recommended corporate governance guidelines for public companies to ensure transparency and accountability to shareholders. The Board's audit committee meets with management regularly to review the consolidated financial statements and the MD&A, and to discuss other financial, operating and internal control matters.

The reader is encouraged to review the Company's statutory filings on www.sedar.com and to review general information.

DESCRIPTION OF BUSINESS AND OVERVIEW

Pitchstone was incorporated under British Columbia's Company Act on April 24, 2003. Since that time, the Company has been involved in the acquisition and exploration of mineral resource properties with the potential to host uranium deposits. On October 14, 2005, Pitchstone's shares began trading on the TSX Venture Exchange as a Tier One Issuer under the symbol "PXP".

The recovery of the Company's investment in its resource properties is dependent upon the discovery and development of Mineral Resources, and the ability to raise sufficient capital to finance exploration and any potential development and operations. The ultimate outcome of these operations cannot presently be determined because they are contingent on future matters. The Company does not currently have any producing mineral properties.

The Company has five groups of mineral properties with the potential to host uranium mineralization. The first group is comprised of five properties in the Athabasca Basin region of Saskatchewan (**Uranium One Joint Venture**). These properties had been under an Option Agreement with Uranium One Inc. ("Uranium One") since September 3, 2004. In January 2007, Uranium One completed all the earn-in requirements and acquired 50% of the Company's interest in these properties. The Company and Uranium One have formed a 50:50 joint venture to explore and develop these Athabasca Basin properties.

The second group is comprised of four properties in the Hornby Bay Basin region of Nunavut (**Triex Joint Venture**). These properties are held in a 50:50 Joint Venture with Triex Minerals Corporation ("Triex"). One of these properties, the Mountain Lake property, has an Inferred Resource of 8.2 million pounds of uranium oxide grading 0.23% U₃O₈ contained in 1.6 million tonnes of rock.

The third group is comprised of five **100% Owned Properties** which are located in the Athabasca Basin region of Saskatchewan.

The fourth group of mineral properties is located in Gabon, Africa (**Gabon Optioned Properties**). On February 26, 2006, the Company, together with Cameco Corporation ("Cameco"), entered into a Letter Agreement with Motapa Diamonds Inc. ("Motapa") to jointly explore Motapa's uranium-gold-manganese exploration licenses in Gabon. The Company and Cameco have options to earn up to 80% (40% each) interest in the licenses by 2013.

The fifth group of mineral properties is located in Namibia, Africa (**Namibia Optioned Properties**). In January 2007, the Company entered into an agreement with Manica Minerals Ltd. ("Manica") to explore three uranium

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properties in Namibia. The Company has options to earn up to 71% interest on these properties by 2011 and a further option to earn an additional 9%, for a total of 80%, by completing a positive feasibility study.

For additional information on mineral properties see "Mineral Properties" section.

RESULTS OF OPERATIONS

Selected Annual Information

	Year ended December 31, 2007	Year ended December 31, 2006	Year ended December 31, 2005
	\$	\$	\$
Total revenues	2,751,279	2,575,556	1,130,633
Income for the year	604,863	1,378,359	166,922
Income per share – basic	0.02	0.05	0.01
Income per share – diluted	0.02	0.05	0.01
Total assets	24,222,699	14,157,541	5,750,954
Total long-term liabilities	3,686,608	898,270	232,126
Cash dividends declared – per share	Nil	Nil	Nil

Summary of Quarterly Results

The following table has selected results of operations for each of the eight most recently completed quarters:

	For the Quarter Ended							
	June 30 2008	Mar. 31 2008	Dec. 31 2007	Sept. 30 2007	June 30 2007	Mar. 31 2007	Dec. 31 2006	Sept. 30 2006
Total Revenues	164,826	198,750	197,466	226,113	87,708	2,239,991	2,053,468	120,876
Income (Loss) for the period	(73,528)	(1,037,430)	(493,715)	25,800	(160,902)	1,235,371	1,282,107	(181,596)
Income (loss) Per Share (Basic)	0.00	(0.03)	(0.02)	0.00	(0.01)	0.04	0.05	(0.01)
Income (loss) per Share (Diluted)	0.00	(0.03)	(0.02)	0.00	N/A	0.04	0.05	N/A

Results of Operations for the second quarter ended June 30, 2008 compared to the second quarter ended June 30, 2007

In the three months ended June 30, 2008, the Company's net loss was \$73,528 compared to a net loss of \$160,902 in the same period in 2007. The basic and diluted loss per share was \$0 in the second quarter of 2008 compared to basic loss per share of \$0.01 (diluted loss per share not applicable) in the same period of 2007.

During the second quarter in 2008, revenues increased by \$77,118 which was a result of higher interest income received and more overhead recovered from a joint venture.

During the second quarter in 2008, the Company had an average cash balance over \$9 million, which earned interest of \$25,025 (2006 - \$7,177). In the three months ended June 30, 2008, the Company received an overhead recovery as the operator of the Uranium One and JCU joint venture properties of \$63,040

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compared to \$10,848 in 2006. An increase of \$52,192 was a result of higher exploration expenditures in the joint venture.

The Company's general and administrative expenses for the three months ended June 30, 2008 were \$238,354 compared to \$248,610 in 2007. In the second quarter of 2008, the investor relations expenditures decreased by \$15,895 compared to the same period in 2007. This was a result of the Company participating in fewer mining industry trade shows and paying less for investor relation services in the second quarter of 2008 compared to the same period in 2007. Travel expenditures also decreased by \$8,729 in 2008 compared to 2007. The Company had non-cash increases in stock-based compensation of \$54,175 for the options vested during the three months ended June 30, 2008.

During the second quarter of 2008, the Company had a drilling program running on the Darby-Candle properties which resulted in a large increase in accounts payable (\$321,416) at June 30, 2008 compared to \$129,500 at December 31, 2007. These amounts have been paid in the normal course of business.

Results of Operations for the six months ended June 30, 2008
compared to the six months ended June 30, 2007

In the six months ended June 30, 2008, the Company's net loss was \$1,110,958, compared to net income of \$1,072,778 in the six months ended June 30, 2007. The basic and diluted loss per share was \$0.04 in the first six months of 2008 and basic and diluted earnings per share was \$0.04 in the same period of 2007.

The Company's revenue decreased by \$1,964,125 from \$2,327,700 in the first six months of 2007 to \$363,575 in 2008. This was a result of a one-time, non-cash gain on contributed Uranium One joint venture assets of \$2,025,500 when the joint venture began on January 11, 2007 (see "Mineral Properties" section). With Uranium One having funded \$4,000,000 towards the Athabasca Properties, the Company's 100% interest was reduced to a 50% interest and the Company's 50% interest in the joint venture was deemed to have a value of \$4,000,000, a net gain of \$4,000,000. The Company had immediately recognized income of \$2,000,000, being the extent of the contribution of Uranium One to the joint venture which is 50%. The remaining 50% gain is deferred and amortized over the life of the joint venture or the life of the assets being contributed, which is deemed to have a life of 40 years and is amortized on a straight line basis. The Company's amortized portion totalled \$25,000 during the first six months of 2008.

During the six month period ended June 30, 2008, the Company's interest income increased by \$34,045 compared to the same period last year as a result of an increase in cash invested in Canadian financial institution term deposits. The amount invested averaged \$9 million in the first six months of 2008, an increase of \$1 million compared to the same period of 2007. During the period ended June 30, 2007, the Company recorded equipment rental revenue of \$21,300 whereas none was recorded in the same period in 2007. The overhead recovery for the Company as the operator of the Uranium One and JCU joint venture properties totalled \$130,190 compared to \$62,160 in 2007 as a result of higher exploration expenditures spent in the joint venture during the first six months of 2008.

The Company's administrative expenses, including stock based compensation, for the six months ended June 30, 2007, were \$1,272,160 compared to \$1,254,922 in the same period of 2007. Stock based compensation expense of \$838,635 was recorded for stock options vested in the first six months of 2008 whereas \$822,178 was recorded in the same period of 2007. Excluding the non-cash stock-based compensation and amortization, which increased by \$28,790, the administrative costs increased by \$17,238 in the first six months of 2008.

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MINERAL PROPERTIES

Summary of Mineral Property Expenditures and Exploration Activities

	Athabasca Basin JV Properties, Saskatchewan (Note 3a)	Hornby Bay Basin JV Properties, Nunavut/ Northwest Territories (Note 3b)	100% Owned Properties, Saskatchewan (Note 3c)	Gabon Optioned Properties, Africa (Note 3d)	Namibia Optioned Properties, Africa (Note 3e)	Total
Balance at December 31, 2006	\$ 239,790	\$ 2,025,696	\$ 566,041	\$ 13,031	\$ -	\$ 2,844,558
Aircraft charter	272,110	-	293,451	-	-	565,561
Camp and general	482,265	27,905	212,306	4,250	358	727,084
Drilling	961,767	824,686	617,243	-	-	2,403,696
Geological	84,630	(111,352)	30,262	72,595	157,304	233,439
Geochemical	-	-	-	-	16,343	16,343
Geophysical	103,763	23,400	29,483	151,877	126,671	435,194
Linecutting and chaining	79,449	-	31,524	-	-	110,973
Mineral claims expenses	526	195,446	59,353	3,254	88,833	347,412
Overhead	-	100,977	-	-	-	100,977
Sampling and analysis	35,212	312,830	20,743	-	-	368,785
Travel	26,808	3,351	12,475	21,332	37,804	101,770
Recovery from JV partner	(79,110)	-	-	-	-	(79,110)
Government assistance	-	-	(3,452)	-	-	(3,452)
50% interest in joint venture	4,000,000	-	-	-	-	4,000,000
Total expenditures for the year	5,967,420	1,377,243	1,303,388	253,308	427,313	9,328,672
Balance at December 31, 2007	\$ 6,207,210	\$ 3,402,939	\$ 1,869,429	\$ 266,339	\$ 427,313	\$ 12,173,230
Aircraft charter	101,723	-	-	-	-	101,723
Camp and general	369,359	28,431	-	48,213	320	446,323
Drilling	807,322	724,453	-	-	-	1,531,775
Geological	87,803	11,469	968	64,728	88,421	253,389
Geochemical	5,562	-	11,123	98,020	41,937	156,642
Geophysical	1,863	40,925	-	115,055	-	157,843
Linecutting and chaining	-	-	-	-	-	-
Mineral claims expenses	537	14,169	488	-	25,000	40,194
Overhead	-	49,545	-	903	-	50,448
Sampling and analysis	31,474	(19,058)	984	48	3,069	16,517
Travel	19,841	2,610	507	32,469	1,653	57,080
Community relations	50	4,190	-	-	-	4,240
Recovery from JV partner	(238,750)	-	-	-	-	(238,750)
Total expenditures for the period	1,186,784	856,734	14,070	359,436	160,400	2,577,424
Mineral property write-downs	-	(202,373)	-	-	-	(202,373)
Balance at June 30, 2008	\$ 7,393,994	\$ 4,057,300	\$ 1,883,499	\$ 625,775	\$ 587,713	\$ 14,548,281

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Cumulative totals as of June 30, 2008:

Cumulative totals as of June 30, 2008:	Athabasca Basin Properties, Saskatchewan (Note 3a)	Hornby Bay Basin Properties, Nunavut/ Northwest Territories (Note 3b)	100% Owned Properties, Saskatchewan (Note 3c)	Gabon Optioned Properties, Africa (Note 3d)	Namibia Optioned Properties, Africa (Note 3e)	Total
Aircraft charter	\$ 447,732	\$ -	\$ 297,781	\$ -	\$ -	\$ 745,513
Camp and general	900,443	61,910	216,504	52,464	678	1,231,999
Drilling	1,876,218	2,317,416	617,243	-	-	4,810,877
Geological	289,622	362,313	36,636	137,322	245,725	1,071,618
Geochemical	5,562	-	11,124	98,020	58,280	172,986
Geophysical	117,183	483,884	479,581	266,932	126,671	1,474,251
Linecutting and chaining	79,449	-	117,235	-	-	196,684
Mineral claims expenses	1,431	274,767	120,889	3,254	113,833	514,174
Overhead	-	316,570	-	903	-	317,473
Sampling and analysis	67,862	427,289	21,727	48	3,069	519,995
Travel and accommodation	49,453	11,334	13,749	66,832	39,457	180,825
Community relations	50	4,190	-	-	-	4,240
Recovery from JV partner	(409,527)	-	-	-	-	(409,527)
Government assistance	(31,484)	-	(48,970)	-	-	(80,454)
50% interest in joint venture	4,000,000	-	-	-	-	4,000,000
Total expenditure before write-downs	7,393,994	4,259,673	1,883,499	625,775	587,713	14,750,654
Mineral property write-downs	-	(202,373)	-	-	-	(202,373)
Balance at June 30, 2008	\$ 7,393,994	\$ 4,057,300	\$ 1,883,499	\$ 625,775	\$ 587,713	\$ 14,548,281

Athabasca Basin Properties, Saskatchewan – Uranium One Joint Venture

In January 2007, the Company and Uranium One, a TSX listed company, entered into a 50:50 joint venture to explore five Athabasca Basin properties. Uranium One now holds the remaining 50% interest in the Darby, Waterfound, Moon Lake and Lynx Lake properties and 37.5%, or 50% of the Company's 75% interest, in the Candle property. JCU (Canada) Exploration Company, Limited. ("JCU") owns the remaining 25% of the Candle property. The Company is the operator of these five joint venture properties.

In order to exercise its option and earn a 50% interest, Uranium One made total cash payments of \$350,000 (the last payment of \$87,500 was made on January 11, 2007), issued an aggregate of 200,000 common shares and 300,000 share purchase warrants, and funded \$4,000,000 of aggregate exploration expenditures on the five Athabasca Basin properties. As a result of Uranium One having funded \$4,000,000 in exploration on the Athabasca Basin properties, the Company's 50% portion of the Athabasca Basin properties sold was valued at \$4,000,000.

As of June 30, 2008, the Company's 50% portion of exploration expenditures on these five properties totaled \$7,393,994 (December 31, 2007: \$6,207,210). This total includes the deemed value of the properties.

	June 30, 2008	December 31, 2007
50% interest in joint venture	\$ 4,000,000	\$ 4,000,000
Darby Property	2,192,622	1,600,568
Waterfound Property	287,091	277,365
Lynx Lake Property	36,677	35,565
Moon Lake Property	1,609	151
Candle Property	907,479	325,045
Unallocated assistance received	(31,484)	(31,484)
	\$ 7,393,994	\$ 6,207,210

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During 2007, Uranium One and the Company drilled approximately 11,615 meters at Darby-Candle and Waterfound, and electromagnetic surveying was completed on Darby-Candle and Lynx Lake properties.

A contract was signed on March 13, 2007 with Bryson Drilling Ltd. ("Bryson") whereby the Company bought a diamond drill and Bryson provided other drilling equipment and performed drilling exclusively for the Company. Bryson then bought the drill from the Company in October 2007 after having drilled 10,000 meters on Pitchstone properties. In November 2007 the Company signed a new contract with Bryson to complete a minimum of 14,000 meters of drilling on the Company's Saskatchewan properties during 2008. The contract with Bryson also provides the Company with options for Bryson to complete an additional 20,000 meters of diamond drilling in 2009 and 20,000 meters of diamond drilling in 2010.

In 2008, a total of \$2.5 million was budgeted for the Company's share of exploration on the Uranium One Athabasca Joint Venture properties. Almost all of this amount will be spent on diamond drilling, including following up on the mineralization intersected at the 97G zone in the summer of 2007.

Darby & Candle Properties

The Darby and Candle properties are contiguous and comprise 19,316 hectares.

On April 3, 2004 the Company signed an option agreement with JCU in respect of the Candle property whereby the Company could acquire a 75% undivided interest in the property. In March 2007, the Company and Uranium One jointly earned a 75% interest in the property. The remaining 25% interest is held by JCU and the parties are proceeding on a 37.5%/37.5%/25% joint venture basis for future exploration on the property.

The Darby property is held in the 50:50 joint venture with Uranium One.

A total of 55 kilometers of conductive zones have been outlined on the Darby-Candle properties. During February and March 2006, a total of 2,032 meters of drilling in three holes was completed as an initial test of three separate conductors. Two of the three holes, both on the Candle Property, encountered zones of anomalous radioactivity. The most significant radioactivity was in hole CD02, which intersected 2.6 meters that averaged 169 parts per million ("ppm") uranium ("U"), including 0.5 meter that contained 422 ppm U (0.05% U_3O_8). During November 2006, 1,968 meters of core drilling had been completed in three holes on the Darby property.

Core drilling on Darby-Candle during 2007 totalled 8,535 meters in 15 holes. In July 2007, drill hole CD14 on the Candle property intersected a 3.2 meter interval of uranium mineralization from 647.1 to 650.3 meters that assayed 0.31% U_3O_8 , including 0.9 meter that contained 0.76% U_3O_8 . The mineralization in drill hole CD-14 was considered significant by management. In August 2007, CD14D1, which is a daughter hole wedged off of CD14 to the west, was completed. CD14D1 intersected a 0.8 meter radioactive zone, from 672.7 to 673.5 meters, that averaged 850 ppm U (0.10% U_3O_8), including 0.15 meter that contains 1,810 ppm U (0.21% U_3O_8). Numerous other anomalous pathfinder metals are present in CD14D1 including an average of 21.3 g/t silver and 0.39% molybdenum (Mo) over the 0.8 meter radioactive interval. There are not sufficient data available to estimate the true thickness of the zone. Mineralization intersected in CD14 and CD14D1 has been designated the 97G zone. A 25 line-kilometer fixed-loop electromagnetic survey was also completed on Darby during March 2007.

Follow up drilling at the 97G zone commenced in January 2008. Exploration budgeted for 2008 on the Darby-Candle properties provides for approximately 10,600 meters of drilling. Hole CD-25, 100 meters north of CD-14 and CD14D1, intersected strong alteration in the upper part of the Athabasca Group sandstone and a narrow, strongly radioactive zone in basement rocks. This radioactive interval has a 0.5 meter core length in altered pelitic gneiss, from 655.3 to 655.8 meters, that averaged 1.91% U_3O_8 , including a 0.2 meter core length from 655.5 to 655.7 meters that averaged 4.18% U_3O_8 . The mineralization is associated with a black, pyritic vein cutting the core at an acute angle, with a true thickness of approximately 5 centimeters; the vein orientation is interpreted to be almost vertical with a northerly strike.

Drilling at Darby-Candle resumed in the second quarter after a six week hiatus for spring breakup, with an additional seven holes totaling 4,101 meters completed in the quarter. Six of these seven holes were completed to designed depths. Five of the seven holes were completed on the Darby property, testing portions of the 95B, 95C and 95D conductors. Weak but encouraging radioactivity was encountered on the 95D conductor in the northeast corner of the property. The other two drill holes were completed on the Candle claim, testing the northern extension of the 97G conductor; significant radioactivity was not observed in either hole. Analytical results are pending on all holes. Drilling continued at Darby and Candle beyond quarter end.

Waterfound Property

In 2003 and 2005 the Company staked the 4,124 hectare Waterfound Property. This property is located 55 kilometres north of the Darby-Candle properties.

A fall 2005 diamond drilling program at the Waterfound property was originally planned to be 2,000 meters and was expanded to 2,714 meters in 5 holes after encouraging initial results from the first three drill holes were encountered. Strong metal enrichment and favorable alteration have been intersected over a large area on the Waterfound Property.

In May to June 2006, a second phase of drilling was completed with a total of 2,275 meters drilled in four holes. All four holes encountered anomalous radioactivity in proximity to the Athabasca Group unconformity. Hole WF07 intersected a 0.85 meter mineralized core interval, immediately below the unconformity, that assayed 0.07% U_3O_8 , including a 0.2 meter interval of 0.18% U_3O_8 . These are the highest uranium values obtained at Waterfound to date. Also in October 2006, a 26 line kilometer resistivity survey was completed at Waterfound with the purpose of helping to refine drill targets.

In October, 2007, six diamond drill holes for a total of 3,080 meters were completed at Waterfound. Five holes were completed to target depths and each intersected anomalous uranium in proximity to the Athabasca Group unconformity. The most significant intersections included 1.6 meters (450.6-452.2 meters) of 100 ppm U, including 0.1 meters (451.5-451.6 meters) of 598 ppm U, in drill hole WF-12, and 1.2 meters (435.6-436.8 meters) of 173 ppm U in drill hole WF-13. The primary objective of the October 2007 diamond drill holes was to test several ground geophysical (DC-resistivity) anomalies. At least one hole (WF-10R) intersected significant sandstone alteration, consistent with the position of a DC-resistivity anomaly. This hole's location on the far north end of the drilling pattern suggests that prospective geology may exist beyond the limits of the present drilling.

Lynx Lake Property

In 2004, the Company acquired the Lynx Lake property mineral claim totaling approximately 1,274 hectares by way of staking. The property is located 35 kilometers southwest of the Company's Darby-Candle properties.

An airborne magnetic-electromagnetic MEGATEM survey that totaled 102 line-kilometers was completed over the property in 2005. A 26 line-kilometer fixed-loop electromagnetic survey was completed at Lynx Lake in March 2007. The Company is currently assessing the results of these surveys to plan further exploration.

Moon Lake Property

In 2003 and 2004 the Company acquired contiguous mineral claims totalling approximately 1,637 and 2,953 hectares, respectively, by way of staking. The 4,590 hectare Moon Lake property is 55 kilometers southwest of the Darby-Candle properties and one kilometer east of Cameco's Millennium deposit.

An airborne magnetic-electromagnetic MEGATEM survey that totaled 334 line-kilometers was completed over the property in 2005. In March 2006, the Company completed three lines of moving loop electromagnetic surveying totaling 10.2 line kilometers. Two weak conductive zones were identified from a preliminary interpretation. A modest amount of drilling at Moon Lake is tentatively planned for 2008 .

Pitchstone also holds a 3% net smelter royalty on two claims, S-107557 and S-107558, adjacent to the Moon Lake property. CanAlaska Ventures Ltd., the owner of the claims, can purchase 1% of the net smelter royalty for \$1,500,000. Uranium One has a 50% interest in the NSR on that portion of the two claims within one kilometer of the Moon Lake Property.

Hornby Bay Basin Properties, Nunavut and Northwest Territories – Triex Joint Venture

On May 9, 2005, the Company entered into a 50:50 joint venture with Triex to explore the Mountain Lake, West Dismal, and Leith properties, located in the Hornby Bay Basin of Nunavut and Northwest Territories. The Mountain Lake uranium deposit contains a 43-101 compliant Inferred Resource of 8.2 million pounds of U₃O₈ with an average grade of 0.23% U₃O₈, contained in 1.6 million tonnes of rock.

In April 2006, two claim blocks totaling 59,760 hectares were optioned by the Company and Triex. These claim blocks included the Dismal Lake property and additional claims contiguous with the Mountain Lake property. The Company and Triex have paid a total of \$35,000 in cash to the property vendors, Ur-Energy Inc. ("URE") and Patrician Diamonds Inc. ("Patrician"), and in addition a cumulative \$1,225,000 was spent on the two properties by September 30, 2007. At the end of 2007, the earn-in requirements were met and the Company and Triex have completed the purchase of these properties subject to a 5% net smelter return royalty retained by the property vendors. The Company and Triex have the right to purchase one half of the retained royalty for \$5,000,000 for each property.

In July 2006, the Company and Triex acquired 100% of the Kendall River property from Aramis Ventures Inc. ("Aramis"). The purchase terms included a cash payment of \$25,000 (paid) and completion of \$50,000 (requirement met) of assessment work on the property. The vendor will retain a 5% net smelter return royalty half of which the Company and Triex have the right to purchase for \$2.5 million.

An exploration program of geochemistry, geophysical surveys, prospecting and diamond drilling on the Hornby Bay Basin properties, with a total budget of \$2.3 million, was initiated in May 2007 and was completed by the end of August, 2007. Work was performed on the Mountain Lake, Dismal Lake, West Dismal and Kendall River properties. During the third quarter of 2007, the drill program was completed with 2,818 meters drilled in 11 holes of which 3 holes were at Mountain Lake and 8 holes were at Dismal Lake.

A \$3.1 million budget has been approved by the Joint Venture for 2008. The program includes 5,000 meters of diamond drilling in eighteen holes to evaluate untested targets at Dismal Lakes, Helmut, Jenny Lake and Kendall River, and Ohm Mapper resistivity surveying. Drilling to the end of June 2008 totalled 2,175 meters in nine drill holes, seven on the Mountain Lake property and two on the Dismal Lake property. Ohm Mapper surveying was completed on the Mountain Lake and Dismal Lakes properties.

Mountain Lake Property

In 2004, the Company acquired a 50% interest in the Mountain Lake uranium property located in the Hornby Bay Basin, Nunavut. The property is situated approximately 550 kilometers north of Yellowknife, 100 kilometers south of Kugluktuk (formerly Coppermine), and comprises 8 mineral claims totaling 6,647 hectares. In 2006, the Company and Triex acquired an additional 41 claims (38,544 hectares) contiguous with the original Mountain Lake property from URE.

On the Mountain Lake property, the Mountain Lake deposit contains an estimated Inferred Resource of 8.2 million pounds U₃O₈, with an average grade of 0.23% U₃O₈, contained in 1.6 million tonnes of rock, at depths between 28 and 136 meters (see the NI 43-101 compliant resource estimate report filed on www.sedar.com for more details). Two types of mineralization have been recognized to date; dominantly stratabound sandstone-hosted and minor discordant fracture filling mineralization. Fracture controlled mineralization included an intersection of 5.19% U₃O₈ over a 0.9 meter core interval.

During April to June 2006, a total of 3,101 meters in 20 diamond drill holes was completed on the Mountain Lake property. Drilling confirmed the mineralization within the main deposit and extended it at shallow depth to the southwest under Fran Lake. Seven of the holes returned significant mineralization. The better

intersections included 0.11% U₃O₈ over 4.5 meters, including 0.33% U₃O₈ over 1.5 meters, under Fran Lake, and 0.17% U₃O₈ over 4.5 meters, including 0.32% U₃O₈ over 2.0 meters, in the main deposit. Also, a new zone of anomalous radioactivity was identified at Jenny Lake about one kilometer northwest of the Mountain Lake deposit.

During July to August 2006, a 1,310 line kilometer airborne radiometric survey at 200 meter line spacing was completed over that portion of the Mountain Lake property optioned from URE.

During the summer of 2007, three additional drill holes that totalled 477 meters were completed at Mountain Lake. Thin zones of weak radioactivity were intersected. Additional drilling was planned for other targets on the Mountain Lake property but was not completed due to poor drilling performance. Soil sampling and Ohm Mapper surveying were also completed on the property in 2007.

Seven holes totaling 1,654 meters were drilled in the second quarter of 2008 at the Mountain Lake property. Four of these were drilled at the Helmut Lake target north of the Mountain Lake deposit, three of which were completed to designed depths. The other three were drilled at the Jenny Lake target area northwest of the Mountain Lake deposit. Geochemical analyses are pending.

West Dismal Property

In 2005, Triex was granted seven prospecting permits comprising 105,097 hectares (West Dismal property) in the Northwest Territories and Nunavut for uranium exploration. These permits were situated approximately 70 kilometers west of the Mountain Lake property, 570 kilometers north of Yellowknife, Northwest Territories and 150 kilometers southwest of Kugluktuk, Nunavut. These permits expired early in 2008.

In May 2005, Triex staked two strategic areas contiguous to the West Dismal permits, designated as the Sandy Creek claims (10,451 hectares) and Dease River claims (2,090 hectares). These claims are also jointly owned by Triex and the Company and comprise part of the West Dismal property. During 2005, an 81 line-kilometer GEOTEM survey, conducted by Fugro Airborne Surveys at 300 meters line spacing, was completed over a test area of the West Dismal property. Other exploration work on the property included ground and airborne radiometric surveying, geological mapping and prospecting.

In early 2008, as a result of the expiration of prospecting permits, a large portion of the West Dismal lands are no longer held by the Joint Venture. As a result, \$132,947 of the mineral property costs were written-down in the first quarter of 2008.

Leith Property

In 2005, Triex was granted two prospecting permits for uranium exploration, the Leith property, comprising 32,722 hectares in the Northwest Territories. These permits were situated approximately 400 kilometers northwest of Yellowknife.

In September 2006, a 700 line kilometer GEOTEM (magnetic and electromagnetics) survey was flown at 400 meters line spacing by Fugro Airborne Surveys over the property. These permits expired early in 2008. As a result, \$70,487 of the mineral property costs were written-off in the first quarter of 2008.

Dismal Lake Property

In 2006, the Company and Triex acquired 17 claims (13,921 hectares) from URE and 10 claims (7,295 hectares) from Patrician. These contiguous claims are prospective for uranium and are situated 40 kilometers northwest of the Mountain Lake property in the Hornby Bay Basin, Nunavut.

During July and August 2006 exploration included a 730 line kilometer airborne radiometric survey at 200 meter line spacing, 100 line kilometers of ground magnetic surveying, and 400 soil samples on the Dismal Lake property. This data was compiled and used to help locate drill targets.

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During the summer of 2007, a total of 2,341 meters were drilled in eight holes at the Dismal Lake Property; no significant radioactivity was encountered. Ohm Mapper surveying and additional soil sampling were also completed.

During the second quarter of 2008, two drill holes have been completed at Dismal Lake totaling 522 meters. The results of geochemical analyses are pending.

Kendall River Property

In 2006 the Company and Triex acquired 4 claims (4,180 hectares) from Aramis. The Kendall River property is prospective for uranium and is situated 15 kilometers southeast of the Mountain Lake property in the Hornby Bay Basin, Nunavut. A discrete dispersion train of radioactive boulders on the property has never been investigated by drilling.

During July to August 2006 exploration completed included a 388 line kilometer airborne radiometric survey at 200 meter line spacing, 124 line kilometers of ground magnetic surveying, and 1,200 soil samples. During 2007 exploration on the Kendall River property included Ohm Mapper surveying and soil sampling.

Triex is the operator of the Hornby Bay Basin properties.

As of June 30, 2008 and December 31, 2007, the Company spent a total of \$4,057,300 (including \$316,570 overhead expenses paid to Triex), and \$3,402,939, respectively, on the joint venture properties.

	June 30, 2008	December 31, 2007
Mountain Lake Property	\$ 1,916,404	\$ 1,547,029
Mountain Lake – URE	505,822	410,511
West Dismal Property	324,763	305,874
Leith Property	70,487	70,487
Patrician Property	409,949	346,596
Dismal Lake - URE	776,878	582,207
Kendall River Property	255,370	140,235
	4,259,673	3,402,939
Mineral property write-downs	(202,373)	-
	\$ 4,057,300	\$ 3,402,939

At the end of June, three drill holes were planned for the Kendall River property to explore for the source of radioactive boulders.

100% Owned Properties, Saskatchewan

The Company has five 100% owned exploration properties in the eastern Athabasca Basin, Saskatchewan, that are prospective for uranium. The five properties, Fireweed, Gumboot, Fisher, Marten and Wolverine, total approximately 24,866 hectares, and were acquired by way of staking.

The Fireweed property (10,921 hectares) is located 15 kilometers northwest of the Company's Darby-Candle properties and was acquired in October 2004. The Gumboot property (4,196 hectares) is located 20 kilometers north of the Company's Darby-Candle properties and was acquired in November 2004.

In February 2006, the Company completed moving loop electromagnetic surveys on the Fireweed and Gumboot properties to help define conductors reported to exist on the properties. A total of 178 kilometers of grid lines were cut and 35.2 kilometers of electromagnetic surveying completed. An airborne magnetic gradiometer survey that totalled 1,634 line kilometers was also completed over the properties in February 2006.

In November 2005, the Company acquired the 3,349 hectare Fisher property by way of staking. Fisher is located 40 kilometers north of the Company's Darby-Candle properties. In September 2006, a 473 line

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kilometer airborne magnetic survey was completed over the property and a ground fixed loop electromagnetic survey was completed in February 2007.

In June 2007, the Company acquired the Marten and Wolverine properties in the Athabasca Basin, Saskatchewan by way of staking. Marten (2,768 hectares) is located 40 kilometers east-southeast of the Company's Darby-Candle properties. Wolverine (3,632 hectares) is located 30 kilometers southeast of the Company's Darby-Candle properties.

As of June 30, 2008 and December 31, 2007, the Company spent a total of \$1,883,499 and \$1,869,429, respectively, on its 100% owned properties.

	June 30, 2008	December 31, 2007
Fireweed	\$ 811,310	\$ 808,838
Gumboot	888,968	885,953
Fisher	116,785	114,560
Marten	29,219	26,040
Wolverine	37,217	34,038
	<u>\$ 1,883,499</u>	<u>\$ 1,869,429</u>

In 2007 a total of 2,892 meters was drilled in four holes at Gumboot and a total of 1,706 meters in two holes was drilled at Fireweed. Anomalous uranium was intersected in proximity to the Athabasca Group unconformity in two holes at Gumboot. Hole GB01 intersected a 1.75 meter interval in sandstone that averages 0.04% U₃O₈, including 0.3 meter of 0.10% U₃O₈. Hole GB02 intersected a 2.2 meter interval, also in sandstone, that averages 0.03% U₃O₈, including 0.3 meter of 0.07% U₃O₈. Anomalous quantities of numerous other metals are associated with these intersections at Gumboot including nickel to 0.43%, cobalt to 0.13% and arsenic to 1.01%. These metals are often associated with high grade Athabasca deposits. Narrow intervals of weakly anomalous uranium values in basement units were recorded at Fireweed (to 36 ppm U) and Gumboot (to 21 ppm U).

A total of \$470,000 has been budgeted in 2008 for drilling at Gumboot and airborne geophysics at Marten and Wolverine. The drilling planned at Gumboot will consist of one hole totaling about 800 meters to follow up on the anomalous geochemistry observed in the 2007 drilling. The program of airborne geophysics will consist of a helicopter-borne electromagnetic and magnetic survey consisting of about 1,000 line kilometers designed to test for conductors on the Marten and Wolverine properties.

Gabon Optioned Properties, Africa

On February 26, 2006, the Company and Cameco signed a Letter Agreement with Motapa to jointly explore Motapa's exploration licenses in Gabon, Africa. Motapa holds the exclusive rights to explore for uranium, gold and manganese on approximately 600,000 hectares of the Franceville Basin in central Gabon. The Company, Cameco and Motapa finalized the Letter Agreement on June 12, 2006, and the licenses were ratified by the president of Gabon on September 12, 2006.

Terms of the Letter Agreement provide Cameco and the Company with the option to earn a 56% (28% each) interest in the licenses by incurring exploration expenditures of \$3,500,000 (\$1,750,000 each) over a four year period. In addition, the parties will have a second option to acquire an additional 24% interest (12% each) by expending a further \$8,500,000 (\$4,250,000 each) within three years following the completion of initial vesting. The Company's commitment is \$200,000 during the first year of exploration, of which the starting date has been revised to January 1, 2007.

A 13,352 line kilometer airborne magnetic plus radiometric survey of approximately 170,000 hectares of the property was completed in July, 2007. Reconnaissance geochemical surveying, two Transient Audio Magneto-Telluric test lines that totalled 75 line kilometers, stream sediment sampling and prospecting were also completed in 2007.

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During the first quarter of 2008 a sampling, geological mapping and prospecting program was conducted to follow up anomalous areas within various parts of the licenses. A total of 338 stream sediment and 326 rock samples were collected and analyzed.

In the second quarter of 2008, an 877 line kilometer, helicopter-borne electromagnetic survey was completed on part of the license area to help prioritize target areas.

As at June 30, 2008 and December 31, 2007, the Company had spent \$625,775 and \$266,339 on the Gabon optioned properties.

Namibia Optioned Properties, Africa

The Company entered into a Letter Agreement on January 18, 2007 with Manica to acquire a 51% interest in three uranium exploration properties in Namibia, Africa. The initial option may be exercised by spending \$900,000 in exploration work on the properties by November 9, 2008 and making the following cash payments to Manica:

\$15,000 on signing the Letter Agreement (paid),
\$25,000 by the first anniversary of the date of the Letter Agreement (paid),
\$35,000 by the second anniversary of the date of the Letter Agreement.

Once the initial option has been exercised, the Company will have a second and a third option to earn further 20% and 9% interests in the properties, respectively, for a total interest of up to 80%, by expending an additional \$1,400,000 in exploration on the properties by January 18, 2011 and then completing a positive feasibility study by an independent mutually acceptable qualified party.

In addition, on April 20, 2007, the Company issued 15,000 common shares to Manica, for a right of first refusal on any new uranium licenses acquired in Namibia by Manica.

The three properties, Nakop, Dome and Kaoko, cover a total area of approximately 500,000 hectares. During 2007, magnetic and radiometric data covering Dome and Nakop were acquired and interpreted, satellite spectral covering Nakop and Kaoko were acquired and interpreted, an initial prospecting and sampling program was completed at Nakop, and time domain electromagnetic depth soundings and radon gas surveys were completed at Dome and Kaoko. Radon anomalies were outlined on both the Kaoko and Dome properties.

In the second quarter of 2008, a program of geological mapping, prospecting and litho geochemistry was completed at Kaoko, and a program of radon sampling was completed at the Dome property. The Nakop permit anniversary date was July 18 and it was not renewed.

As at June 30, 2008 and December 31, 2007, the Company had spent \$587,713 and \$427,313, respectively, on the Namibia optioned properties.

LIQUIDITY AND CAPITAL RESOURCES

As at June 30, 2008, the Company had \$9,197,276 in cash and cash equivalents and working capital of \$8,755,430 (December 31, 2007: \$11,681,184 and \$11,403,500, respectively).

During the six month period ended June 30, 2008, the Company has spent \$2,577,423 on exploration expenditures and \$15,872 on purchase of equipment compared to \$2,472,777 and \$346,260 respectively, from the same period last year.

The Company's authorized share capital consists of an unlimited number of common shares without par value. As at June 30, 2008 and the date of this MD&A, the Company had 30,943,785 issued and outstanding common shares.

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On August 2, 2007, the Company closed a non-brokered private placement for gross proceeds of \$3,000,000. 1,000,000 units were issued at \$3.00 per unit, with each unit consisting of one common share and one-half of a share purchase warrant. Each whole warrant entitles the holder to acquire a common share for eighteen months at a price of \$3.75. The Company paid cash finder's fees in the amount of \$150,000 in connection with the private placement. All securities issued under the private placement had a hold period that expired on December 8, 2007.

On December 5, 2007, the Company closed a non-brokered private placement of 1,008,200 flow-through common shares at \$3.10 per share to raise gross proceeds of \$3,125,420. Cash finder fees of 5% were paid to certain parties in connection with part of the private placement and totaled \$131,440.

The Company has established a share purchase option plan whereby the Board of Directors may, from time to time, grant options to directors, officers, employees or consultants. Options granted must be exercised no later than five years from the date of grant. Options vest on the grant date unless determined otherwise by the Board of Directors. As of December 31, 2007, a total of 2,772,500 options at prices ranging from \$0.55 to \$2.90 were granted. During the six months ended June 30, 2008, 130,000 options were granted at prices ranging from \$1.19 to \$1.35, and 65,000 options expired at a weighted average price of \$2.14. Subsequent to the period end, 80,000 options at \$1.07 were granted to JNS Capital, a recently hired investor relations firm. If all the remaining outstanding options were exercised, it would increase the Company's available cash by \$5,425,975.

In August 2007, the Company closed a non-brokered private placement of 1,000,000 shares with each unit consisting of one common share and one-half of a share purchase warrant. As of June 30, 2008, the Company had 500,000 warrants outstanding at \$3.75 expiring on February 2, 2009. If the outstanding warrants were exercised, it would increase the Company's available cash by \$1,875,000.

As of the date of this MD&A the Company had 34,361,285 common shares outstanding on a fully diluted basis.

TRANSACTIONS WITH RELATED PARTIES

Except as noted elsewhere in these consolidated financial statements, related party transactions are as follows:

- a) During the six months period ended June 30, 2008, the Company incurred fees of \$32,500 to a company of which the Chief Financial Officer is the President and a Director (same period in 2007: \$45,000). As of June 30, 2008, \$5,250 (same period in 2007: \$7,950) was owed to that company.
- b) As of June 30, 2008, the Company owed \$14,438 (same period in 2007: \$9,138) of director's fees to a non-executive director.

COMMITMENTS

The Company has commitments under a lease for its premises in Vancouver, British Columbia, for approximately \$2,400 monthly rent from May 1, 2006 until April 30, 2010.

Effective November 20, 2007, the Company entered into an agreement with Bryson Drilling Ltd. ("Bryson") under which the Company has requested Bryson complete a minimum of 14,000 meters of diamond drilling on the Company's properties in the eastern Athabasca Basin region of Saskatchewan in 2008. The agreement commits the Company to approximately \$1,650,000 of drilling costs in 2008, part of which will be charged to joint venture partners Uranium One and JCU. As of June 30, 2008, the Company has completed 9,888 meters of diamond drilling with the remainder of about 4,112 meters to be completed by the end of 2008.

Effective April 30, 2008, the Company entered into an agreement with Helicopters Transport Services (Canada) Inc. ("HTS") to support the 2008 Athabasca Basin drilling program. Under the agreement, the Company committed to approximately \$300,000 in helicopter transportation costs in 2008, part of which will

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be charged to Uranium One and JCU, the joint venture partners. As of June 30, 2008, the Company has incurred \$110,999 in transportation costs with HTS.

SUBSEQUENT EVENT

On July 7, 2008, the Company engaged JNS Capital Corp. ("JNS") to provide investor relations services. The specific services will be provided by Jag Sandhu, President of JNS. The initial term of the contract is one year and either party may terminate the arrangement with 30 days notice. The Company will pay JNS \$5,000 per month and has issued 80,000 share purchase options exercisable for a period of five years at an exercise price of \$1.07 per share with respect to this arrangement.

OFF BALANCE SHEET ARRANGEMENTS

There are no off Balance Sheet arrangements as this time.

PROPOSED TRANSACTIONS

There are no proposed transactions as this time.

NEW ACCOUNTING POLICIES

Effective January 1, 2007, the Company adopted the new recommendations of the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 1530, Comprehensive Income; Section 3251, Equity; Section 3855, Financial Instruments - Recognition and Measurement; and Section 3865, Hedges, retroactively without restatement. These new Handbook Sections, which apply to fiscal years beginning on or after October 1, 2006, provide requirements for the recognition and measurement of financial instruments and on the use of hedge accounting. Section 1530 establishes standards for reporting and presenting comprehensive income, which is defined as the change in equity from transactions and other events from non-owner sources. Other comprehensive income refers to items recognized in comprehensive income that are excluded from net income calculated in accordance with generally accepted accounting principles. Under the new standards, policies followed for periods prior to the effective date generally are not reversed and therefore, the comparative figures have not been restated. The adoption of these Handbook Sections had no impact on opening balances.

Under Section 3855, financial instruments must be classified into one of the following five categories: held-for-trading, held-to-maturity, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments, including derivatives, are measured in the balance sheet at fair value except for loans and receivables, held-to-maturity investments and other financial liabilities which are measured at amortized cost. Subsequent measurement and changes in fair value will depend on their initial classification, as follows: held-for-trading financial assets are measured at fair value and changes in fair value are recognized in net income; available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income until the investment is derecognized or impaired at which time the amounts would be recorded in net income.

Upon adoption of these new standards, the Company designated its cash and cash equivalents as held-for-trading, which are measured at fair value. Accounts receivable and income taxes receivable are classified as loans and receivables, which are measured at amortized cost. Accounts payable, accrued liabilities, due to/from related parties and joint venture partners are classified as other financial liabilities. The Company had neither available-for-sale, nor held-to-maturity instruments during the first quarter ended March 31, 2008.

The Company had no "other comprehensive income or loss" transactions during the second quarter ended June 30, 2008 and no opening or closing balances for accumulated other comprehensive income or loss.

CHANGES IN ACCOUNTING POLICIES

On January 1, 2008, the Company adopted the following provisions of the CICA Handbook Sections. There was no material impact on the Company's financial condition or operating results as a result of the adoption of these new standards:

- (a) Section 1400 – General Standards of Financial Statement Presentation, to include requirements for management to assess and disclose an entity's ability to continue as a going concern.
- (b) Section 3862 – Financial Instruments – Disclosures, which replaces Section 3861 and provides expanded disclosure requirements that provide additional detail by financial asset and liability categories.
- (c) Section 3863 – Financial Instruments – Presentation, to enhance financial statement users' understanding of the significance of financial instruments to an entity's financial position, performance and cash flows.
- (d) Section 1535 – Capital Disclosures, which establishes standards for disclosing information about an entity's capital and how it is managed. Under this standard, the Company will be required to disclose the following:
 - qualitative information about its objectives, policies and processes for managing capital;
 - summary quantitative data about what it manages as capital;
 - whether during the period it complied with any externally imposed capital requirement to which it is subject; and
 - when the Company has not complied with such externally imposed capital requirements, the consequences of such non-compliance.

INTERNATIONAL FINANCIAL REPORTING STANDARDS

On February 13, 2008, the Canadian Accounting Standards Board ("AcSB") confirmed the mandatory changeover date to International Financial Reporting Standards ("IFRS") for Canadian profit-oriented publicly accountable entities (PAE's") such as the Company.

The AcSB requires that IFRS compliant financial statements be prepared for annual and interim financial statements commencing on or after January 1, 2011. For PAE's with a December 31 year-end, the first unaudited interim financial statements under IFRS will be the quarter ending March 31, 2011, with comparative financial information for the quarter ended March 31, 2010. The first audited annual financial statements will be for the year ending December 31, 2011, with comparative financial information for the year ended December 31, 2010. This also means that all the opening balance sheet adjustments relating to the adoption of IFRS must be reflected in the January 1, 2010 opening balance sheet which will be issued as part of the comparative financial information in the March 31, 2011 unaudited interim financial statements.

The Company intends to adopt these requirements as set out by the AcSB and other regulatory bodies. At this time, the impact of adopting IFRS cannot be reasonably quantified. During fiscal 2009, the Company will continue to evaluate the impact of IFRS on the Company and develop and put in place a plan for the conversion to IFRS. If the Company decides not to early adopt the standards, the actual conversion work will occur in late 2009 and 2010, in anticipation of the preparation of the April 1, 2010 balance sheet that will be required for comparative purposes for all periods ending in 2011.

FINANCIAL INSTRUMENTS

The fair values of the Company's cash and cash equivalents, interest receivable, GST receivable, prepaid expenses and deposits, and accounts payables and accrued liabilities approximate their carrying values.

The Company's financial instruments are exposed to certain financial risks, including currency risk, credit risk, liquidity risk, and interest rate risk.

(a) Currency risk

The Company's property interests in Africa make it subject to foreign currency fluctuations and inflationary pressures which may adversely affect the Company's financial position, results of operations and cash flows. The Company is affected by changes in exchange rates between the Canadian Dollar and foreign functional currencies. The Company does not invest in foreign currency contracts to mitigate the risks.

(b) Credit risk

The Company's cash and cash equivalents are held in large Canadian financial institutions. Short-term investments are composed of financial instruments issued by Canadian banks. These investments mature at various dates over the current operation period. The Company does not have any asset-backed commercial paper in its short-term investments. The Company's GST receivable consists primarily of goods and services tax due from the federal government of Canada.

(c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure.

Accounts payable and accrued liabilities are due within the current operating period.

(d) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The risk that the Company will realize a loss as a result of a decline in the fair value of the short-term investments is limited because these investments, although available for sale, are withdrawn with interest as needed.

MANAGEMENT OF CAPITAL RISK

The Company manages its cash and cash equivalents, common shares, stock options and warrants as capital. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the exploration of its mineral properties and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue new debt, acquire or dispose of assets or adjust the amount of cash and cash equivalents.

In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. The annual and updated budgets are approved by the Board of Directors. In order to maximize ongoing exploration efforts, the Company does not pay out dividends. The Company's investment policy is to invest its short-term excess cash in highly liquid short-term interest-bearing

investments with maturities 365 days or less from the original date of acquisition, selected with regards to the expected timing of expenditures from continuing operations.

The Company expects its current capital resources to be sufficient to carry its exploration plans and operations through its current operating period.

RISKS AND UNCERTAINTIES

The Company's financial success will be dependent upon the discovery or acquisition of mineral resources and mineral reserves, and the economic viability of developing its properties. The market price of minerals and/or metals is volatile and cannot be controlled. There is no assurance that the Company's mineral exploration activities will be successful. The exploration of mineral resources and mineral reserves involves many risks which even a combination of experience, knowledge and careful evaluation may not be able to overcome. The Company has no source of financing other than those identified in the previous sections.

The following are some of the key risks and uncertainties identified, however, there may be other risks and uncertainties that have not been listed:

- the high degree of volatility in the price of uranium;
- the demand for uranium can be dependent on the public's acceptance of the use of nuclear power;
- the Company has a limited operating history and must be considered a start-up company;
- the performance of the Company will largely depend on the performance of certain key officers, consultants and employees;
- title to properties can be cancelled, challenged or impugned;
- the Company may be required to consult with First Nations Peoples in order to ensure necessary land use rights;
- certain officers and directors of the Company are associated with other natural resource companies which may give rise to conflicts of interest;
- the Company's exploration plans will require substantial additional financing and such financing may not be available on a timely and reasonable basis;
- the exploration business is highly speculative;
- the Company's ability to conduct exploration may be restricted by the unavailability of equipment and qualified personnel;
- geology is an inexact science subject to differing interpretations that could affect the success of any exploration or development program;
- access to the Company's properties may be restricted by weather conditions, forest fires, blockades, the inability to obtain land use permits on a timely basis, or other factors beyond the Company's control;
- substantial additional expenditures will be required to establish resources or reserves on mineral properties, if any resources or reserves exist on the properties;
- there are many potential barriers in developing a property prior to it becoming a commercial producing operation;
- the rights to the Company's mineral properties must be maintained in accordance with many regulations and agreements;
- there is increasing competition to acquire mineral properties throughout the world;
- the Company's joint venture or option agreements are subject to decisions made by its partners;
- exploration programs and budgets are subject to the concurrence of joint venture partners;
- various factors could impede the Company's ability to expend flow-through funding;
- the Company can not insure against all potential risks;
- there are many varied governmental and other regulations that must be followed which are constantly changing;
- there are many environmental regulations to comply with and such regulations are changing frequently;
- various regulations and interest groups may limit the Company's ability to conduct exploration and development activities, and

- the directors and officers own a control position of the shares that may allow them to affect certain corporate actions.

OUTLOOK

The Company has undertaken a very active exploration program for 2008, similar in magnitude to 2007, and funding is in place. The Company had budgeted \$2.5 million for its share of 2008 exploration costs on the eastern Athabasca Basin properties joint ventured with Uranium One and JCU. Exploration on these projects will primarily be diamond drilling. Drilling was initiated in January 2008 and 5,880 meters was completed during the first quarter. Drilling resumed in May, and a total of 14,000 meters is planned in 2008.

Pitchstone has executed a contract with Bryson Drilling Ltd. for a minimum of 14,000 m of diamond drilling in Saskatchewan in 2008. The contract with Bryson also provides Pitchstone with an option for 20,000 m of drilling in 2009 and a further option for 20,000 m of drilling in 2010.

During 2008, the Company and Triex have budgeted \$3.1 million for diamond drilling and Ohm Mapper surveying on the Hornby Bay Basin properties in Nunavut. A 5,000 meter diamond drilling program planned for the Hornby Bay Basin properties and was initiated in April.

As a result of the expiration of prospecting permits, and prioritization of exploration targets, it is anticipated that joint venture land areas in the Hornby Bay Basin will be significantly reduced during 2008.

The Company has budgeted \$0.5 million for exploration on its 100% owned eastern Athabasca Basin properties in 2008, including drilling on the Gumboot property and airborne geophysical surveys on the Marten and Wolverine properties.

Prospecting, mapping and sampling programs, and an airborne electromagnetic survey were completed on the Gabon licenses during the first half of 2008. In the second quarter of 2008, mapping, prospecting and sampling were carried out on the Dome and Kaoko properties in Namibia. A small drilling program is planned at the Dome property pending successful negotiation of a contract. The Company is funding 50% of the Gabon exploration and 100% of that in Namibia.

The Company's long term focus continues to be the discovery of economic uranium deposits and with its current cash position of approximately \$9 million, it is well positioned to continue to work towards this goal. The Company is now funding its share of exploration expenditures on all of its projects.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

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

No changes occurred in the second quarter in the Company's ICFR that have materially affected, or are reasonably likely to materially affect, the Company's ICFR.

The users of this information, including but not limited to investors and prospective investors, should read it in conjunction with all other disclosure documents provided including but not limited to all documents filed on SEDAR (www.sedar.com).

Steve Blower, P.Geo., President of Pitchstone, is the Qualified Person for the purposes of NI 43-101 with respect to the geological information in this document. Sample preparation and analyses on rock samples from Pitchstone operated properties were completed by SRC Geoanalytical Laboratories, (SRC) Saskatoon. A partial digestion with fluorimetric analysis was used for SRC's uranium determinations. All samples containing greater than 100 ppm U were re-analyzed with ICP. Pitchstone utilizes internally and externally submitted standard reference materials for quality assurance and quality control of the sample preparation and analyses.

FORWARD LOOKING STATEMENTS

Except for statements of historical fact, certain information contained herein constitutes forward-looking statements. Forward looking statements are usually identified by our use of certain terminology, including "will", "believes", "may", "expects", "should", "seeks", "anticipates", "plans" or "intends" or by discussions of strategy or intentions. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause our actual results or achievements to be materially different from any future results or achievements expressed or implied by such forward-looking statements. Forward-looking statements are statements that are not historical facts, and include but are not limited to, estimates and their underlying assumptions; statements regarding plans, objectives and expectations with respect to the effectiveness of the Company's business model; future operations, products and services; the impact of regulatory initiatives on the Company's operations; the size of and opportunities related to the markets for the Company's products; general industry and macroeconomic growth rates; expectations related to possible joint and/or strategic ventures and statements regarding future performance.

Forward-looking statements used in this discussion are subject to various risks and uncertainties, most of which are difficult to predict and generally beyond the control of the Company. If risks or uncertainties materialize, or if underlying assumptions prove incorrect, the Company's actual results may vary materially from those expected, estimated or projected. Forward looking statements in this document are not a prediction of future events or circumstances, and those future events or circumstances may not occur. Given these uncertainties, users of the information included herein, including investors and prospective investors are cautioned not to place undue reliance on such forward-looking statements.