

**MANAGEMENT'S DISCUSSION AND
ANALYSIS FOR THE PERIOD ENDED
SEPTEMBER 30, 2007**

WAR EAGLE MINING COMPANY INC.

1010 – 789 West Pender Street

Vancouver BC V6C 1H2

Telephone: 604.606.7979

Facsimile: 604.606.7980

PREPARED AS OF NOVEMBER 29, 2007

Form 51-102F1

INCORPORATION AND ORGANIZATION OF THE COMPANY

The Company was incorporated by registration of its Memorandum and Articles under the laws of British Columbia on March 6, 1984 under the name "275210 BC Ltd.". The Company changed its name to "War Eagle Resources Ltd." effective as of April 10, 1984. The Company changed its name from "War Eagle Resources Ltd." to "War Eagle Mining Company Inc." effective as of May 25, 1987. On October 28, 1987, the Memorandum of the Company was amended to reduce the authorized capital of the Company to 24,784,615 common shares without par value. On September 2, 1988, the Memorandum of the Company was amended to increase the authorized capital of the Company to 25,000,000 common shares without par value. On October 18, 1994, the Memorandum of the Company was amended to increase the authorized capital of the Company to 50,000,000 common shares without par value. On October 13, 1995, the existing Articles of the Company as filed with the Registrar of Companies were cancelled and a new form of Articles were adopted as the Articles of the Company in substitution for, and to the exclusion of, the existing Articles of the Company. On September 22, 2003 the Company received shareholder approval for the consolidation of its authorized share capital on a six old shares for one new share basis and to subsequently increase the authorized share capital to 100,000,000 common shares without par value and this share consolidation and increase in the authorized share capital was completed on December 30, 2004. On November 2, 2006, the Memorandum of the Company was amended to increase the authorized capital of the Company to an unlimited number of common shares without par value.

The Company's head office is located at Suite 1010 - 789 West Pender Street Vancouver, British Columbia, Canada, V6C 1H2 and its registered office is located at Suite 1000 - 595 Burrard Street Vancouver, British Columbia Canada, V7X 1S8.

The Company has four subsidiaries: War Eagle Resources Corporation, a wholly owned Idaho corporation, incorporated on March 26, 1984, Tombstone Mining Inc, a company incorporated in the British Virgin Islands, Minera Aguila Canadiense, S.A. de C.V., a 99% owned Mexican corporation, incorporated on July 18, 1991, and Tombstone Exploration de Mexico S.A. de C.V., a 99% owned Mexican corporation.

GENERAL DEVELOPMENT OF THE BUSINESS

Since incorporation, the Company has been involved in the acquisition, exploration and, if warranted, development of mineral resource properties. In the past three years, the Company has acquired and explored several different properties and has as its principal property the Tres Marias Property, which is more particularly described below.

Significant Acquisitions and Dispositions

ANTIMONY MOUNTAIN

During March 2004 the Company acquired an interest in the Antimony Mountain a copper, silver and gold prospect, located 65 kilometres northeast of Dawson City, Yukon. During the year ended March 31, 2005 the Company and another public company entered into a joint venture agreement to explore the prospect. The terms of the joint venture agreement called for each party to have an initial 50% interest in the joint venture, which may be diluted if a party does not elect to contribute to a work program. Should a party's interest fall to 10% then it will be converted into a 5% net profits interest. The Company then transferred its interest in the project to the other company in exchange for the optional right to acquire a 100% working interest in the MAC Property. This leaves the company with a 0.5% net smelter royalty in the Antimony Mountain property.

TRES MARIAS PROPERTY

Acquisition

Under a letter agreement (the "HTMC Agreement") dated March 23, 2001 between the Company and High Tech Metals Corp. ("HTMC"), the Company acquired a 100% interest in HTMC's option to acquire a 100% interest in the Tres Marias Property. Under the HTMC Agreement, the Company paid HTMC US\$10,000 and issued 200,000 shares to HTMC.

HTMC originally acquired an option to acquire a 100% interest in the Tres Marias Property under an option agreement (the "Option Agreement") dated July 27, 2000 between HTMC, Tombstone Aruba A.V.V. and Tombstone Exploration de Mexico, S.A. de C.V. Under the HTMC Agreement, the Company assumed all of the rights and obligations of HTMC under the Option Agreement. In order to exercise the option and acquire a 100% interest in the property, the Company issued a total of 525,000 common shares to Tombstone Aruba A.V.V, made property payments totalling \$315,000. In addition pursuant to this agreement the Company has made exploration expenditures of US\$500,000. The Company has completed a Share Purchase agreement whereby it acquired 100% interest in the property subject to the royalties during the year ended March 31, 2007.

The option agreement calls for a 3% net smelter royalty ("NSR") on all production, except for oxide production where the NSR is 1.5%, and a 1% net profits royalty all payable to the optionor. The NSR can be bought down to a 0.5% NSR on all production including oxide production for US\$500,000, subject to regulatory approval. If the NSR is bought down to 0.5% the NSR will cease once NSR payments after the buy down total US\$2,000,000. The Company also issued an additional 2.5% NSR to a third party during the year ended March 31, 2004 which was bought down to 1.5% for \$100,000 US during the year ended March 31, 2005.

Work to date

The Tres Marias property has once again been the primary focus of the Company during the 6 months ended September 30, 2007. The results to-date of the underground sampling along with drilling results have returned values comparable to results previously reported on the property.

The assay results of the completed 1,255 1.5 meter channel sampling program are highly encouraging. Using a 5% zinc cut-off grade these are 855 samples with an average grade of 19% zinc and 151 grams germanium.

An underground drill program will continue to outline the mineralization remaining in the mine area and a surface drill program will continue to test other areas of interest in the whole of the concession.

GEORGES LAKE

War Eagle has earned a 90% property interest in what is known as St. Georges Lake Gold Property, located approx 135 Km Northeast of La Ronge Saskatchewan.

During the twelve months ended March 31, 2007 the Company signed an option agreement with another public company whereby the other public company may acquire up to a 70% property interest in the George's Lake gold property by incurring exploration expenditures of \$1 million by December 31, 2008. To date, no funds have been expended by the other company.

On November 9, 2007, the company terminated the above option agreement and entered into a new option agreement with Yankee Hat Minerals Inc. whereby Yankee Hay may acquire up to a 70% interest in the property by incurring exploration expenditures of a total of \$1,500,000 by December 31, 2010. The exploration expenditures will be made according to the following schedule:

- i) \$750,000 on or before December 31, 2008 to earn 50%;
- ii) An additional \$375,000 on or before December 31, 2009 to earn an additional 10%; and
- iii) An additional \$375,000 on or before December 31, 2010 to earn an additional 10% for a total of 70% interest in the property.

MAC – TIN, TANTALUM, LITHIUM PROPERTY, NWT

The company owns a 100% interest in the MAC property, located in the south-western Northwest Territories, subject to a 2% net smelter royalty payable to the original holder of the property. The Company has the right to purchase 1% of the of the other company's net smelter royalty for \$1,000,000 until February 14, 2010.

The Company has entered into an LOI with Eagle Hill Exploration Corporation whereby Eagle Hill, subject to regulatory approval, has the right to earn up to a 70% interest in the Property by spending a minimum of \$2,800,000 on the Property in accordance with the following schedule:

- a) An option to spend \$1,400,000 on or before December 31, 2009 to earn a 25% interest in the Property;
- b) An option to spend an additional \$700,000 on or before December 31, 2010 to earn an additional 25% interest in the Property; and
- c) An option to spend a further \$700,000 on or before December 31, 2011 to earn a final 20% interest in the Property.

At September 30, 2007, this transaction is awaiting regulatory approval.

FLY ASH METAL RECOVERY PROJECT

On November 6, 2007, the Company announced the signing of a letter of intent with ELCOGAS SA, a Spanish power generation company to begin testing fly ash from one of its largest power plants for contents of Germanium and Gallium. This testing will be followed by a feasibility study and economic proposal for a processing plant to be built on the property of the power plant to extract the Germanium and Gallium from the fly ash output of the plant.

The letter of intent also provides for the Company to use all or part of ELCOGAS' patented procedures for recovering Germanium and Gallium from the fly ash. Costs of the testing and feasibility studies are to be paid by the Company.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

Management's discussion and analysis should be read in conjunction with the audited financial statements for the year ended March 31, 2007 and interim statements for the three months ended September 30, 2007. Additional information with respect to the Company is also available on SEDAR at www.sedar.com.

The following is a summary of certain selected financial information that is qualified by the more detailed information appearing in the financial statements of the Company. The Company's fiscal period ends on March 31 of each year. The following is a summary of certain selected audited and unaudited consolidated financial information for the Company's most recently completed fiscal quarter ended September 30, 2007 and the fiscal years ended March 31, 2007 and March 31, 2006.

Quarterly Information

The following is a summary of the mostly recently completed quarters ending at the end of the most recently completed financial year-end.

Each Quarter Ended Fiscal 2007-2008	Q1 - June 30/07 \$	Q2 - September 30/07 \$	Q3 - December 31/08 \$	Q4 - March 31/08 \$
Total revenues	Nil	Nil	-	-
Loss before discontinued operations and extraordinary items	136,859	404,540	-	-
Loss per share before discontinued operations and extraordinary items	0.01	0.01	-	-
Net Loss	136,859	404,540	-	-
Net loss per share	0.01	0.01	-	-
Total assets	12,362,143	12,458,953	-	-
Each Quarter Ended Fiscal 2006-2007	Q1 - June 30/06 \$	Q2 - September 30/06 \$	Q3 - December 31/06 \$	Q4 - March 31/07 \$
Total revenues	Nil	450	Nil	Nil
Loss before discontinued operations and extraordinary items	127,080	162,831	118,991	1,258,582
Loss per share before discontinued operations and extraordinary items	0.01	0.01	0.01	0.01
Net Loss	127,080	162,831	118,991	1,258,582
Net loss per share	0.01	0.01	0.01	0.03
Total assets	10,870,318	12,074,945	12,011,374	12,320,710
Each Quarter Ended Fiscal 2005-2006	Q1 - June 30/05 \$	Q2 - September 30/05 \$	Q3 - December 31/05 \$	Q4 - March 31/06 \$
Total revenues	181	282	398	258
Loss before discontinued operations and extraordinary items	226,917	230,113	158,505	228,617
Loss per share before discontinued operations and extraordinary items	0.01	0.01	0.01	0.01
Net Loss	226,917	230,113	158,505	228,617
Net loss per share	0.01	0.01	0.01	0.01
Total assets	3,668,928	4,145,865	4,046,676	9,995,806

MANAGEMENT'S DISCUSSION AND ANALYSIS OF OPERATING RESULTS

Management's discussion and analysis should be read in conjunction with the audited financial statements for the three month period ended September 30, 2007. The date of this management discussion and analysis is November 29, 2007.

The Company has been advised that its Mexican subsidiary, Minera Aguila Canadiense S.A. de C.V., the previous holder of a Mexican property, has a potential liability of up to US \$560,000 for unpaid surface area taxes on various lapsed and dropped claims. The Company believes that these taxes will not be paid and as the claims have been abandoned. No liability has been recorded in its financial statements.

Liquidity and Capital Resources

As at September 30, 2007 the Company had issued and outstanding 44,107,226 common shares and the details for the share issuances during the six month period ended September 30, 2007 are as follows:

- i) The Company issued 549,000 common shares on the exercise of options for total proceeds of \$219,600. The fair market value of these options was \$125,672.
- ii) The Company issued 200,000 common shares on the exercise of options for total proceeds of \$120,000.
- iii) The Company also renounced Canadian Exploration Expenses of \$500,000 to flow through share investors. This created a future income tax benefit of \$170,600 that was renounced by the Company.

Subsequent to September 30, 2007, the company completed a private placement consisting of 8,480,000 units at \$0.50 per unit for total proceeds of \$4,240,000. Each unit consisted of one common share and one half of a share purchase warrant. Each full warrant entitles the holder to acquire one common share at a price of \$0.75 and has a life of 18 months. Finders' fees of \$267,275 in cash and 223,525 finders' warrants allowing the holder to acquire one common share at a price of \$0.75 per share over a life of 18 months were issued.

The Company has not paid any dividends since incorporation and it has no plans to pay dividends in the immediate future. The Company expects to retain its earnings to finance further growth and, when appropriate, retire existing debt. The directors of the Company will determine if and when dividends should be declared and paid in the future based on the Company's financial position at the relevant time. All of the common shares of the Company are entitled to an equal share in any dividends declared and paid.

As at September 30, 2007, the Company incurred operating losses for the three month period of \$404,540 and a deficit of \$23,416,188. While the Company had current assets in excess of current liabilities in the amount of \$2,961,231 its ability to continue as a going concern is dependent upon the discovery of economically recoverable mineral reserves, confirmation of the Company's interest in the underlying mineral claims, the ability of the Company to obtain necessary financing to complete their development, and future profitable production or proceeds from the disposition thereof.

Since September 30, 2007 there were no material factors affecting the Company, such as discontinued operations, changes in accounting policies and major changes in the direction of the business, which a significant impact on the operations of the Company.

Results of Operations

Comparison of the six month period ended September 30, 2007 and the six month period ended September 30, 2006

During the six month period ended September 30, 2007, the Company expended \$2,373,751 on the acquisition, exploration and reconnaissance of mineral properties as compared to \$1,446,860 for the six month period ended September 30, 2006. These expenditures were primarily related to exploration costs for the Tres Marias property, where a total of \$1,398,001 was spent. A total of \$20,327 of exploration on Georges Lake property was spent as well as \$942,372 on the MAC property.

The Company incurred a net loss before tax of \$541,399 net of \$170,600 in income tax recovery for the six month period ended September 30, 2007. During the six month period ended September 30, 2006 the Company incurred a loss before tax of \$289,911. Consulting expense of \$141,802 (2006 - \$28,178) was up from the prior year given the increased exploration and agreement activity of the Company. Investor relations of \$117,457 (2006 - \$98,941) was also up slightly as exploration activity increased. Professional fees of \$24,501 (2006 - \$38,781) was slightly lower than the prior year and is directly related to the level of legal and audit activity of the Company. Management fees of \$71,500 (2006 - \$54,000) are charged mainly by our President for administration of the Company and by a services company that the Company uses for administration. Office administration, rent and miscellaneous increased to \$143,406 (2006 - \$45,940) as a result of the Company increasing its operational activity in the development of resource properties. Stock based compensation expense is a non-cash related expense associated with the issuance of options and at \$200,342 (2006 - \$12,613) was significantly more than the prior year owing to a greater number of options being granted and the volatility of the Company's share price which effected the calculation of the expense. Stock transfer and filing fees of \$14,954 (2006 - \$10,241) were consistent with the corresponding quarter last fiscal year. Travel expense of \$82,715 (2006 - \$53,412) was up as the company moves people to and from its mineral properties.

Related party transactions

During the three month period ended September 30, 2007 the Company had the following transactions with related parties.

- a) An officer of the Company received \$6,000 (2006 - \$6,000) in consulting fees. On September 30, 2007 the Company owed this officer \$4,034 (2006 - \$Nil).
- b) A director and officer of the Company received management fees of \$27,000 (2006 - \$27,000). On September 30, 2007 the Company owed this director and officer \$7,337 (2006 - Nil).
- c) Exploration expenditures on the Tres Marias property include \$27,000 (2006 - \$27,000) for fees of a director of the Company.