

# **STRATABOUND MINERALS CORP.**

## **ANNUAL MANAGEMENT DISCUSSION AND ANALYSIS**

April 27, 2007

The following discussion and analysis of results and operations should be read in conjunction with the Company's annual audited financial statements and related notes for the year ended December 31, 2006.

### **Description of Business**

The Company is in the business of mineral exploration and development, with gold and base metal properties in New Brunswick and Ontario and gold, diamond and base metal prospects in Quebec. During 2006 the Company conducted exploration programs on its Elmtree, Ramsay Brook, Taylor Brook, Nepisiguit and Big Presque Isle properties in New Brunswick and on its Enja claims in Quebec. At the present time, the Company does not have any producing properties and consequently no revenues.

### **Overall Performance**

In 2006, the Company raised \$1,075,490 through private placements and the exercise of share purchase warrants compared with \$629,750 in 2005. Proceeds were applied to exploration and acquisition of gold and base metal properties in New Brunswick and Quebec, and general corporate purposes.

During 2006 the Company spent \$1,127,137 on exploration and acquisition of mineral properties compared with \$533,435 the previous year. The large increase is attributable to an extremely active year of exploration in New Brunswick and Quebec, and in particular the extensive drilling program on the Elmtree Gold Property in northern New Brunswick. Results have upgraded the mineral potential of these properties and led to the commissioning of an independent detailed review and Technical Report on the Elmtree Property.

At December 31, 2006, the Company had working capital of \$241,862 compared with \$306,649 at the end of 2005. Subsequent to year-end the Company raised \$576,800 via a private placement financing (see "Subsequent Events" p.11). The Company intends to raise additional capital this year. Future exploration is dependent on continued equity financing and/or joint ventures with other companies. The Company will also apply for an exploration grant in 2007 from New Brunswick's Junior Mining Assistance Program.

### **Selected Financial Information**

The Company's financial statements are prepared in accordance with Canadian generally accepted accounting principles (GAAP). The reporting currency is the Canadian dollar.

### **Three Year Financial Data – Years Ended December 31**

<b><u>For the years ended December 31</u></b>	<b><u>2006</u></b>	<b><u>2005</u></b>	<b><u>2004</u></b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Revenue	6,051	2,109	2,367
Net loss from operations	319,595	152,754	161,662
Net loss for the year	363,348	1,174	98,162
Basic loss per share	0.0157	0.0001	0.007
Assets	4,900,166	3,895,851	3,323,996

### **Summary of Quarterly Results**

<b>2006</b>	<b>Dec 31/06</b>	<b>Sept 30/06</b>	<b>June 30/06</b>	<b>March 31/06</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Revenue	2,816	1,423	604	1,208
Net loss from operations	172,949	52,471	62,006	32,169
Net loss for the period	212,202	52,471	60,006	38,669
Basic loss per share	0.008	0.002	0.004	0.002

<b>2005</b>	<b>Dec 31/05</b>	<b>Sept 30/05</b>	<b>June 30/05</b>	<b>March 31/05</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Revenue	692	622	99	696
Net loss from operations	33,065	23,805	65,000	30,884
Net loss for the period	(13,435)	(81,275)	65,000	30,884
Basic loss per share	(0.0006)	(0.004)	0.004	0.002

As a result of write-downs or write-offs from exploration activities and provision for future income tax recovery, net losses tend to be variable.

### **Results of Operations**

In 2006, the Company raised \$1,075,490 in cash (net of share issue costs), by the issuance of 3,600,000 shares via private placements and the exercise of 2,078,000 warrants, compared with net proceeds of \$629,750 in 2005 via private placements of 4,208,083 shares and the exercise of 10,000 warrants.

In addition, 150,000 shares were issued for property acquisitions in 2006 at a deemed value of \$27,500, compared with 187,500 shares valued at \$28,750 in the previous year.

All expenses relating to exploration and property acquisition are capitalized as Mineral Properties and are detailed in Note 4 to the Financial Statements and shown below in the "Additional Disclosure" section. General and administrative expenses of \$324,302 in 2006 were higher than the \$153,703 incurred during 2005 and those incurred in 2004. This increase is attributable to the increase in stock-based compensation costs, an item not

involving cash, pertaining to stock options granted to employees, consultants and directors. The fair value of each option granted is estimated using the Black-Scholes option-pricing model. The other main increase is in professional fees of \$48,151 comprising accounting and legal costs compared to \$24,965 the previous year. This increase is due to a higher level of financing activities and more stringent reporting requirements. Filing fees and investor communications comprise fees paid to the TSX Venture Exchange, various provincial securities commissions and newswire costs. Additionally \$30,000 was paid in consulting fees to Linear Capital Corp. pursuant to a one-year contract for assistance with corporate development activities.

Stratabound incurred a net loss of \$363,348 for the year ended December 31, 2006 as compared to a loss of \$1,174 for 2005. This increased loss is mostly attributable to the increase in stock-based compensation costs, future income taxes and to a lesser degree, to the write-down of mineral property costs.

### **Elmtree Gold Property, New Brunswick**

Stratabound optioned this property in 2003 and acquired a 100% interest, subject to a 2% net smelter return royalty, by making a final payment of \$125,000 and 50,000 shares in October, 2006.

The property is situated 19 kilometres northwest of the coastal city of Bathurst. Virtually all previous drilling during the 1980s had targeted an area called the West Gabbro Zone, and from studying the historic data Stratabound recognized untested potential on the West Gabbro Zone and elsewhere on the property.

From the start Stratabound felt that Elmtree had the potential to host a substantial intrusive-related bulk tonnage of low grade gold, as well as base and precious metal massive sulphide veins. Drill intersections grading 2.0 grams per tonne gold or better across core intervals of 20 to 60 meters were commonly encountered during 1980s drilling on the West Gabbro Zone (see news release dated May 12, 2004), and intervals of rock grading in excess of 1.0 g/t gold across mineable widths had been indicated by limited drilling and trenching elsewhere on the property.

Late in 2004 Stratabound excavated eight trenches along a 210 metre (690 feet) strike portion of the West Gabbro Zone. Gold assays averaged 1.63 g/t across 29.2 metres. Seven holes were subsequently drilled during the first quarter of 2005 in order to probe the zone at potential open-pit depths, and to test for the presence of gabbro and associated gold mineralization below and west of the previously assumed limits of the zone.

These trenching and drilling results were positive, and were summarized in 2005 news releases dated January 13, February 3, March 3, March 16, March 22 and April 5. The Company then began exploring the rest of the property. Intensive property-wide exploration programs in 2005 and 2006 included grid construction; sampling of C-horizon soils for gold, arsenic and antimony; a variety of geophysical surveys (gradient and dipole-dipole IP, VLF-EM, magnetics, MaxMin); and channel sampling of trenches for future metallurgical testing.

Results outlined a number of strong anomalies, representing new areas of potential near-surface gold and/or base metal mineralization. These have been partially tested with 41 additional drillholes in 2006/2007. These new holes have continued to yield encouraging

results, with the 30 holes reported to date returning many good intersections of gold in several newly discovered zones, often along fault structures, often accompanied by silver, zinc, lead, antimony and indium in various combinations. (For details see news releases dated March 30, 2006, July 13, 2006, October 12, 2006, January 24, 2007 and February 28, 2007.)

Most of the 41 holes targeted:

- a strong 750 metre long gold-arsenic-antimony soil anomaly coincident with an IP chargeability anomaly along a major fault tracking the Ordovician/Silurian unconformity; and
- a small portion of an adjacent 1,800 metre long IP low-resistivity feature ("South Gold Zone"), representing a calcareous siltstone/sandstone/conglomerate unit that is host to a swarm of mineralized gabbroic and felsic intrusives. Wide gold-bearing alteration zones are commonly present within this unit, reminiscent of Carlin, Nevada-type deposits.

About 150 metres of strike length have been tested to date along each feature, mostly on lines 350E to 450E, 750E to 800E, and along line 100E. The Company believes that additional drilling will continue to confirm the presence of gold along untested portions of these large targets.

In addition, numerous other targets remain undrilled, including a strong gold-in-soil anomaly, 725 metres in length, which appears to reflect a separate northerly cross-cutting fault structure intersecting line 400E.

Planned work on Elmtree for the remainder of 2007 includes an independent detailed review and Technical Report, 25 to 30 additional drillholes, prospecting, and possibly trenching to obtain a bulk sample.

John Duncan, P.Geo. and Stan Stricker, P.Geol. are Qualified Persons on this project as defined in National Instrument 43-101.

Elmtree property expenditures for 2006 were \$850,303. Cumulative expenditures to December 31, 2006 are \$1,286,566 including a 2004 provincial government incentive payment of \$30,000 and a 2005 incentive payment of \$20,000.

### **Big Presque Isle Gold Property, New Brunswick**

In December of 2006, the Company optioned 14 claims and staked an additional 52 claims containing and surrounding a new gold discovery, located in western New Brunswick about eight kilometres south of Florenceville near the U.S. border. Additional claims have subsequently been staked.

The new gold discovery was made when rusty mineralized rock was exposed during recent construction of a new stretch of the Trans-Canada Highway. Photos of these mineralized road cuts are posted on the Company's website, [www.stratabound.com](http://www.stratabound.com).

Recent sampling by Stratabound has confirmed that significant gold mineralization is present along and behind the road cut (see news release dated April 9, 2007). The

geological environment of the Big Presque Isle Property is similar to that of the Elmtree Property.

The Company believes more mineralization is present beyond that which is currently exposed. Current plans include ten drillholes in addition to prospecting, geophysical and geochemical surveys.

Stratabound can earn a 100% interest in the Big Presque Isle claims by paying the vendor \$10,000 and 50,000 shares on December 4 of 2007, 2008 and 2009. A final payment of \$160,000, payable in cash and/or shares, is due on December 4, 2010. The vendor will retain a one percent net smelter return royalty, with Stratabound having the option to purchase one-half of the royalty at any time for \$1,000,000.

John Duncan, P.Geo. and Stan Stricker, P.Geol. are Qualified Persons on this project as defined in National Instrument 43-101.

Expenditures on the Big Presque Isle property to December 31, 2006 were \$27,094.

### **Ramsay Brook Gold Property, New Brunswick**

Stratabound has a 100% interest in this 68 claim gold prospect situated 55 kilometres south-southwest of Elmtree, near the formerly producing Murray Brook (gold-silver-copper) and Restigouche (zinc-lead-copper-silver-gold) mines. The claims straddle a major east-west regional structure, the Ramsay Brook Fault, and a thrust fault that splays off it in a southwest direction.

The geological setting is similar to that at Elmtree and the known gold occurrences are controlled by structural deformation zones proximal to hydrothermally altered gabbroic intrusions along a major fault.

During the third quarter of 2006 the terms of the option agreement on ten additional claims were amended to extend the expiry date of the option to the end of the year in exchange for 50,000 shares. Trenching of gold-in-soils and IP chargeability anomalies in the fall of 2006 was hindered by steep slopes and thick overburden and no significant mineralization was exposed.

Consequently the Company did not exercise its option to acquire the ten claims and \$35,100 of capitalized costs related to these claims was written off. The remaining 68 claims are in good standing, and no additional work is planned for 2007.

John Charlton, P.Geo. and Stan Stricker, P.Geol. are Qualified Persons on this project as defined in National Instrument 43-101.

Ramsay Brook property expenditures for 2006 amounted to \$32,315. Cumulative expenditures to December 31, 2006 are \$313,775 including a 2003 provincial government incentive grant of \$40,000.

### **Bathurst Base Metal Properties, New Brunswick**

These 100%-owned properties (3,853 hectares) currently comprise the Captain, Captain North Extension (CNE), CNE East, CNE Mining Lease, CNE South, CNE West, Nepisiguit Brook, Taylor Brook and Taylor Brook East Extension claim groups.

They host three known base metal sulphide bodies, the Captain, CNE and Taylor Brook. The CNE deposit was explored and developed by Stratabound from 1988 to 1990, and was operated by the Company as a profitable small zinc-lead-silver-gold open pit mine from 1990 to 1992.

Field work during 2006 focused on the Taylor Brook and Taylor Brook East Extension blocks, searching for the Iron Formation and Nepisiguit Falls Formation stratigraphic units that are associated with the nearby Heath Steele and Brunswick Mines. Work included grid re-establishment, VLF-EM, magnetometer and horizontal loop EM surveys. A digital database was created, incorporating all previous exploration data generated from 1956 to 1998 and the current work. In addition, a number of airborne EM, magnetic, gravity and IP anomalies were trenching to ascertain their sources.

Several of these targets merit further work:

- A trenched IP anomaly revealed an altered pyretic, chloritic unit favourable for sulphide deposition, and drilling is warranted to test the 50–100 metre level.
- An off-hole conductor detected in a bore hole EM survey in hole 96-23, associated with iron formation indicated by the 2006 magnetic survey, justifies additional drilling in this area to test for sulphides in what is interpreted to be a proximal vent environment.
- A 'bull's eye' magnetic feature associated with a moderate Megatem airborne EM conductor lies south of the known Taylor Brook deposit. The EM response may indicate a sulphide horizon that accompanies the iron formation at depth. Drilling is required to test the target at a vertical elevation of 225-250 metres.

Geochemical and geophysical surveys were also completed on the Nepisiguit Brook claims during 2006 and have outlined three drill targets on this property, situated three kilometres along strike from the former 25 million tonne Heath Steele zinc-lead-copper-silver mine.

John Duncan, P.Geo. and Stan Stricker, P.Geol. are Qualified Persons on this project as defined in National Instrument 43-101.

Stratabound's property expenditures for 2006 on the Bathurst base metal properties totaled \$88,626 including a \$20,000 government incentive grant for work on the Taylor Brook property. Cumulative expenditures to December 31, 2006, net of accumulated depletion, are \$2,692,110.

### **Otish Mountains, Quebec – Marusia Property**

This 50 claim, 2,630 hectare diamond/gold prospect is situated in the Otish Mountains region of Quebec, 25 kilometres south of Stornoway Diamonds Corp.'s Foxtrot Property, and 10 kilometres north of the Eastmain Mine, a former gold producer. No field work was done on the Marusia Property in 2006.

In 2003, Stratabound discovered a variety of kimberlite indicator minerals in glacial till samples down-ice from sixteen aeromagnetic anomalies on the Marusia claims. Gold anomalies were detected in the south-central portion of the property.

In 2004, the Company conducted follow-up basal till sampling in areas where kimberlite indicator minerals had been found in 2003, collecting 120 samples weighing 2.1 tonnes. These were processed in 2005 with inconclusive results, recovering a different suite of kimberlite indicator minerals (mostly chrome diopsides and forsterites) than the initial program (high-Ni forsterites, picroilmenites, high-Mg/Cr/Ti/Ni chromites, pyrope garnets) and without any increase in quantity. This may be partly due to various problems encountered at the testing laboratory during sample processing.

Due to the proximity of the Eastmain gold mine, located within the same greenstone belt that partially underlies the Marusia property, all samples collected in the course of diamond exploration were routinely assayed for gold. Positive indications of gold potential were found during both field seasons, including:

- gold anomalies in several till samples on the central magnetic high;
- abundant detrital arsenopyrite and chalcopyrite grains coinciding with a granite/greenstone contact; and
- a gold grain recovered from one of the heavy mineral concentrates, directly down-ice from the central magnetic high.

A series of maps illustrating the Marusia mineralogical, geophysical, geochemical and geological data may be found on the Company's website.

A regional and property satellite interpretation study is planned for 2007.

John Charlton, P.Geo. and Stan Stricker, P.Geol. are Qualified Persons on this project as defined in National Instrument 43-101.

Marusia is 100% owned by Stratabound, subject to a 2% royalty on any minerals produced from the property.

Expenditures for the year amounted to \$11,101. Cumulative expenditures to December 31, 2006 are \$261,705 including government incentives of \$52,592.

### **Enja Property, Quebec**

In 2005, the Company acquired the option to earn a 100% interest, subject to a 2% net smelter return royalty, in a 28-claim gold and base metal prospect covering 1,569 hectares in Enjalran and Massicotte Townships, northwest Quebec.

Following additional staking, the property presently comprises 69 claims covering 3,830 hectares. Enja is situated between the Detour Lake and Casa Berardi gold camps, and is 35 Kilometres west of the Selbaie Mine (copper-zinc-gold-silver).

The eastern portion of the Enja Property is situated on a pronounced circular volcanic structure resembling the metals-rich Selbaie Caldera. The Selbaie and Enja Calderas are both located along the axis of the regional fold structure that hosts the gold camps.

The Selbaie Mine was a 29.9 million tonne operation grading 1.21% copper, 1.91% zinc, 0.63 g/t gold and 0.37 g/t silver. The former Detour Lake Mine produced 1.7 million ounces of gold over a 17 year mine life from a 1984 reserve base of 10.9 million tonnes grading 4.4 g/t. Following considerable additional work in recent years by Pelangio Mines, Detour Lake hosts a new resource recently reported to be 20 million tonnes grading 2.14 g/t gold (indicated) and a further 35.4 million tonnes grading 1.80 g/t gold (inferred).

The Casa Berardi Gold Mine of Aurizon Mines Ltd. is located 33 kilometres southeast of the Enja claims. Aurizon reports reserves of 4.7 million tonnes grading 7.7 g/t, plus measured and indicated resources of 3.1 million tonnes grading 5.3 g/t gold. They project producing 170,000 ounces of gold in 2007.

In the Enja Property area, drilling was performed between 1972 and 1997 by a number of companies including Penarroya, SEREM, and Soquem/Billiton, identifying widespread occurrences of base metal sulphide and gold mineralization.

In view of the geological environment, the presence of strong anomalies on pre-existing airborne magnetic and electromagnetic maps, and the size and type of economic deposits occurring in the region, Stratabound believed the Enja claims to be underexplored and optioned the ground.

In 2005 a detailed (80 metre line-spacing) airborne geophysical survey by Terraquest Ltd. outlined intense magnetic highs on the original claims and indicated they comprised three separate fault blocks (see Map 13A on website). Separately, a lithostructural interpretation based on remote sensing satellite imagery identified both Detour Lake-type gold and Selbaie-type base metal targets on Enja. It is apparent from the historic drilling records that the western and eastern fault blocks contain extensive widths of sulphide and oxide iron formations with anomalously high gold content (e.g. 0.6 g/t over 16.5 metres). Many Archean-age gold deposits worldwide occur in this geological setting. Drillholes situated along and adjacent to a magnetic high in the eastern block also intersected zinc/silver mineralization with associated copper and gold, as well as structurally-hosted gold.

During 2006 a compilation and structural study of the property was undertaken. A helicopter-borne VTEM geophysical survey (80 metre line-spacing), capable of detecting deep conductors with a high degree of precision, was completed over the entire property by Geotech Ltd. Detailed follow-up geochemical surveys are planned this summer for three areas in the southwest, central and northwest portions of the property to define drill targets. Due to the overburden cover and lack of outcrop MMI (mobile metal ion) geochemistry will be employed. The Company believes the combined use of VTEM and MMI technology is the most effective approach to develop drill targets in this terrain.

John Charlton, P.Geo. and Stan Stricker, P.Geol. are Qualified Persons on this project as defined in National Instrument 43-101.

To earn a 100% interest in the initial 28 claims, subject to a 2% net smelter return royalty, the Company must make a final payment of \$25,000 or 50,000 shares to the vendors in 2008.

During the year, the Company incurred expenditures of \$112,498 including \$34,800 of provincial government incentives. Cumulative expenditures on the Enja property to December 31, 2006 are \$188,408.

## **Liquidity**

At December 31, 2006, the Company had working capital of \$241,862 compared to \$306,649 at the end of 2005. The Company has no long-term debt, capital lease or purchase obligations.

On April 19, 2007, the Company announced that it had completed a \$576,800 non-brokered private placement by issuing 1,648,000 shares at \$0.35 per share on a flow-through basis. Stratabound intends to raise additional capital this year. The Company will also apply for an exploration grant from New Brunswick's Junior Mining Assistance Program. Future exploration is dependent on continued equity financing and/or joint ventures with other companies.

Since its incorporation in 1986, the Company has been successful in financing its activities through private placement of shares to individuals, corporations and investment funds; revenue from lead-zinc-silver-gold mining in New Brunswick and oil production in Saskatchewan; joint ventures; property sales and option payments; government incentives; and the exercise of warrants and stock options.

The Company's policy, going back to its incorporation in 1986, has been to minimize general and administrative costs, utilizing available funds for exploration to the fullest possible extent.

## **Additional Disclosure**

Detailed capitalized exploration and development costs for 2005 and 2006 are broken-down by project as follows:

### **Capitalized Exploration and Development Expenses**

<b>Costs</b>	<b>Bathurst, N.B.</b>	<b>Otish Mountains, Que.</b>	<b>Ramsay Brook, N.B.</b>	<b>Elmtree, N.B.</b>	<b>Enja, Que.</b>	<b>Big Presque Isle, NB</b>	<b>Total</b>
	\$	\$	\$	\$	\$	\$	\$
<b>December 31, 2004</b>	<b>2,751,877</b>	<b>163,864</b>	<b>139,512</b>	<b>158,949</b>	-	-	<b>3,214,202</b>
Acquisition & renewals	3,307	-	4,062	25,040	30,923	-	63,332
Assays and analyses	10,768	39,588	29,711	19,935	-	-	100,002
Drilling	-	-	-	92,712	-	-	92,712
Geochemistry	8,047	-	-	6,046	-	-	14,093
Geology and supervision	15,926	1,938	45,982	51,925	18,882	-	134,653
Geophysics	9,260	-	6,523	15,297	21,717	-	52,797
Line-cutting	11,043	-	-	6,565	-	-	17,608
Trenching	-	-	7,282	7,939	-	-	15,221
Surveys	-	-	-	3,575	-	-	3,575
Salaries and benefits	1,500	1,000	5,000	14,000	1,000	-	22,500
Stock-based compensation	2,498	3,388	3,388	4,280	3,388	-	16,942
Government incentives	-	(11,766)	-	-	(12,746)	-	(24,512)
	<b>2,814,226</b>	<b>198,012</b>	<b>241,460</b>	<b>406,263</b>	<b>63,164</b>	-	<b>3,723,125</b>
Accumulated depletion	(190,742)	-	-	-	-	-	(190,742)
<b>December 31, 2005</b>	<b>2,623,484</b>	<b>198,012</b>	<b>241,460</b>	<b>406,263</b>	<b>63,164</b>	-	<b>3,532,383</b>
Acquisition & renewals	3,852	5,916	9,312	149,058	273	20,804	189,215
Assays and analyses	-	1,740	-	44,238	-	-	45,978
Drilling	-	-	-	299,266	-	-	299,266

	<b>Bathurst, N.B.</b>	<b>Otish Mountains, Que.</b>	<b>Ramsay Brook, N.B.</b>	<b>Elmtree, N.B.</b>	<b>Enja, Que.</b>	<b>Big Presque Isle, NB</b>	<b>Total</b>
	\$	\$	\$	\$	\$	\$	\$
<b>Costs continued:</b>							
Geochemistry	-	-	-	159,500	-	-	159,500
Geology and supervision	43,630	4,295	10,596	109,197	8,340	3,715	179,733
Geophysics	4,200	-	6,925	28,165	99,235	-	138,525
Line-cutting	2,452	-	-	-	-	-	2,452
Trenching	16,517	-	4,682	5,579	-	-	26,778
Salaries and benefits	1,100	600	800	17,800	900	700	21,900
Stock-based compensation	16,875	3,750	-	37,500	3,750	1,875	63,750
Government incentives	(20,000)	(5,200)	-	(20,000)	(34,800)	-	(80,000)
	<b>2,882,852</b>	<b>209,113</b>	<b>273,775</b>	<b>1,236,566</b>	<b>140,862</b>	<b>27,094</b>	<b>4,770,262</b>
Accumulated depletion and amounts written off	(190,742)	-	(35,100)	-	-	-	(225,842)
<b>December 31, 2006</b>	<b>2,692,110</b>	<b>209,113</b>	<b>238,675</b>	<b>1,236,566</b>	<b>140,862</b>	<b>27,094</b>	<b>4,544,420</b>

General and administrative costs for 2004, 2005 and 2006 are discussed above in the "Results of Operations" section and are itemized below. "Stock-based compensation" is an item not involving cash, pertaining to stock options granted to employees, consultants and directors. During the year, the Company paid rent of \$4,200 (2005 - \$3,600) for office space owned by officers of the Company, a related party transaction.

### **General and Administrative Expenses**

#### **Years ended December 31**

	<b>2006</b>	2005	2004
	\$	\$	\$
Stock-based compensation	<b>133,250</b>	28,533	29,333
Salaries and benefits	<b>55,202</b>	47,145	48,173
Professional fees	<b>48,151</b>	24,965	34,020
Filing fees and investor communications	<b>32,836</b>	30,089	33,299
Consulting fees	<b>30,000</b>	-	-
Office and other	<b>20,663</b>	19,371	13,976
Rent	<b>4,200</b>	3,600	3,600
	<b>324,302</b>	153,703	162,401

The Company has no off-balance sheet arrangements.

The directors of the Company are engaged and will continue to be engaged in the search for mining interests on their own behalf and on behalf of other companies, and situations may arise where the directors and officers may be in direct competition with the Company. Conflicts of interest, if any, which arise will be subject to and governed by procedures prescribed by the *Business Corporations Act* (Alberta) which require a director or officer of a corporation who is a party to, or is a director or an officer of or has a material contract with the Corporation to disclose his interest and, in the case of directors, to refrain from voting on any matter in respect of such contract unless otherwise permitted under the *Business Corporations Act* (Alberta).

### **Change in Accounting Policy**

There were no changes or adoptions of new significant policies during the year.

### **Subsequent Events**

Subsequent to the year-end 417,647 warrants were exercised as well as 50,000 stock options for total proceeds of \$93,383. The Company also completed a non-brokered private placement raising \$576,800 by issuing 1,648,000 flow-through shares at \$0.35 per share, subject to regulatory approval. The Company received an additional \$19,500 from the New Brunswick Junior Mining Assistance Program for work on the Taylor Brook base metal property.

Stratabound entered into an agreement subsequent to year-end whereby it can acquire a 60% interest in a 105 claim (17 square kilometres) base and precious metals prospect at Melchett Lake, Ontario. On February 12, 2007 the Company paid \$3,000 and issued 68,000 shares to the vendor. In order to earn its interest the Company must spend \$1,000,000 on exploration prior to November 1, 2010, of which \$150,000 must be spent by November 1, 2007. Information regarding this property was presented in a news release dated February 6, 2007.

### **Share Capital**

The authorized capital of the Company consists of an unlimited number of common shares without par value. At December 31, 2006 the number of issued common shares was 27,099,162 (fully diluted 32,343,484) and after the inclusion of all subsequent events to April 26, 2007, there are 29,282,809 shares issued (34,059,484 fully diluted).

#### **Options outstanding at April 26, 2007**

<b>Number of Options</b>	<b>Exercise Price \$</b>	<b>Expiry Date</b>
450,000	0.22	August 2, 2007
250,000	0.20	March 5, 2009
175,000	0.20	June 27, 2009
325,000	0.15	April 21, 2010
1,150,000	0.20	Nov. 13, 2011
<b>TOTAL</b> 2,350,000		

#### **Warrants outstanding at April 26, 2007**

<b>Number of Warrants</b>	<b>Exercise Price \$</b>	<b>Expiry Date</b>
1,349,800	0.22	May 17, 2007
630,000	0.20	July 28, 2007
14,875	0.25	November 7, 2007
185,000	0.30	December 10, 2007
97,000	0.25	December 22, 2007
150,000	0.20	August 25, 2008
<b>TOTAL</b> 2,426,675		

## **Disclosure Controls and Procedures**

The Company's Chief Executive Officer and Chief Financial Officer are responsible for establishing the Company's disclosure controls and procedures. These procedures are designed to ensure that material information relating to the Company is made known to management to allow for disclosure in annual and interim filings on a timely basis. The Chief Executive Officer and Chief Financial Officer have reviewed the procedures and can provide reasonable assurance that these controls are adequate and effective.

## **Internal Control over Financial Reporting**

The Chief Executive Officer and Chief Financial Officer have designed internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with Canadian generally accepted accounting principles (GAAP). The significant accounting policies followed by the Company are summarized in Note 2 to the Company's audited financial statements. Management of Stratabound is comprised of two individuals and there is therefore minimal segregation of duties. The Audit Committee, comprised of three directors, serves as an independent and objective party to monitor the Company's financial reporting and internal control system and review the Company's financial statements and Management Discussion and Analysis.

It should be noted that the Company's control system, no matter how well designed, can provide only reasonable but not absolute assurance of detecting, preventing and deterring errors or fraud.

## **Risks and Uncertainties**

The business of exploration and mining is full of risk that even a combination of experience, knowledge and careful evaluation may not be able to overcome. The operations to be conducted by the Company will be subject to all of the operating risks normally attendant upon mineral exploration and development. Failure to obtain financing can result in delay or indefinite postponement of exploration and development projects with the possible loss of such properties. While the Company has been successful in the past at raising funds, there can be no assurance that it will continue to do so. Equity financing opportunities require favorable market conditions and commodity prices that cannot be assured.

Whether a mineral deposit once discovered will be commercially viable depends on a number of factors, some of which depend on the particular attributes of the deposit, such as size, grade and proximity to infrastructure. These factors are beyond the control of the Company. The Company must also compete with a number of companies that may have greater technical or financial resources. The Company is unable to predict the amount of time which may elapse between the date when any new mineral reserve may be discovered and the date when production will commence from any such discovery.

The exploration and development of mineral properties and the marketability of any minerals contained in such properties can be affected by many other factors beyond the control of the corporation, such as metal prices, availability of adequate refining facilities, or the imposition of new government regulation affecting existing taxes and royalties or environmental and pollution controls.

## **Approval**

The Board of Directors has approved the disclosure contained in this Annual Management Discussion and Analysis. A copy will be provided to anyone requesting it.

The Company's publicly filed documents are available on SEDAR at [www.sedar.com](http://www.sedar.com)

*Certain information regarding the Company contained herein may constitute forward looking statements. Forward looking statements may include estimates, plans, expectations, opinions, forecasts, projections, guidance or other statements that are not statements of fact. Although the Company believes that the expectations reflected in such forward looking statements are reasonable, it can give no assurance that such expectations will prove to have been correct. These statements are subject to certain risks and uncertainties and may be based on assumptions that could cause actual results to differ materially from those anticipated or implied in the forward looking statements. The Company is under no obligation to update or alter any forward looking statement. These risks include operational and geological risks and the ability of the Company to raise necessary funds for exploration. The Company's forward looking statements are expressly qualified in their entirety by this cautionary statement.*