

General Minerals Corporation

Management's Discussion and Analysis of Financial Position and Results of Operations ("MD&A")

The following information, prepared as of August 10, 2007, should be read in conjunction with the unaudited interim consolidated financial statements of General Minerals Corporation (the "Company") for the six months ended June 30, 2007, as well as the audited consolidated financial statements for the year ended December 31, 2006 and the related management's discussion and analysis (the "Annual MD&A") contained in the 2006 Annual Report. All amounts are expressed in Canadian dollars unless otherwise indicated and prepared in accordance with Canadian generally accepted accounting principles.

Forward-Looking Statements

Forward-looking statements look into the future and provide an opinion as to the effect of certain events and trends on the business. Forward-looking statements may include words such as "plans", "intends", "anticipates", "should", "estimates", "expects", "believes", "indicates", "suggests" and similar expressions.

This MD&A and in particular the "Outlook" section, contains forward-looking statements. These forward-looking statements are based on current expectations and various estimates, factors and assumptions and involve known and unknown risks, uncertainties and other factors. Information concerning the interpretation of drill results may also be considered a forward-looking statement, as such information constitutes a prediction of what mineralization might be found to be present if and when a project is actually developed.

It is important to note that:

- Unless otherwise indicated, forward-looking statements in this MD&A describe the Company's expectations as of August 10, 2007.
- Readers are cautioned not to place undue reliance on these statements as the Company's actual results, performance or achievements may differ materially from any future results, performance or achievements expressed or implied by such forward-looking statements if known or unknown risks, uncertainties or other factors affect the Company's business, or if the Company's estimates or assumptions prove inaccurate. Therefore, the Company cannot provide any assurance that forward-looking statements will materialize.
- The Company assumes no obligation to update or revise any forward-looking statement, whether as a result of new information, future events or any other reason.

The material assumptions that were applied in making the forward looking statements in this MD&A include: expectations as to the Company's future strategy and business plan; and execution of the Company's existing plans or exploration programs for each of its properties, either of which may change due to changes in the views of the Company or its joint venture partners or if new information arises which makes it prudent to change such plans or programs; and the accuracy of current interpretation of drill and other exploration results.

For a description of material factors that could cause the Company's actual results to differ materially from the forward-looking statements in this MD&A, please see "Risks and Uncertainties".

General

In July 2007, the Company announced that it had entered into an agreement with Sprott Consulting Ltd. (“SCL”), a subsidiary of Sprott Asset Management Inc., regarding the entering into of a management services agreement between the Company and SCL, and certain other changes in the management team and board of directors of the Company.

The management services agreement will be entered into coincident with the Company undertaking a proposed private placement involving the issuance of 40 million units at \$1.50 per unit. Each unit will be comprised of one common share and one common share purchase warrant, with each warrant being exercisable for two years at \$2.50 per share. The proceeds of the private placement will be used to continue acquiring direct and indirect investments in the mining sector and to evaluate and acquire other opportunities within the natural resource sectors.

The entering into of the management services agreement is subject to certain conditions, including, among others, the receipt of all regulatory and shareholder approvals, and the closing of the aforementioned private placement. A Special Meeting of the Shareholders has been scheduled for August 31, 2007 to consider these and other matters.

- South America

In February 2007, the Company completed the spin off of its former subsidiary, South American Silver Corp. (“SASC”), which held the Company’s South American assets. SASC completed its initial public offering (“IPO”), including the exercise in full of an agents’ over-allotment option, through the issuance of 39,100,000 common shares at \$0.50 per share to raise gross proceeds of \$19,550,000, and the shares of SASC were listed on the Toronto Stock Exchange. The Company currently owns 8,600,000 common shares of SASC, which represents approximately 18% of the issued and outstanding common shares of SASC. These 8,600,000 common shares are subject to escrow and lock-up agreements. The principal assets of SASC are the Malku Khota silver project and the Laurani silver gold-copper project in Bolivia; and the Escalones copper-gold project in Chile.

- North America

The Company, through its wholly-owned subsidiary, High Desert Gold Corporation (“HDG”) presently holds interests in properties located in Mexico and the United States. All the properties are at varying stages of exploration. During the period, the Company continued with its strategy of acquiring mineral properties and conducting preliminary exploration programs.

The Company is also continuing its efforts to monetize its investments and it is proposed that HDG complete an IPO in a manner similar to the recently-completed SASC IPO. In this regard, HDG has entered into an engagement letter with MGI Securities Inc. (“MGI”) pursuant to which MGI has agreed to act as lead agent on the IPO of HDG. There is no assurance the IPO will be completed.

Results of Operations

- Six month results

During the six months ended June 30, 2007, the Company reported net earnings of \$1,175,912 (\$0.12 per share) compared to a loss of \$695,589 (\$0.07 loss per share) reported in the same period of 2006. These results include the results of SASC up until February 19, 2007, being the date of SASC’s IPO. On completion of SASC’s IPO, the Company’s interest in SASC was reduced to below 50% and the Company no longer controlled SASC. Accordingly, the Company ceased to consolidate in its accounts the accounts of SASC.

The 2007 earnings include a dilution gain on the Company's investment in SASC. The fair value of the Company's share of the consideration paid by the new investors in SASC exceeded the carrying value of the Company's share of the net assets of SASC, resulting in a dilution gain amounting to \$2,101,743.

General and administrative expenses increased marginally from \$599,408 to \$645,980. Significant expense items include professional fees for accounting, legal and tax services, which were \$226,898 (2006 - \$156,856). These services include legal fees in respect of the management services and related agreements with SCL, and charges related to the annual filings including fees from consultants engaged to review the Company's internal controls and disclosure controls. Consulting fees of \$85,232 (2006 - \$40,584) include charges incurred by the Company's Mexican subsidiary as well as fees charged by officers of the Company. Wages and benefits decreased slightly from \$133,383 to \$110,501; and office and miscellaneous expense of \$99,790 was in line with the prior period charges of \$100,005.

During the comparative period, the Company incurred stock-based compensation expense of \$36,955, representing non-cash charges incurred in connection with the vesting of a 2005 stock option grant. The fair value of all stock options granted is recorded as a charge to operations over the vesting period.

Other items incurred during 2007 include reconnaissance expense which decreased to \$60,751 from \$121,988. During late 2005, the Company made the decision to reduce the amount of reconnaissance for new properties, concentrating its efforts on its existing portfolio of properties.

The 2007 operating results include a foreign currency loss of \$154,386 (2006 - \$147,652) resulting from a strengthening of the Canadian dollar during the period in relation to U.S. dollar-denominated cash and cash equivalents. To meet ongoing requirements, a portion of the Company's cash and cash equivalents has been held in U.S. dollars. Future changes in exchange rates could materially affect the Company's results in either a positive or negative direction.

Expenses were offset by \$148,833 (2006 - \$149,372) in interest income earned on the Company's surplus cash balance.

During the period, the Company wrote off the costs attributable to its Dragoon mineral property, which had previously been optioned to BHP Billiton, recognizing a non-cash writedown of \$219,082 (2006 - \$nil). Due to the uncertainty of the project, the Company made the decision to terminate the underlying option agreement.

- *Three month results*

During the three months ended June 30, 2007, the Company reported a loss of \$626,764 (\$0.07 per share) compared to a loss of \$402,162 (\$0.04 per share) incurred in the same period of 2006. The second quarter loss includes the writedown of the costs associated with the Dragoon property amounting to \$219,082 (2006 - \$nil). General and administrative expenses increased from \$286,686 to \$327,574 with the increase being attributable to higher professional fees incurred in 2007 in respect of the agreements with SCL.

Expenses were offset by \$72,951 (2006 - \$78,340) in interest income earned on the Company's surplus cash balance. The Company also recognized a foreign exchange loss of \$134,385 (2006 - \$154,486) due to the strengthening of the Canadian dollar.

Capital Expenditures

Total exploration spending increased marginally to \$493,164 during the six months ended June 30, 2007 from \$407,066 incurred in the same period of 2006. The 2007 deferred expenditures included \$124,949 in land payments as well as costs associated with preliminary exploration programs. Costs

incurred on the various Mexican properties totalled \$179,262, of which \$110,146 was incurred at Canasta Dorada. A total of \$97,718 was incurred in the United States. The Company's 51%-owned subsidiary, Foundation Resources Ltd. ("Foundation"), commenced a small drill program on the Sharon Gol project in Mongolia, incurring total expenditures of \$138,572. In addition, deferred expenditures include \$76,956 incurred in Bolivia, prior to the completion of SASC's IPO.

Deferred exploration expenditures were offset by a \$31,166 payment received by the Company in respect of a guaranteed exploration commitment under the Markham Wash option agreement. During the comparative period, the Company received an option payment of \$57,518 in respect of the Monitor option agreement.

During the first quarter, the Company ceased to consolidate the accounts of SASC and the Company's consolidated cash and cash equivalents balance was accordingly reduced by \$136,034, representing the cash held by SASC immediately prior to its IPO.

Summary of Quarterly Results (unaudited)

Three months ended	June 30, 2007	March 31, 2007	Dec. 31, 2006	Sept. 30, 2006	June 30, 2006	March 31, 2006	Dec. 31, 2005	Sept. 30, 2005
Total Revenues	\$nil	\$nil	\$nil	\$nil	\$nil	\$nil	\$nil	\$nil
Deferred exploration expenditures	\$241,342	\$251,822	\$231,353	\$333,821	\$178,917	\$228,149	\$390,407	\$199,719
Net (loss) earnings	(\$626,764)	\$1,802,676	\$292,800	(\$241,915)	(\$402,162)	(\$293,427)	(\$683,564)	(\$836,988)
Net (loss) earnings per share (basic and fully diluted)	(\$0.07)	\$0.19	\$0.03	(\$0.03)	(\$0.04)	(\$0.03)	(\$0.07)	(\$0.09)

The net loss for the quarter ended June 30, 2007 included a writedown of the carrying value of the Company's mineral properties amounting to \$219,082. The net earnings for the quarter ended March 31, 2007 included a \$2,101,743 dilution gain on the Company's investment in SASC. The net earnings for the quarter ended December 31, 2006 included a \$1,057,012 gain on the disposal of certain investments, and was offset by a writedown of the carrying value of the Company's mineral properties amounting to \$411,669. The net loss for the quarter ended June 30, 2006 included a foreign exchange loss of \$154,486 resulting from the translation of U.S. dollar-denominated cash and cash equivalents. The net loss for the quarter ended December 31, 2005 included a writedown of the carrying value of the Company's mineral properties amounting to \$441,391. The net loss for the quarter ended September 30, 2005 included a \$229,375 loss on the disposal of investments; and a foreign exchange loss of \$273,299 resulting from the translation of U.S. dollar-denominated cash and cash equivalents.

Financing Activities

During the second quarter, the Company received proceeds of \$2.0 million from the exercise of 1,075,873 share purchase warrants at \$1.86 per share. During the first quarter, the Company received \$63,325 from the exercise of 74,500 stock options.

Liquidity and Capital Resources

The Company's aggregate operating, investing and financing activities during the six month period resulted in a net cash inflow of \$1.0 million. As at June 30, 2007, the Company had cash of \$8.4 million (December 31, 2006 - \$7.4 million), and working capital of \$8.2 million.

The Company also held 8.6 million shares of SASC with a quoted value of \$6.7 million. These shares are subject to escrow and contractual restrictions with the result that none of the shares owned and controlled by the Company can be sold. On August 19, 2007, 4.3 million shares will be released from the escrow and contractual restrictions, with a further 2.15 million shares being released on each of February 19, 2008 and August 19, 2008.

In connection with the management services agreement with SCL, the Company intends to complete a \$60 million private placement, the proceeds of which will be used to continue acquiring direct and indirect investments in the mining sector and to evaluate and acquire other opportunities within the natural resource sectors. The private placement and the management services agreement are subject to the receipt of all regulatory and shareholder approvals.

The Company is subject to various option and lease agreements in connection with the acquisition of mineral interests. These agreements generally require the Company to make periodic payments over a varying number of years to maintain its interests. The Company can cancel these agreements at any time without completing the remaining payments and without penalty. In addition, the Company has the following contractual obligation as at June 30, 2007:

<i>Contractual Obligations</i>	<i>Total</i>	<i>Payments Due by Period</i>		
		<i>Less than 1 year</i>	<i>1 – 3 years</i>	<i>3 – 5 years</i>
Lease agreement for office premises in Denver, USA	\$58,600	\$20,200	\$38,400	\$nil

Transactions with Related Parties

The Company has entered into the following transactions with related parties. During the six months ended June 30, 2007, included in professional fees were legal fees totalling \$161,622 (June 30, 2006 - \$66,930) which were charged by a legal firm in which a director of the Company is a partner. Of this amount, \$29,052 (June 30, 2006 - \$nil) was included in deferred share issue costs. During the six months ended June 30, 2007, consulting fees totalling \$91,260 (June 30, 2006 - \$91,023) were charged by officers of the Company. Of this amount, \$28,940 (June 30, 2006 - \$75,410) was deferred and included in property costs. Included in accounts payable as at June 30, 2007 was \$134,486 (December 31, 2006 - \$217,844) payable to related parties.

Critical Accounting Estimates

The Company's critical accounting estimates are as described in the Annual MD&A. The accounting estimates considered to be significant to the Company include the carrying values of mining claims and deferred exploration and of intangibles, and the computation of stock-based compensation expense.

Management reviews the carrying values of its mining claims on at least an annual basis to determine whether an impairment should be recognized. In addition, capitalized costs related to abandoned properties are written off in the period of abandonment. During the second quarter, the Company made the decision to terminate the underlying lease agreement on the Dragoon property, incurring a writedown of \$219,082. Capitalized costs in respect of the Company's mining claims amounted to \$1,795,141 as at June 30, 2007. In the event that the properties are abandoned, lost, or

determined to be impaired, these costs may not be recoverable and there is a risk that all or part of these costs may be written down in future periods.

During 2004, the Company recognized an intangible asset of \$117,400 in respect of the agreement to acquire a 51% interest in Foundation. This investment was part of the Company's strategy of funding the property acquisition efforts of entrepreneurial geologists. The intangible asset was attributed to Foundation's management team, including its connection to Mongolia. Foundation has set up a subsidiary in Mongolia and currently is conducting a drill program on the Sharon Gol property. Management reviews the carrying value attributed to the intangible asset on a quarterly basis and during the six month period ended June 30, 2007, no writedown was taken. There is a risk, however, that the intangible asset could be written down in a future quarter.

The Company uses the fair-value method of accounting for stock-based compensation related to incentive stock options granted, modified or settled. Under this method, compensation cost attributable to all incentive stock options granted is measured at fair value at the grant date and expensed over the vesting period with a corresponding increase to contributed surplus. In determining the fair value, the Company makes estimates of the expected volatility of the stock as well as an estimated discount rate. Changes to these estimates could result in the fair value of the stock-based compensation being less than or greater than the amount recorded. During the six month period, no stock options were granted and the Company recorded stock-based compensation expense of \$nil.

Changes in Accounting Policies including Initial Adoption

On January 1, 2007, the Company adopted two new accounting standards issued by the Canadian Institute of Chartered Accountants ("CICA"); Section 3855, "Financial instruments – recognition and measurement", and Section 1530, "Comprehensive income". These standards were adopted on a prospective basis and as such, prior periods have not been restated.

- Financial instruments – recognition and measurement

CICA Handbook Section 3855 requires that all financial assets, except those classified as held to maturity, must be measured at fair value. All financial liabilities must be measured at fair value when they are classified as held for trading; otherwise, they are measured at cost. Investments classified as available for sale are reported at fair market value (or mark to market) based on quoted market prices with unrealized gains or losses excluded from earnings and reported as other comprehensive income or loss. The Company's investment in SASC has been designated as available for sale.

- Comprehensive income

Under CICA Handbook Section 1530, comprehensive income is the change in the Company's net assets that results from transactions, events and circumstances from sources other than the Company's shareholders and includes items that would not normally be included in the statement of operations such as unrealized gains or losses on available-for-sale investments. Other comprehensive income includes the holding gains and losses from available for sale securities which are not included in net earnings (loss) until realized. During the six months ended June 30, 2007, the Company recorded other comprehensive income of \$3,464,956, representing unrealized gains on the Company's investment in SASC.

Off-Balance Sheet Arrangements

The Company has not entered into any material off-balance sheet arrangements such as guarantee contracts, contingent interests in assets transferred to unconsolidated entities, derivative financial obligations, or with respect to any obligations under a variable interest equity arrangement.

Financial Instruments

The Company's financial instruments consist of cash and cash equivalents and accounts payable. Cash equivalents consist of highly liquid investments held in the form of high quality commercial paper, the investment terms of which are less than three months at the time of acquisition. The fair values of the financial instruments approximate their book value due to their short-term nature.

The Company is exposed to currency exchange rate risks to the extent of its foreign activities principally in the United States and Mexico. The Company does not hedge its exposure to fluctuations in the related exchange rates; however, the Company maintains a portion of its cash and cash equivalents in U.S. dollars.

Outstanding Share Data

Authorized Capital:

Common shares, no par value, unlimited shares

Issued and outstanding:

10,515,450 common shares as at August 10, 2007.

Outstanding options, warrants, and convertible securities as at August 10, 2007:

Type of Security	Number	Exercise Price	Expiry date
Share purchase warrants	912,127	\$2.05	June 25, 2008
Stock options	102,500	\$1.25	May 30, 2008
Stock options	409,000	\$1.30	August 6, 2009
Stock options	8,000	\$4.70	March 5, 2010
Stock options	220,000	\$1.75	June 9, 2010
Stock options	10,000	\$2.20	August 4, 2010
Stock options	69,000	\$5.00	February 9, 2011

Risks and Uncertainties

Exploration for mineral resources involves a high degree of risk. The cost of conducting programs may be substantial and the likelihood of success is difficult to assess. The Company attempts to mitigate its exploration risk by maintaining a diversified portfolio that includes several metal commodity targets in a number of favourable geologic and political environments. Management also balances risk through joint ventures with other companies. Beyond exploration risk, management is faced with a number of other risk factors as detailed in the Annual MD&A.

Internal Control over Financial Reporting

As at the date of this report, management is not aware of any change in the Company's internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Outlook

The Company is in a strong financial position with working capital of \$8 million as at June 30, 2007. In addition, the Company owns 8.6 million shares of SASC, with a quoted value of \$6.7 million as at June 30, 2007. These shares are subject to a regulatory escrow agreement and a lock-up agreement with the agents.

In July 2007, the Company entered into an agreement with a subsidiary of Sprott Asset Management Inc., which contemplates certain changes in the management team and board of directors of the Company coincident with the Company undertaking a proposed \$60 million private placement. These transactions are subject to regulatory and shareholder approvals. A Special Meeting of the Shareholders has been scheduled for August 31, 2007 to consider these matters. It is intended that the proceeds of the private placement will be used to continue acquiring direct and indirect investments in the mining sector and to evaluate and acquire other opportunities within the natural resource sectors.

The Company is also proceeding with plans spin off its North American assets through an initial public offering of securities by the Company's subsidiary, High Desert Gold Corporation.

Other Information

Additional information related to the Company, including the Company's Annual Information Form, is available for viewing on SEDAR at www.sedar.com and at the Company's website at www.generalminerals.com.