



PARAGON MINERALS CORPORATION

Interim Financial Statements

First Quarter Ended December 31, 2007

(Unaudited)

The Company's auditor has not performed a review
of these Interim Financial Statements

PARAGON MINERALS CORPORATION

Balance Sheets

(Stated in Canadian Dollars)

	December 31 2007	September 30 2007
	(unaudited)	(audited)
Assets		
Current assets		
Cash and cash equivalents (note 4)	\$ 3,952,440	\$ 1,241,561
Amounts receivable	792,034	956,164
Prepaid expenses	64,201	20,941
	4,808,675	2,218,666
Equipment (note 5)	47,047	41,269
Other investments (note 6)	69,192	59,800
Mineral property costs (note 7)	10,649,183	9,488,896
	\$ 15,574,097	\$ 11,808,631
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	\$ 530,932	\$ 596,654
Future income taxes	557,422	579,734
Shareholders' equity		
Share capital (note 8)	14,801,453	10,883,983
Obligation to issue shares (note 8(e))	13,708	13,708
Contributed surplus (note 8(b))	885,144	745,520
Deficit	(1,188,980)	(976,250)
Accumulated other comprehensive loss (note 9)	(25,582)	(34,718)
	14,485,743	10,632,243
	\$ 15,574,097	\$ 11,808,631

See accompanying notes to the financial statements

Continuance of operations (note 1)

Approved by the Board of Directors:

"Michael Vande Guchte"

Michael Vande Guchte
Director

"David Adamson"

David Adamson
Director

PARAGON MINERALS CORPORATION

Statements of Operations and Deficit

Unaudited

(Stated in Canadian Dollars)

	For the Three Months Ended December 31	For the Three Months Ended December 31
	2007	2006
Expenses		
Amortization	\$ 4,098	\$ 701
General mineral exploration	3,107	2,141
Investor relations	30,586	8,041
Office	23,125	2,709
Part XII.6 flow-through tax	3,809	-
Plan of arrangement costs (note 3)	-	25,000
Professional fees	7,234	7,551
Salaries and management fees	84,517	22,777
Stock-based compensation (note 8(b))	85,429	135,181
Transfer agent and regulatory filing fees	10,626	7,000
Travel and accommodation	5,740	1,124
Loss before other items	(258,271)	(212,225)
Foreign exchange gain	240	-
Interest and miscellaneous income	22,989	5,754
Future income tax recovery	22,312	-
Net loss for the period	(212,730)	(206,471)
Deficit, beginning of the period	(976,250)	(124,278)
Deficit, end of the period	\$ (1,188,980)	\$ (330,749)
Basic and diluted loss per common share	\$ (0.01)	\$ (0.05)
Weighted average number of common shares outstanding	22,427,335	4,273,235

See accompanying notes to the financial statements

PARAGON MINERALS CORPORATION

Statements of Comprehensive Loss

Unaudited

(Stated in Canadian Dollars)

	For the Three Months Ended December 31 2007	For the Three Months Ended December 31 2006
Net loss for the period	\$ (212,730)	\$ (206,471)
Other comprehensive income		
Fair value adjustment to financial instruments:		
Temporary investments	(257)	-
Investments in public company shares	9,393	-
Other comprehensive income for the period	9,136	-
Comprehensive loss for the period	(203,594)	(206,471)
Accumulated comprehensive loss, beginning of the period	(1,010,968)	(124,278)
Accumulated comprehensive loss, end of the period	\$ (1,214,562)	\$ (330,749)

See accompanying notes to the financial statements

PARAGON MINERALS CORPORATION

Statement of Cash Flows

Unaudited

(Stated in Canadian Dollars)

	For the Three Months Ended December 31 2007	For the Three Months Ended December 31 2006
Cash Provided by (Used for):		
Operating Activities		
Net loss for the period	\$ (212,730)	\$ (206,471)
Adjustment for items which do not involve cash:		
Amortization	4,098	701
Stock-based compensation	85,429	135,181
Future income tax recovery	(22,312)	-
Fair value adjustment to cash equivalent financial instruments	(257)	-
	(145,772)	(70,589)
Changes in non-cash working capital components:		
Temporary investments	-	(1,225,835)
Amounts receivable	174,036	(157,753)
Prepaid expenses	(43,260)	(21,000)
Accounts payable and accrued liabilities	32,199	154,142
	17,203	(1,321,035)
Investing Activities*		
Mineral property costs	(1,247,600)	(90,404)
Purchase of equipment	(9,876)	(3,641)
	(1,257,476)	(94,045)
Financing Activities*		
Common shares issued for cash	3,758,850	4,044,801
Share issue costs	(23,879)	-
Recovery of property costs incurred	206,159	52,701
Management and administration fees received	10,022	5,426
	3,951,152	4,102,928
Net cash provided during the period	2,710,879	2,687,848
Cash and cash equivalents, beginning of the period	1,241,561	5,722
Cash and cash equivalents, end of the period	\$ 3,952,440	\$ 2,693,570
During the period, the Company paid the following:		
Interest	\$ -	\$ 107

***Supplemental Disclosure of Non-Cash Investing and Financing Activities** – Refer to note 11.

See accompanying notes to the financial statements

PARAGON MINERALS CORPORATION

Statement of Mineral Properties

Unaudited

(Stated in Canadian Dollars)

	Balance September 30 2007	Acquisition and Exploration during the period	Balance December 31 2007
GOLD PROPERTIES			
JBP Linear			
Plan of arrangement acquisition costs ⁽¹⁾	\$ 1,625,276	\$ -	\$ 1,625,276
Option payments (cash and shares) ⁽²⁾	15,000	3,333	18,333
Exploration costs			
Geological and geochemical	139,738	30,377	170,115
Drilling	229,487	33,443	262,930
Geophysical	87,320	-	87,320
Travel	1,161	200	1,361
Other	7,275	-	7,275
Stock based compensation	61,976	1,451	63,427
	2,167,233	68,804	2,236,037
Recoveries ⁽³⁾	(54,069)	(21,250)	(75,319)
	2,113,164	47,554	2,160,718
Golden Promise			
Plan of arrangement acquisition costs ⁽¹⁾	374,829	-	374,829
Option payments (cash and shares) ⁽²⁾	35,000	-	35,000
Exploration costs			
Geological and geochemical	19,143	10,283	29,426
Drilling	524,424	161,951	686,375
Travel	5,506	1,989	7,495
Other	24,775	-	24,775
Stock based compensation	45,073	-	45,073
	1,028,750	174,223	1,202,973
Recoveries ⁽³⁾	(659,232)	(174,178)	(833,410)
Administration fees	(37,799)	(9,637)	(47,436)
	331,719	(9,592)	322,127
Other Gold Properties			
Plan of arrangement acquisition costs ⁽¹⁾	3,518,620	-	3,518,620
Acquisition costs	180	-	180
Option payments (cash and shares) ⁽²⁾	345,350	6,667	352,017
Exploration costs			
Geological and geochemical	126,343	29,174	155,517
Drilling	352,951	121,025	473,976
Geophysical	86,507	435	86,942
Travel	789	-	789
Other	18,650	-	18,650
Stock based compensation	50,707	6,357	57,064
	4,500,097	163,658	4,663,755
Recoveries ⁽³⁾	(359,725)	(10,731)	(370,456)
Administration fees	(25,356)	(385)	(25,741)
	4,115,016	152,542	4,267,558

See accompanying notes to the financial statements

PARAGON MINERALS CORPORATION

Statement of Mineral Properties

(Stated in Canadian Dollars)

	Balance September 30 2007	Acquisition and Exploration during the year	Balance December 31 2007
BASE METALS PROPERTIES			
South Tally Pond			
Acquisition costs	\$ -	\$ 1,500	\$ 1,500
Option payments (cash and shares) ⁽²⁾	260,000	182,500	442,500
Exploration costs			
Geological and geochemical	36,711	11,612	48,323
Drilling	214,439	333,338	547,777
Geophysics	-	37,393	37,393
Travel	1,702	1,934	3,636
Other	1,561	1,240	2,801
Stock based compensation	33,805	29,059	62,864
	548,218	598,576	1,146,794
Lake Douglas			
Plan of arrangement acquisition costs ⁽¹⁾	267,720	-	267,720
Option payments (cash and shares) ⁽²⁾	95,000	-	95,000
Exploration costs			
Geological and geochemical	327,299	28,412	355,711
Drilling	3,552	296,336	299,888
Geophysics	165,291	870	166,161
Travel	1,593	-	1,593
Stock based compensation	90,146	17,327	107,473
	950,601	342,945	1,293,546
Recoveries ⁽³⁾	(41,773)	-	(41,773)
	908,828	342,945	1,251,773
Other Base Metal Properties			
Plan of Arrangement acquisition costs ⁽¹⁾	1,193,259	-	1,193,259
Acquisition costs	20,937	-	20,937
Option payments (cash and shares) ⁽²⁾	87,500	-	87,500
Exploration costs			
Geological and geochemical	58,247	25,802	84,049
Drilling	13,720	(150)	13,570
Geophysics	230,398	2,610	233,008
Travel	574	-	574
Other	16,726	-	16,726
	1,621,361	28,262	1,649,623
Recoveries ⁽³⁾	(144,480)	-	(144,480)
Administration fees	(1,125)	-	(1,125)
Write-offs	(3,805)	-	(3,805)
	1,471,951	28,262	1,500,213
Total Mineral Property Costs	\$ 9,488,896	\$ 1,160,287	\$ 10,639,183

See accompanying notes to the financial statements

PARAGON MINERALS CORPORATION

Statement of Mineral Properties

(Stated in Canadian Dollars)

Summary of Expenditures

	Balance September 30 2007	Acquisition and Exploration during the year	Balance December 31 2007
Plan of Arrangement acquisition costs ⁽¹⁾	\$ 6,979,704	\$ -	\$ 6,979,704
Acquisition costs	21,117	1,500	22,617
Option payments cash ⁽²⁾	367,500	10,000	377,500
Option payments shares ⁽²⁾	470,350	182,500	652,850
Stock based compensation	281,708	54,194	335,902
Exploration costs	2,695,883	1,128,273	3,824,156
Recoveries ⁽³⁾	(1,259,281)	(206,159)	(1,465,440)
Write-offs	(3,804)	-	(3,804)
Administration fees	(64,281)	(10,021)	(74,302)
	\$ 9,488,896	\$ 1,160,287	\$ 10,649,183

1. Properties acquired pursuant to the Rubicon Plan of Arrangement were valued at their carrying amounts on Rubicon's books, which consisted of historical acquisition and exploration expenditures.
2. Option payments include cash and share payments made pursuant to various property agreements. (see note 8).
3. Recoveries represent exploration costs funded by partners, exploration grants received and option payments received.

See accompanying notes to the financial statements

PARAGON MINERALS CORPORATION

Notes to the Financial Statements

December 31, 2007

(Stated in Canadian Dollars)

1. NATURE AND CONTINUANCE OF OPERATIONS

The Company was incorporated in Canada under the Canada Business Corporations Act on July 4, 2006 and is in the business of acquiring and exploring mineral property interests in Canada. The Company was incorporated to be the recipient of the Newfoundland portfolio of mineral exploration properties previously owned by Rubicon Minerals Corporation ("Rubicon") as part of Rubicon's re-organization under a Plan of Arrangement. The Plan of Arrangement became effective on December 8, 2006.

At the date of these financial statements, the Company has not been able to identify a known body of commercial grade ore on any of its Canadian properties and the ability of the Company to recover the costs it has incurred to date on these properties is dependent upon the Company being able to identify a commercial ore body, to finance its exploration and development costs and to resolve any environmental, regulatory, or other constraints which may hinder the successful development of the property. The Company is in the exploration stage.

These financial statements have been prepared assuming the Company will continue on a going-concern basis. The Company has incurred losses since inception and has an accumulated operating deficit of \$1,188,980 at December 31, 2007. The ability of the Company to continue as a going-concern depends upon its ability to develop profitable operations and to continue to raise adequate equity financing to fund its exploration and administrative expenses.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

These interim financial statements have been prepared by management in accordance with generally accepted accounting principles ("GAAP") in Canada and follow the same accounting principles and method of computation as the financial statements for the fiscal year ended September 30, 2007. These Interim financial statements do not conform in all respects to the requirements of generally accepted accounting principles for annual financial statements and should be read in conjunction with the financial statements and the accompanying notes for the year ended September 30, 2007. Summarized below are those policies considered particularly significant to the Company.

Cash and Cash Equivalents

Cash and cash equivalents are comprised of cash and bank deposits and short-term notes with an original maturity of three months or less.

Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of any contingent assets and liabilities as at the date of the financial statements, as well as the reported amounts of revenues earned and expenses incurred during the period. Actual results could differ from those estimates.

Mineral Property Costs

The Company records its interest in mineral properties at cost. Acquisition, option payments and direct exploration costs are deferred until the properties are placed into production, sold or abandoned, at which time these deferred costs will be amortized on a unit-of-production basis, charged to operations if sold, or written-off.

PARAGON MINERALS CORPORATION

Notes to the Financial Statements

December 31, 2007

(Stated in Canadian Dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Mineral Property Costs *(continued)*

Mineral property cost includes any cash consideration and advance royalties paid, and the fair market value of shares issued, if any, on the acquisition of mineral property interests. Properties acquired under option agreements, whereby payments are made at the sole discretion of the Company, are recorded in the accounts when the payments are made. The recorded amounts of property claim acquisition, option payments and direct exploration costs represent actual expenditures incurred and are not intended to reflect present or future values.

The Company's management reviews capitalized costs on its property interests on a periodic and annual basis for impairment in value based upon current exploration results and upon management's assessment of the future probability of profitable revenues from the property or from the sale of the property. Management's assessment of the property's estimated current fair market value may also be based upon a review of other property transactions that have occurred in the same geographic area as that of the property under review.

Administration and management fees earned, which generally range from 8% to 10% of the allowable expenditures associated with exploration on certain properties, are offset against the historical costs deferred on those properties. Administrative costs are expensed as incurred.

Financial Instruments and Financial Risk

The Company's financial instruments consist of cash, temporary investments, amounts receivable, accounts payable and accrued liabilities.

Effective October 1, 2006, the Company adopted new CICA Handbook Section 3855 which prescribes when a financial asset, financial liability, or non-financial derivative is to be recognized on the balance sheet and whether fair value or cost-based measures are used. It also specifies how financial instrument gains and losses are to be presented. No retroactive application of this standard is required.

Pursuant to this standard, the Company is required to classify each category of its financial instruments and restate their carrying values to market where required. Amounts receivable, accounts payable and accrued liabilities have carrying amounts that approximate their fair values, due to their short-term nature, and so are not re-valued at period end. The Company's financial instruments and classifications are noted below.

Cash equivalents, temporary investments and investments in public companies have been classified as available for sale and as such were revalued to market on October 1, 2006 or upon acquisition. These instruments will be re-valued to market at each succeeding period end. New acquisitions will be immediately revalued to market. Unrealized changes in fair value are recorded as other comprehensive income and included in shareholders' equity.

Share Capital

Common shares issued for non-monetary consideration are recorded at their fair market value based upon the lower of the trading price of the Company's shares on the TSX Venture Exchange on the date of the agreement to issue the shares or the date of share issuance. Shares issued as property option payments are valued at their fair market value on the date of issuance. Flow-through shares are common shares which are issued under an agreement that, as provided for in the Canadian Income Tax Act, the Company transfers to the purchaser of the shares the benefits of the exploration expenditures that are financed by the proceeds of the share issue.

PARAGON MINERALS CORPORATION

Notes to the Financial Statements

December 31, 2007

(Stated in Canadian Dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Stock-based Compensation

The Company follows the Standards of the Canadian Institute of Chartered Accountants ("CICA") in connection with accounting for stock option-based compensation. The standard requires that all stock option-based awards made to consultants and employees be recognized in these financial statements and measured using a fair value-based method.

Consideration received on the exercise of stock options and compensation options and warrants is recorded as share capital and the related contributed surplus, originally recognized when the options were granted, is transferred to share capital.

Income Taxes

The Company accounts for the tax consequences of the differences in the carrying amounts of assets and liabilities and their tax bases using tax rates expected to apply when these temporary differences are expected to be settled. When the future realization of income tax assets does not meet the test of being more likely than not to occur, a valuation allowance in the amount of the potential future benefit is taken and no net asset is recognized.

Flow-through Shares

The Company has adopted the guidance of the CICA provided in Abstract #146 issued by its Emerging Issues Committee. Canadian tax legislation permits a company to issue securities referred to as flow-through shares whereby the investor may claim the tax deductions arising from the related resource expenditures. When resource expenditures are renounced to the investors and the Company has reasonable assurance that the expenditures will be completed, a future income tax liability is recognized and shareholders' equity is reduced.

If the Company has sufficient unused tax loss carry-forwards to offset all or part of this future income tax liability and no future income tax assets have been previously recognized for these carry-forwards, a portion of such unrecognized losses is recorded as income up to the amount of the future income tax liability that was previously recognized on the renounced expenditures.

Comprehensive Income

Effective October 1, 2006, the Company adopted new CICA Handbook Section 1530, which introduces new standards for reporting and display of comprehensive income. Comprehensive income is the change in equity (net assets) of an enterprise during a reporting period from transactions and other events and circumstances from non-owner sources. It includes all changes in equity during a period except those resulting from investments by owners and distributions to owners.

3. PLAN OF ARRANGEMENT

Pursuant to the Rubicon Plan of Arrangement, the Company received all of the Newfoundland mineral properties and Newfoundland office equipment of Rubicon in exchange for 12,801,768 common shares of the Company, which were distributed to the Rubicon shareholders of record at that time. The Company also accepted the obligation to issue shares upon the exercise of restated stock options and warrants. These options and warrants represent the portion of the value of Rubicon options and warrants outstanding at the completion of the plan of arrangement attributable to the spun-out Newfoundland assets.

As no substantial change of ownership occurred on the asset transfer to the Company, the exchange was recorded at its net book value, as recorded on the books of Rubicon, as follows:

PARAGON MINERALS CORPORATION

Notes to the Financial Statements

December 31, 2007

(Stated in Canadian Dollars)

3. PLAN OF ARRANGEMENT (continued)

	\$
Assets Received	
Newfoundland mineral properties	6,979,704
Newfoundland office equipment	15,952
Shares Issued	
Shares issued - 12,801,738 common shares	6,995,656

Arrangement Options and Warrants (see note 8)

- (a) The Company granted 633,111 stock options to the holders of Rubicon stock options at the exercise price of \$0.38 to \$0.96 as required by the Plan of Arrangement.
- (b) The Company accepted the obligation to issue a total of up to 525,453 shares upon the future exercise of Rubicon warrants outstanding at the completion of the Plan of Arrangement. The Company received \$0.24 to \$0.48 per Paragon share issued as stipulated by the Plan of Arrangement.

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents, at the end of the period, consisted of the following:

	December 31, 2007	September 30, 2007
Cash	\$ 202,640	\$ 330,255
Bankers acceptances with under 3 month maturity	2,845,450	711,103
Term Deposits	904,350	200,203
	\$ 3,952,440	\$ 1,241,561

Cash consists of on demand deposits. Bankers acceptances are guaranteed by major Canadian banks and mature between January 11, 2008 and March 10, 2008 with aggregate carrying value and fair value of \$2,845,450 on December 31, 2007. Fair value is determined from broker quotes. Effective interest rates range between 4.17% and 4.57% for bankers acceptances. Term deposits consist of an on demand guaranteed investment certificate with an effective interest rate of prime minus 1.5%. Bankers acceptances are exposed to interest rate risk and market price risk but due to the short term nature of these instruments, management considers these risks to be minimal.

5. EQUIPMENT

The Company's Equipment at the end of the period is summarized as follows:

	December 31, 2007		September 30, 2007	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Furniture and office equipment	\$ 2,686	\$ 391	\$ 2,295	\$ 2,417
Computer equipment	36,002	7,714	28,288	30,602
Software	20,876	4,412	16,464	8,250
	\$ 59,564	\$ 12,517	\$ 47,047	\$ 41,269

PARAGON MINERALS CORPORATION

Notes to the Financial Statements

December 31, 2007

(Stated in Canadian Dollars)

6. OTHER INVESTMENTS

The Company's other investments at the end of the period are summarized as follows:

	December 31, 2007	September 30, 2007
	Market and Carrying Value	Market and Carrying Value
Public company shares	\$ 69,192	\$ 59,800

Market values of public company shares have been determined from the closing price of the shares on the exchange where they are listed, as of the end of the period. These investments in public company shares are exposed to significant market price risk.

7. MINERAL PROPERTIES

The following Newfoundland properties and option agreements are held by the Company including those acquired pursuant to the Rubicon Plan of Arrangement.

GOLD PROPERTIES

JBP Linear Property

Pursuant to the Plan of Arrangement, the Company acquired a 100% interest in the JBP Linear property, subject to advance royalties of \$15,000 per year commencing in 2007 and up to 3% Net Smelter Return (NSR) royalties. The Company has granted a property option to Sprott Resource Corp. ("Sprott") to acquire an interest in its JBP Linear Property as follows:

JBP-Appleton Linear Option Agreement (JBP Linear property) – Sprott Resource Corp.

The Company optioned the JBP Linear property (and Appleton Linear property – see Other Gold Properties) to Sprott on November 15, 2007. Under the terms of the agreement, Sprott must spend \$2.125 million over four years, including \$375,000 firm in the first year, make option payments totaling \$250,000 including \$25,000 firm in the first year and make all underlying property payments, to earn a 55% interest in the project. The agreement gives Paragon the option to contribute an additional \$125,000 in the first year which would then raise Sprott's fourth year exploration expenditure by \$250,000. When Sprott earns a 55% interest, a Joint Venture will be formed with each party having the right to maintain its respective interest by funding its share of exploration costs. The agreement also gives Sprott the right, subject to certain conditions, to increase its interest to 70% by completing a feasibility study and providing a positive production decision.

Golden Promise Property

Pursuant to the Plan of Arrangement, the Company acquired a 100% interest in the Golden Promise Property subject to advance royalties of \$20,000 per year commencing in 2007 and up to 2% Net Smelter Return (NSR) royalties. The Company has granted a property option to Crosshair Exploration & Mining Ltd. ("Crosshair") to acquire an interest in its Golden Promise Property as follows:

Golden Promise Property Option – Crosshair Exploration & Mining Ltd.

The Company optioned the Golden Promise property to Crosshair on May 1, 2006. Under the terms of the agreement, Crosshair must spend \$4.0 million over four years, including \$750,000 firm in the first year, make share payments totaling 80,000 shares including 20,000 shares firm in the first year and make underlying property payments, to earn a 60% interest in the project. Crosshair is in its second year of the option.

PARAGON MINERALS CORPORATION

Notes to the Financial Statements

December 31, 2007

(Stated in Canadian Dollars)

7. MINERAL PROPERTIES *(continued)*

Other Gold Properties

Pursuant to the Plan of Arrangement, the Company acquired a portfolio of 15 other gold properties. The Company holds a 100% interest in all these other gold properties, with the exception of the Appleton Linear property and the Huxter Lane SW property where the Company can earn a 100% interest, by making cash and share payments. The other gold properties are subject to varying NSR royalties of up to 3%, of which up to 50% can be re-purchased by the Company.

Outstanding property option payments on optioned properties include:

Appleton Linear property

The Company holds the options to earn a 100% interest in 3 of 4 properties (Appleton, Bowater and Linear) that collectively, along with the 100%-owned Golden Bullet property forms the Appleton Linear property. To earn a 100% interest in the 3 optioned properties, the Company must make the following payments to the property vendors:

- a) Appleton property: \$ 35,000 (\$15,000 paid) in cash option payments.
- b) Bowater property: \$160,000 (\$20,000 paid) in cash option payments.
- c) Linear property: \$145,000 (\$30,000 paid) in cash option payments and issue 240,000 shares (60,000 shares issued).

Advanced royalties of \$25,000 per year commenced on the Appleton Linear property (Golden Bullet property) in 2007. The Appleton Linear property was optioned to Spratt Resources Corp. on November 15, 2007 (see below).

Huxter Lane SW property

On February 16, 2007 the Company acquired an option to earn 100% interest in the Huxter Lane SW property. To earn 100% interest, the Company must make \$80,000 (\$7,500 paid) in cash option payments and issue 75,000 shares (7,500 shares issued) to the property vendors. The Huxter SW property was optioned to Meridian Gold Inc. ("Meridian") on March 20, 2007 (see below)

The Company has granted property options to acquire interests in **four** of its Other Gold Properties as follows:

JBP-Appleton Linear Option Agreement (Appleton Linear property) – Spratt Resource Corp.

The Company optioned the Appleton Linear property (and the JBP Linear property – see Gold Properties) to Spratt on November 15, 2007. Terms of the option agreement are outlined under the JBP Linear property – see Gold Properties.

Victoria Lake Option Agreement (South Golden Promise gold property) - Crosshair Exploration & Mining Ltd.

Crosshair holds an option to acquire a 60% interest in one of the Company's gold properties (South Golden Promise property) and three base metal properties (Barren Lake property, Victoria Lake property and Victoria Lake 10188M property – see Other Base Metal Properties). Under the terms of the agreement, Crosshair must spend \$1.75 million over a four-year period and issue a total of 400,000 shares (400,000 paid to Rubicon). See below for further details on base metal properties.

PARAGON MINERALS CORPORATION

Notes to the Financial Statements

December 31, 2007

(Stated in Canadian Dollars)

7. MINERAL PROPERTIES *(continued)*

Huxter Lane Option Agreement - Meridian Gold Inc. ("Meridian")

Meridian holds an option to acquire up to a 55% interest in the Company's Huxter Lane Gold Property. Under the terms of the agreement, Meridian can earn a 55% interest in the property by spending \$1,000,000 over a period of three years and making underlying cash payments to the vendor. Meridian may earn an additional 10% by funding the project to a bankable feasibility study and an additional 5% (for a total interest of 70%) by funding all costs to a positive production decision. Advanced royalties of \$10,000 per year begin in May, 2007.

Huxter Lane SW Land Offer - Meridian Gold Inc. ("Meridian")

On March 20, 2007, under terms of the Huxter Lane Option Agreement, Meridian has elected to include the Huxter Lane SW property under the Option Agreement. Under the terms of the Land Offer, Meridian must make all underlying cash option payments and reimburse to the Company the cash equivalent value of the Paragon shares issued based on the weighted 10-day average closing price which shall be capped at \$1.50 per Paragon share.

BASE METAL PROPERTIES

South Tally Pond Property

On September 1, 2006 the Company signed an option to acquire a 100% interest in 249 claims located in central Newfoundland. In order for the Company to acquire the interest in the property it must:

- a) Issue 250,000 shares on December 15, 2006, the option effective date (issued);
- b) Issue 250,000 shares on December 15, 2007 (issued);
- c) Issue 500,000 shares on the earlier of December 15, 2014 or the completion of a bankable feasibility study;
- d) Fund exploration expenditures of \$30,951 incurred by the optionor prior to the option effective date (paid).

The property is subject to a 2% NSR royalty.

Lake Douglas Property

Pursuant to the Plan of Arrangement, the Company acquired an option to earn a 100% interest in the Lake Douglas property, pursuant to two agreements, by issuing 450,000 common shares (50,000 issued) and paying \$500,000 (\$50,000 paid) in cash by January, 2011. The property is subject to a 2% Net Smelter Return (NSR) royalty, of which Paragon may purchase 1% for \$1,000,000 and a right of first refusal on the remaining 1% NSR.

Other Base Metal Properties

Pursuant to the Plan of Arrangement, the Company acquired a portfolio of 8 other base metal properties with interests of 51% (Seal Bay property, West Cleary property), the option to earn a 100% interest in the Victoria Lake 10188M property (completed) and 100% interest in the remaining properties. The properties are subject to NSR royalties of up to 2.5%.

PARAGON MINERALS CORPORATION

Notes to the Financial Statements

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7. MINERAL PROPERTIES *(continued)*

Included in this group is the Seal Bay property, in which the Company holds a 51% interest to be formalized as a joint venture with Xstrata (formerly Falconbridge); the West Cleary property, in which the company holds a 51% interest to be formalized as a joint venture with Xstrata (formerly Falconbridge); and the Pt. Leamington property, for which the Company may purchase a 0.5% NSR royalty for \$500,000. In addition, the Company acquired 100% interests in 5 other properties, subject to 2.5% NSR royalties. One of these properties was written off in 2007.

The Company has granted an option to Crosshair Exploration & Mining Ltd. to acquire interests in three of its Other Base Metal Properties as follows:

Victoria Lake Option Agreement (Barren Lake, Victoria Lake and Victoria Lake 10188M properties) - Crosshair Exploration & Mining Ltd.

Crosshair holds an option to acquire a 60% interest in three base metal properties (Barren Lake property, Victoria Lake property and Victoria Lake 10188M property) and one of the Company's gold properties (South Golden Promise property – see Other Gold Properties). Under the terms of the agreement, Crosshair must spend \$1.75 million over a four-year period and issue a total of 400,000 shares (400,000 paid to Rubicon). On June 6 2006, the Victoria Lake 10188M Property was incorporated into the Victoria Lake Agreement, whereby Crosshair makes the underlying property option payments. A final, cash option payment of \$67,500 on the Victoria Lake 10188M property was paid by Crosshair to the vendor in 2007.

During the year to date period, Crosshair terminated parts of the option with respect to the Barren Lake property and two licenses in the South Golden Promise property and returned these properties to the Company.

8. SHARE CAPITAL

- a) Authorized share capital consists of an unlimited number of common shares without par value. The following is a summary of changes in issued share capital:

	Three Months Ended December 31, 2007		Year Ended September 30, 2007	
	Number of Shares	\$	Number of Shares	\$
Balance, beginning of the period	21,162,940	10,883,983	-	-
Plan of Arrangement for property and office equipment	-	-	12,801,738	6,995,657
Private placements – non-flow-through	1,391,214	973,850	3,179,000	1,589,500
Private placements – flow-through	2,785,000	2,785,000	4,092,168	2,455,301
Mineral properties	250,000	182,500	467,500	470,350
Options exercised (1)	-	-	97,082	19,037
Warrants/Agent Options exercised	-	-	525,452	191,888
Finders fee shares	196,759	143,615	-	-
Less: reduction on flow through renunciation	-	-	-	(837,750)
Share issuance costs	-	(167,495)	-	-
Balance, end of the period	25,785,913	14,801,453	21,162,940	10,883,983

(1) Inclusive of the original \$nil (2007 - \$338) fair value of these options re-allocated from contributed surplus to share capital on exercise for the period end.

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Notes to the Financial Statements

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8. SHARE CAPITAL (continued)

Private Placements

In December 2007, the Company closed a non-brokered private placement, issuing 1,391,214 non-flow-through units at a purchase price of \$0.70 per unit for gross proceeds of \$973,850 and 2,785,000 flow-through shares at a purchase price of \$1.00 per share for gross proceeds of \$2,785,000. The non-flow-through units consist of one common share of the Company and one-half of one non-transferable common share purchase warrant at an exercise price \$1.05 exercisable for two years. As part of the financing the Company issued 196,759 common shares as a finder's fee.

Pursuant to the issue of flow-through shares, the Company became committed to expend \$2,785,000 on eligible Canadian Exploration Expenditures before December 31, 2008. The cash received was restricted to use on this purpose. As at December 31, 2007 the amount of \$2,732,574 of this commitment remained outstanding.

In December 2006, the Company received the proceeds from a private placement financing that had been completed in the prior year, with funds held in escrow pending completion of the Rubicon Plan of Arrangement. The Company issued 3,179,000 non-flow-through units at \$0.50 per unit and 4,092,168 flow-through shares at \$0.60 per share for aggregate proceeds of \$4,044,800. Each non-flow-through unit consists of one common share and one warrant. Each warrant entitles the holder to purchase an additional common share for an exercise price of \$1.00 for a period of two years.

Pursuant to the issue of flow-through shares, the Company became committed to expend \$2,455,301 on eligible Canadian Exploration Expenditures before December 31, 2007 (completed).

- b) The following is a summary of changes in contributed surplus which consist entirely of stock based compensation transactions.

	Three Months Ended December 31, 2007	Year Ended September 30, 2007
Balance at beginning of period	\$ 745,520	\$ -
Stock-based compensation - operations	85,429	464,150
Stock-based compensation - properties	54,195	281,708
Fair value of options exercised	-	(338)
Balance at end of period	\$ 885,144	\$ 745,520

- c) Stock Options

The Company has adopted an incentive stock option plan authorizing the issue of up to 20% of the amount of shares issued as at the initial listing date on the TSX Venture Exchange, 4,014,581 options. Under the plan, options may only be issued to directors, officers, employees and consultants of the Company and must be subject to a vesting period as required under TSX Venture Exchange policies. The term of each grant shall be no greater than 5 years from the date of grant. The option price shall be no less than the fair market value of the Company's shares on the date of the grant.

PARAGON MINERALS CORPORATION

Notes to the Financial Statements

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8. SHARE CAPITAL (continued)

The following is a summary of the changes in the Company's outstanding stock options.

	Three Months Ended December 31, 2007		Year Ended September 30, 2007	
	Number of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price
		\$		\$
Balance at beginning of the period	1,943,013	0.67	-	-
Granted pursuant to the Plan of Arrangement	-	-	633,111	0.62
Other grants during the period	20,000	0.72	1,550,000	0.68
Exercised during the period	-	-	(97,082)	0.48
Expired or forfeited during the period	(10,000)	0.70	(143,016)	0.69
Outstanding at end of the period	1,953,013	0.67	1,943,013	0.67

The fair value of options, including options granted pursuant to the Rubicon Plan of Arrangement, has been estimated using the Black-Scholes Option Pricing Model based on the following weighted average assumptions:

	Three Months Ended December 31, 2007	Year Ended September 30, 2007
Risk-free interest rate	3.93%	3.90%
Expected life	4.85 years	4.96 years
Expected volatility	81%	80%
Expected dividend yield	0%	0%

The weighted average grant date fair value of options granted during the period was \$0.40.

Option pricing models require the input of highly subjective assumptions, particularly as to the expected price volatility of the stock. Changes in these assumptions can materially affect the fair value estimate and therefore it is management's view that the existing models do not necessarily provide a single reliable measure of the fair value of the Company's stock option grants.

Summary of stock options outstanding:

December 31, 2007			
	Number Outstanding	Weighted Average Price	Weighted Average Life
		\$	Years
	16,666	0.38	2.75
	25,000	0.42	2.78
	105,000	0.45	4.64
(1)	29,166	0.47	-
	33,333	0.49	3.04
	244,997	0.67	2.17

PARAGON MINERALS CORPORATION

Notes to the Financial Statements

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8. SHARE CAPITAL (continued)

Summary of stock options outstanding (continued):

	Number Outstanding	Weighted Average Price	Weighted Average Life
	39,686	0.69	2.08
	1,380,000	0.70	4.18
	20,000	0.72	4.82
	56,665	0.84	1.16
	2,500	0.96	3.39
Total stock options	1,953,013	0.67	3.71

(1) During the year ended September 30, 2007 a request to exercise 29,166 options was received but the shares were issued subsequent to the period end. See note 12.

d) Summary of warrants outstanding:

December 31, 2007			
	Number Outstanding	Weighted Average Price	Weighted Average Life Years
	3,179,000	\$ 1.00	0.94
	695,607	1.05	1.93
Total warrants	3,874,607	1.01	1.12

e) Obligation to issue shares

During the year ended September 31, 2007, the Company received \$13,708 pursuant to a request to exercise stock options. 29,166 shares for this option exercise were issued subsequent to December 31, 2007.

9. ACCUMULATED OTHER COMPREHENSIVE LOSS

	Three Months Ended December 31, 2007	Year Ended September 30, 2007
	\$	\$
Accumulated other comprehensive loss, beginning of period	(34,718)	-
Other comprehensive gain or loss for the period	9,136	(34,718)
Accumulated other comprehensive loss, end of period	(25,582)	(34,718)
Components of accumulated other comprehensive loss:		
Unrealized losses on temporary investments	(540)	(282)
Unrealized gains or (losses) on public company shares	(25,042)	(34,436)
Other comprehensive gain or (loss)	(25,582)	(34,718)

PARAGON MINERALS CORPORATION

Notes to the Financial Statements

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10. RELATED PARTY TRANSACTIONS

The Company has a director, Vice President of Investor Relations and a CFO in common with Rubicon Minerals Corporation and has a cost sharing agreement with Rubicon for office, accounting and investor relation services.

(a) During the three months ended December 31 2007, the Company paid or accrued to Rubicon \$76,049 (2007 full year - \$176,756) for shared and reimbursable costs, \$nil (2007 full year - \$74,009) for the Company's share of the costs incurred on the Rubicon Plan of Arrangement and \$nil (2007 full year - \$54,320) for refundable staking security deposits posted by Rubicon on the Company's properties. During the period, the Company invoiced Rubicon Minerals \$18,229 (2007 full year - \$91,619) for reimbursable costs. As at December 31, 2007, the Company owed Rubicon \$76,049 (2007 - \$20,434) and was owed \$6,574 (2007 - \$4,899) by Rubicon for grants received on Paragon's behalf and for salary reimbursements. The net balance is included in accounts payable and accrued liabilities.

(b) Rubicon Plan of Arrangement

See note 4 for details of the completion of the plan of arrangement with Rubicon.

(c) NRD Agreement

Pursuant to an agreement with Rubicon, the Company may receive the following as proceeds from the optioning of certain mineral property interests in Newfoundland, where the optionees elect to continue the options.

- i) 125,000 shares of Ucore Uranium Inc. over 2 years (all issued in escrow; 31,250 released).
- ii) 30,020 shares of Ucore Uranium Inc as option payments on 3 properties (5,840 shares received). Future payments will be recorded upon receipt.

All these transactions were, or will be, recorded at their fair value amounts and were incurred in the normal course of business, except transactions with Rubicon, related to the plan of arrangement which were recorded at Rubicon's carrying amounts.

11. SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES

During the three months ended December 31, 2007, the Company issued 250,000 (2007 full year – 250,000) common shares at a value of \$182,500 (2007 - \$260,000) for mineral properties. The company recorded stock based compensation of \$54,195 (2007 full year - \$97,006) as mineral property costs. Included in accounts payable and accrued liabilities at December 31, 2007 is \$296,854 (2007 - \$93,883) of mineral property costs. Included in accounts receivable at December 31, 2007 is \$487,794 (2007 – nil) of mineral property receivables.

12. SUBSEQUENT EVENTS

Subsequent to December 31, 2007, the Company issued 125,000 common shares pursuant to mineral property option agreements and 29,166 common shares pursuant to the exercise of options.

13. COMPARATIVE FIGURES

The comparative figures have been reclassified where necessary to conform to presentation of the current period.



PARAGON MINERALS CORPORATION

Management's Discussion & Analysis

First Quarter Ended December 31, 2007

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Introduction

The following Management Discussion and Analysis of the financial position and results of operations of Paragon Minerals Corporation ("Paragon" or the "Company"), dated February 28, 2008, should be read in conjunction with the unaudited interim financial statements for the three month period ended December 31, 2007 and the audited financial statements for the year ended September 30, 2007. All dollar figures stated herein are expressed in Canadian dollars, unless specified.

Paragon is a Canadian-based junior exploration company engaged in the acquisition, exploration and development of gold and base metal projects, specifically within the Province of Newfoundland and Labrador. The Company has a significant portfolio of gold and base metal exploration properties in Newfoundland, which it is exploring through a combination of partner funded exploration and Company funded exploration. The Company is listed on the TSX Venture Exchange under the symbol "PGR".

The Company's head office and principal business address is Suite 1540, 800 West Pender Street, Vancouver, British Columbia, V6C 2V6 and its registered and records office is located at 2800 Park Place, 666 Burrard Street, Vancouver, BC, V6C 2V6.

Overview

The Company was incorporated as "Paragon Minerals Corporation" under the Canadian Business Corporations Act ("CBCA") on July 4, 2006 in order to facilitate a Plan of Arrangement under which Rubicon Minerals Corporation ("Rubicon"), a public company whose shares are listed on the Toronto Stock Exchange and American Stock Exchange, would proceed with a reorganization which would have the result of dividing its mineral assets between three separate public companies: the then existing Rubicon and two newly created companies, namely the Company and CopperCo Resource Corp ("CopperCo"). Upon completion of the Plan of Arrangement on December 8, 2006, the Company acquired the exploration assets held by Rubicon in the Province of Newfoundland & Labrador and the Territory of Nunavut. For additional details on the Arrangement, please refer to the Rubicon Management Information Circular dated July 7, 2006 and filed on SEDAR at www.sedar.com.

Highlights during the quarter include:

- The Company intersected significant precious metal-rich semi-massive to massive sulphides on its South Tally Pond property. The massive sulphide mineralization was outlined over a 300 metres strike length and remains open in all directions. The South Tally Pond property is situated in the same volcanic belt and has strong similarities to the rocks that host the Teck-Cominco Duck Pond Mine, located 20 kilometres to the northeast. Additional drilling is underway (see below – South Tally Pond Project).
- On December 6, 2007, the Company completed a non-brokered private placement for gross proceeds of \$3,758,850.

During the three month period ended December 31, 2007, the Company spent \$1,128,273 on exploration (excluding stock based compensation) of which \$193,658 was funded by partners. Net losses for the three months ended December 31, 2007 were \$212,730.

Minerals Properties

Pursuant to the Arrangement, Rubicon transferred to the Company its gold and base metal mineral properties located in the Province of Newfoundland & Labrador and the Territory of Nunavut on December 8, 2006. Through this transaction, the Company acquired a total of 27 exploration properties. The Company currently holds a total of 26 exploration properties (15 gold properties, 11 base metal properties) of which six are currently under option to exploration partners and two pending Joint Venture agreements.

Exploration Update

Exploration on Company projects during the first quarter ending December 31, 2007 focused on five company funded exploration gold and base metal projects and one partner-funded project. A summary of the exploration work completed during the period includes:

- 4001.5 metres of diamond drilling on three company-funded exploration projects including South Tally Pond base metal project (4 holes, 1,648 metres), Lake Douglas base metal project (7 holes 2,062 metres) and the New World gold project (2 holes, 291.5 metres);
- Prospecting and soil sampling programs on the Maritec and Long Pond gold projects in the Baie Verte area of Newfoundland and on the Winter Hill base metal project in south-central Newfoundland; and
- 1,311.4 metres of diamond drilling (8 holes) on the partner-funded Golden Promise gold project located in central Newfoundland.

On October 18, 2007, the Company acquired the additional claims immediately southwest of the South Tally Pond property through map-staking. The newly-staked area is underlain by mafic-felsic volcanic rocks of the Tally Pond Volcanic Belt similar to that which hosts the Lemarchant prospect and the Teck-Cominco Duck Pond Mine. The Company now holds a significant land position in the Tally Pond volcanic belt southwest of the mine.

On November 15, 2007 the Company completed an option agreement with Sprott Resource Corp. ("Sprott"), whereby Sprott has the right to earn a 55% interest in Paragon's JBP Linear project and Appleton Linear project, collectively the JBP-Appleton Linear project by spending \$2.175 million on exploration over four years with a firm \$375,000 exploration expenditure commitment in the first year. The agreement also calls for Sprott to make \$250,000 in payments to Paragon over the four years, including \$25,000 to be paid on signing of the agreement and to make all underlying property agreement payments. The agreement gives Paragon the option to contribute an additional \$125,000 in the first year, which it intends to do, which will then raise Sprott's fourth year exploration expenditure by \$250,000. The agreement also gives Sprott the right, subject to certain conditions, to increase its interest to 70% by completing a feasibility study and providing a positive production decision. Paragon will be operator of the joint venture during the initial earn-in period.

On February 18, 2008, Sprott and the Company began a twenty drill hole (2,750 metres) drill program on the JBP-Appleton Linear property.

During the period ended December 31, 2007, the Company spent \$1,128,273 on exploration of which \$193,658 was funded by partners (excluding stock based compensation of \$54,194). Results from the exploration work, during the quarter and year to date period, are summarized below with additional project information available on the Company website.

Company-funded Projects

South Tally Pond Project (base metal)

The South Tally Pond VMS project is located in central Newfoundland and is under option from Altius Resources Inc., whereby Paragon can earn a 100% interest in the property. The property is situated in the same volcanic belt and has strong similarities to the rocks that host Teck-Cominco's Duck Pond Mine (5.48 million tonnes of 3.3% copper, 5.8% zinc, 0.9% lead, 59 g/t silver and 0.86 g/t gold), located 20 kilometres to the northeast. Paragon has a significant, land position covering 32,450 hectares immediately southwest of the Duck Pond Mine.

As of December 31, 2007, the Company has completed 6 drill holes (2,848 metres) at the Lemarchant prospect, a precious metal-rich copper-zinc-lead prospect located near the centre of the South Tally Pond property. The Lemarchant mineralization is hosted within a 4,000 metre long and 700 metre wide sequence of

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highly altered felsic volcanic rocks of which 1,100 metres strike length was tested by previous drilling (17 holes) to a vertical depth of 160 metres. The mineralization is interpreted to be open along strike and to depth.

The first three drill holes (from south to north LM07-13, 14 and 15; 1710.1 metres), spaced 100 metres apart, intersected a mineralized upper and lower felsic volcanic sequence separated by variably mineralized and altered mafic volcanic rocks. In the upper felsic sequence, the drillholes intersected semi-massive to massive polymetallic sulphide mineralization over widths of up to 14.6 metres (see table below). The massive sulphide mineralization shows an increase in thickness to the north and locally replaces massive barite intervals intersected in drillholes LM07-14 and LM07-15. The massive to semi-massive sulphide plus barite intervals are underlain by intensely altered felsic volcanic rocks containing stringer and disseminated sulphides including pyrite, sphalerite and chalcopyrite over thicknesses up to 67 metres. Mineralization in the lower felsic volcanic sequence is characterized by disseminated, stringer to locally semi-massive pyrite and pyrrhotite mineralization over a 109 metre interval.

Drillhole LM07-16 (347.9 metres), located 100 metres north of LM07-15 intersected a 40.5-metre thick sequence of strongly altered felsic volcanic rocks with up to 20% disseminated to stringer pyrite containing anomalous base metal (assays up to 2.50 % zinc and 0.62% copper over 0.5 metres) and precious metals (5.93 g/t gold and 59.6 g/t silver over 0.5 metres). This second intercept occurs in similar felsic stratigraphy approximately 100 metres down-dip of LM07-17.

Drillhole LM07-17 (317.0 metres), located 100 metres north and 90 metres west of LM07-15 intersected semi-massive to massive polymetallic sulphide mineralization over 14.6 metres. The zinc-lead-copper sulphide mineralization is similar to, and appears to represent the continuation of the massive sulphide mineralization intersected in LM07-15. Mineralization includes 8.1 metres of high-grade zinc-lead-copper rich massive sulphides grading 21.04% zinc, 4.26% lead, 0.72% copper, 76.05 g/t silver and 0.65 g/t gold and is hosted in a thick barite-rich felsic volcanic sequence. The massive sulphide mineralization is underlain by intensely altered felsic volcanic rocks containing stringer and disseminated sulphides including pyrite, sphalerite and chalcopyrite over 8.9 metres thickness.

In December, the Company extended LM07-16 by 132.1 metres and completed a 6th drill hole (LM07-18, 344.0 metres) on the property. The two drillholes were aimed at further evaluating and extending the semi-massive to massive base metal mineralization intersected by LM07-17 on section 104+00N. The extension to drillhole LM07-16 targeted the intensely altered stringer zone mineralization 115 metres down-dip of LM07-17 and the second drillhole, LM07-18 tested the stratigraphy 100 metres up-dip from LM07-17. Both drillholes intersected disseminated to stringer base metal sulphides hosted within thick, up to 110 metres wide sequence of very strongly altered, locally barite enriched felsic volcanic rocks containing up to 4% disseminated to stringer pyrite and locally, up to 10% base metal mineralization.

Significant assay results from drilling by Paragon at the Lemarchant prospect include:

Hole	From (m)	To (m)	Interval (m)	Zinc (%)	Lead (%)	Copper (%)	Silver (g/t)	Gold (g/t)
LM07-13	164.50	169.55	5.05	7.49	0.07	0.77	40.29	1.21
LM07-14	203.50	208.90	5.40	5.26	1.52	1.06	92.56	0.85
LM07-15	219.00	233.60	14.60	9.46	2.13	0.81	73.44	1.85
LM07-16	369.50	376.00	6.50	1.66	0.13	0.10	7.92	0.04
incl.	369.50	370.20	0.70	8.40	0.01	0.36	18.20	0.23
LM07-17	236.00	259.50	23.50	8.55	1.63	0.35	33.46	0.49
incl.	236.00	250.60	14.60	12.38	2.61	0.45	50.32	0.74
	242.50	250.60	8.10	21.04	4.26	0.72	76.05	0.65
LM07-18	132.10	183.80	51.7	0.58	0.10	0.09	4.25	0.12
incl.	136.80	146.80	10.0	1.62	0.46	0.15	12.42	0.15
	234.70	245.50	10.8	0.25	0.07	0.01	2.23	0.05

(Note: see News Releases dated October 19, November 6, 2007 and January 20 for further details)

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The Company completed down hole Pulse-EM geophysical surveys in December on three of the six drillholes including LM0716, LM07-17, and LM07-18. The other drillholes were not surveyed due to blocking down hole. Results from the survey indicate a strong off-hole conductor to the south of drillhole LM07-17 and 18 and up dip and south of drillhole LM07-16.

On February 7, 2008, the Company resumed drilling on the South Tally Pond property and is undertaking an aggressive exploration program with up to 10,000 metres of drilling on the Lemarchant prospect for 2008.

Lake Douglas Project (base metal)

During the period, the Company completed a 7 hole, 2,062-metre diamond drill program was started on the property. The drilling tested a 300 metres portion of the stratigraphy that hosts the Lake Douglas base-metal massive sulphide occurrence. All seven drill holes intersected a thick sequence of moderately to strongly altered felsic volcanic rocks and sedimentary rocks. Base metal mineralization within this felsic volcanic-sedimentary rock sequence consists of multiple zones of disseminated to stringer sulphide mineralization with local, semi-massive to massive sulphide intervals.

Drillhole LD07-04 intersected the most significant base and precious metal mineralization with 6.45 metres of semi-massive to massive sulphides grading 6.30% zinc, 4.19% lead, 0.39% copper and 82.86 g/t silver. The zinc-lead-copper-silver sulphide mineralization is hosted within the sedimentary-volcanic sequence and is similar to the massive sulphides exposed at surface in the Lake Douglas trench. The other drillholes, completed along strike (in both directions) and down dip (LD07-05) of drillhole LD07-04 intersected zones of anomalous zinc-lead-copper-silver-gold mineralization over widths of up to 17 metres. Significant assay results include:

Hole	From (m)	To (m)	Interval (m)	Zinc (%)	Lead (%)	Copper (%)	Silver (g/t)	Gold (g/t)
LD07-04	43.00	53.00	10.00	4.37	2.88	0.26	56.84	0.01
including	44.30	46.40	2.10	8.29	5.67	0.29	90.56	Trace
	44.30	50.75	6.45	6.30	4.19	0.39	82.86	0.01
	47.70	50.75	3.05	7.41	4.77	0.41	109.42	0.19

Note: Reported core length intervals are interpreted to be approximately 80% true thickness)

Other Properties

New World Project (gold)

In November, the Company completed two drill holes (291.5 metres) on the New World project. Drilling targeted a moderate to strong soil geochemical anomaly located along the 15 kilometre long New World Gold Trend. The New World Trend is a sedimentary-hosted gold target along which numerous gold occurrences have been located. Gold assay results from this initial drill program include 0.71 g/t gold over 4.0 metres (NW07-01) and 1.35 g/t gold over 1.1 metres (NW07-02).

Maritec – Long Pond Project (gold)

In September, the Company completed prospecting and rock sampling (38 samples) on two of its 100%-owned gold exploration projects located in the Baie Verte Peninsula area of north-central Newfoundland. Results of ongoing data compilation and the field work indicate that the Maritec property is underlain by gold-bearing pyritic iron formation of the Goldenville Trend and gold-bearing quartz carbonate veins hosted within altered mafic and ultramafic rocks. Assays up to 9.8 g/t gold were obtained from grab samples during the fall. The Company is planning follow-up geological mapping and possible drilling in the summer of 2008.

Winter Hill Project (base metal)

In November, the company completed prospecting and soil sampling on the western claim block of the Winter Hill project. The program was designed to follow-up on several significant airborne geophysical EM anomalies and known bedrock mineralization in the Olive Pond area. Previous prospecting and rock grab sampling in the area returned assays up to 6.40% zinc. Soil geochemistry results from the area indicate a multi-element soil

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geochemical anomaly over a 1,100 metre strike length with up to 1600 ppm zinc, up to 149 ppm lead, up to 188 ppm copper. The lengthy soil anomaly coincides with a moderate to strong airborne EM conductor, variably altered pyritic felsic volcanic rocks and known in-situ base metal mineralization. Follow-up geological mapping, sampling and prospecting is being planned for the project in spring-summer of 2008.

Partner-Funded Projects

Golden Promise Project (gold)

During the period, the Company and its partner Crosshair Exploration & Mining Ltd ("Crosshair") completed eight drillholes (1,311.4 metres) on the Jaclyn Main Zone. The November–December drill program was part of a larger drill program completed in 2007. Results of the latest drill program are summarized below.

Six of the drill holes (GP07-91 to GP07-96) evaluated the central portion of the vein zone and two drill holes (GP07-97 and GP07-98) tested the eastern extent of the Jaclyn Main Zone to a vertical depth of 210 metres below surface. The drilling intersected quartz veining in all drill holes with all eight drill holes containing visible gold. Drill hole GP07-92 intersected multiple gold bearing quartz veins with abundant visible gold and represents the widest economic grade gold intersection to date along the Jaclyn Main Zone. Drill hole GP07-98, the easternmost drill hole completed to date intersected a thick, 1.70 metre wide (core length) gold-bearing quartz vein at a depth of 210 vertical metres and underscores the continuation and potential of the Jaclyn Main Zone to the east. Significant assay results include:

GP07-91: 43.83 g/t gold over 1.45 metres including 141.21 g/t gold over 0.45 metres;
GP07-92: 10.41 g/t gold over 4.70 metres including 64.49 g/t gold over 0.50 metres;
GP07-93: 20.89 g/t gold over 1.90 metres including 44.74 g/t gold over 0.65 metres;
GP07-94: 0.41 g/t gold over 2.35 metres including 1.49 g/t gold over 0.35 metres;
GP07-95: 0.61 g/t gold over 1.50 metres including 2.28 g/t gold over 0.40 metres;
GP07-96: 0.52 g/t gold over 2.65 metres including 1.34 g/t gold over 0.50 metres;
GP07-97: 1.90 g/t gold over 2.10 metres including 4.70 g/t gold over 0.50 metres;
GP07-98: 6.87 g/t gold over 1.70 metres including 18.59 g/t gold over 0.45 metres.

The 2007 drill program continued to outline high-grade gold mineralization at the Jaclyn Main Zone, a significant gold-bearing quartz vein system on the Golden Promise property. The Jaclyn Main Zone is now defined over a strike length of 800 metres and vertical depth of 275 metres. The gold-bearing vein system remains open along strike and to depth. Paragon and Crosshair are currently reviewing the project data in anticipation of an aggressive drill program in 2008.

Exploration Outlook

In 2008, the Company plans to continue to advance its gold and base metal properties through a combination of Company-funded and partner-funded exploration. An aggressive exploration program with up to 10,000 metres of diamond drilling is planned for the 100%-owned South Tally Pond base metal project in 2008.

The Company remains committed to attracting exploration partners to advance and maintain its portfolio of gold and base metal projects. As of February 25, 2008 the Company has three active exploration partners on six projects. The Company is the operator on four of these six partnered projects. The Company anticipates continued exploration by its current partners in 2008.

Results of Operations

For the three months ended December 31, 2007, the Company incurred net losses of \$212,730 (\$0.01 per share) compared to a net loss of \$206,471 (\$0.05 per share) incurred in the three months ended December 31, 2006, an increase in net loss of \$6,259. Activities in the first quarter of fiscal 2007 included, for the most part only costs incurred over the 3 week period following the completion of the Rubicon Plan of Arrangement December 8, 2006 and so could be expected to be considerably lower than the current full quarter. Apart from this factor, other causes of variances were as follows:

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- Investor relations expenses were higher by \$20,545 in the current quarter mainly due to the addition of the VP Investor Relations salary and three investor conferences.
- Office costs were higher by \$20,416 in the current quarter. Other causes of this increase included new insurance coverage.
- Plan of arrangement costs were lower by \$25,000 due to completion of the plan of arrangement in the prior year. No expenses were incurred in the current period.
- Salaries and management expenses were higher by \$61,740. Other causes of this increase were additional staffing in compliance and investor relations.
- Stock based compensation was lower by \$49,752 in the current quarter due to the high initial compensation expense recorded in 2006 on the options transferred to Paragon under the plan of arrangement.

Selected Quarterly Information

The Company's financial statements are prepared in accordance with Canadian generally accepted accounting principles ("GAAP") in Canadian dollars. The Company was incorporated July 4th, 2006, shortly after the beginning of the quarter ended September 30, 2006 and therefore the figures for that period represent a partial quarter.

	Q1 December 31 2007	Q4 September 30 2007	Q3 June 30 2007	Q2 March 31 2007	Q1 December 31 2006	Period July 4 (incorporation) to September 30 2006
	\$	\$	\$	\$	\$	\$
Interest and miscellaneous income	22,989	16,155	25,300	31,878	5,754	-
Net loss	(258,271)	(169,343)	(323,291)	(152,867)	(206,471)	(124,278)
Basic and diluted loss per share	(0.01)	(0.01)	(0.02)	(0.01)	(0.05)	N/A*

* - no shares had been issued as of September 30, 2006.

Income/loss is not affected by seasonality but can fluctuate considerably when mineral write-offs occur or when new stock options are granted.

Liquidity and Capital Resources

As at December 31, 2007, the Company had cash and cash equivalents and short term money market investments of \$3.95 million compared to \$1.24 million at September 30, 2007. The increase in cash is mainly due to the financing described below under "Financing Details". Working capital for the period ended December 31, 2007 was \$4.28 million as compared to \$1.62 million at September 30, 2007 an increase of \$2.64 million due mainly to the financing completed in the period.

As at December 31, 2007 the Company had CEE spending commitments of approximately \$2.732 million to be completed by December 31, 2008 as compared to \$880,000 at September 30, 2007, which were met by the required date of December 31, 2007.

At December 31, 2007 the Company, in addition to demand deposits at the Bank of Montreal, held six bankers acceptances. The Company considers that although these instruments are exposed to interest rate risk, market price risk and credit risk; these risks are negligible. The Company's policy on investment of short term funds is to invest only in instruments guaranteed by the federal or a provincial government of Canada, a major Canadian bank or an institution of similar credit worthiness.

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Other sources of funds, during the three month period ended December 31, 2007, included recovery of exploration costs and administration fees from optionees of the Company's properties of \$216,180.

The Company does not anticipate the need for further equity financing in 2008.

Financing Details

On December 6, 2007 the Company closed a non-brokered private placement, issuing 1,391,214 non-flow-through units at a purchase price of \$0.70 per unit for gross proceeds of \$973,850 and 2,785,000 flow-through shares at a purchase price of \$1.00 per share for gross proceeds of \$2,785,000. The non-flow-through units consist of one common share of the Company and one-half of one non-transferable common share purchase warrant at an exercise price \$1.05 exercisable for two years. As part of the financing the Company issued 196,795 common shares as a finder's fee.

Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements other than that which is disclosed under note 8(c) "NRD Agreement", of the financial statements.

Related Party Transactions

The Company shares a director, David Adamson, a CFO, Robert Lewis and a VP Investor Relations, Bill Cavalluzzo with Rubicon Minerals Corporation and as such, Rubicon is a related party. In addition, during 2007, Paragon's CEO, Michael Vande Guchte, provided advisory services to Rubicon on a 25% time basis. (Effective January 1, 2008, Michael Vande Guchte is working full time for Paragon). The Company currently has a cost sharing arrangement with Rubicon for office facilities and administrative services. See note 11 to the financial statements for additional details.

Critical Accounting Policies

The Company's significant accounting policies are described in Note 2 of the December 31, 2007 interim financial statements. The Company considers the following policies to be most critical in understanding its financial results:

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting policies requires management of the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. These estimates are based on past experience, industry trends and known commitments and events. By their nature, these estimates are subject to measurement uncertainty and the effects on the financial statements of changes in such estimates in future periods could be significant. Actual results will likely differ from those estimates.

Carrying value of mineral property interests

The Company has capitalized the cost of acquiring mineral property interests and on-going exploration and maintenance costs. Capitalized property costs are expensed in the period in which the Company determines that the mineral property interests have no future economic value. Capitalized property costs may also be written down if future cash flow, including potential sales proceeds and option payments, related to the property are estimated to be less than the carrying value of the property. The Company reviews the carrying value of its mineral properties periodically, and whenever events or changes in circumstances indicate the carrying value may not be recoverable, reductions in the carrying value of each property would be recorded to the extent that the carrying value of the investment exceeds the property's estimated fair value.

Stock-based compensation

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The Company has adopted the fair value based method of accounting for stock option and compensatory warrant awards granted to directors, employees and consultants. Under this method, the fair value of compensatory warrants or agents stock options are calculated and recorded as share issue costs at the date of grant, with the offsetting credit to contributed surplus. Employee and consultant options are expensed over the period in which related services are rendered. If the stock options are exercised, the proceeds are credited to share capital.

The Company uses the Black-Scholes option pricing model to calculate the fair value of stock options and compensatory warrants granted. This model is subject to various assumptions and estimates including the Company's future stock volatility, expected life of options granted, and the risk free interest rate. The Company believes its estimates are reasonable under the circumstances.

Flow-through share renunciations

Upon the renunciation of the tax benefits of exploration expenditures to flow-through shareholders, the Company reduces share capital and records a temporary future income tax liability for the amount of the tax deduction transferred to shareholders. In instances where the Company has available tax loss carry forwards or other deductible temporary differences, the benefits of which have not previously been recognized, those benefits will be re-instated and credited to income in the period of renunciation.

Comprehensive Income, Canadian Institute of Chartered Accountants ("CICA") Handbook Section 1530

Effective October 1, 2006, the Company adopted new handbook Section 1530, which introduces new standards for reporting and display of comprehensive income. Comprehensive income is the change in equity (net assets) of an enterprise during a reporting period from transactions and other events and circumstances from non-owner sources. It includes all changes in equity during a period except those resulting from investments by owners and distributions to owners.

Changes in Accounting Policies including Initial Adoption

No significant changes or initial adoption of accounting policies occurred in the period.

Outstanding Share Data

As at February 28, 2008, the Company had the following common shares, stock options and warrants outstanding:

Issued and Outstanding Common shares	25,940,079
Stock options	
Plan of Arrangement Distribution Options*	418,847
Options granted by the Company	2,046,000
Warrants	
Paragon Private Placement Warrants	3,874,607
Fully diluted shares outstanding	32,279,533

* Option obligations accepted by Paragon pursuant to the Plan of Arrangement.

Risk Factors

Companies operating in the mining industry face many and varied kinds of risk. While risk management cannot eliminate the impact of potential risks, the Company strives to manage such risks to the extent possible and practical. The following are the risk factors most applicable to the company:

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Industry

Exploring and developing mineral resource projects bears a high potential for all manner of risks. The Company properties are in the exploration stage and are without a known body of commercial ore. Development of any of the Company's properties will only follow upon obtaining satisfactory exploration results, mineral exploration and development involve a high degree of risk and few properties which are explored are ultimately developed into producing mines. There is no assurance that Company's mineral exploration activities will result in the discovery of a body of commercial ore on any of its properties. Several years may pass between the discovery of a deposit and its exploitation. Most exploration projects do not result in the discovery of commercially mineable mineralized deposits

Financing

The Company is in the exploration stage and as such has no significant source of revenue. Its continued operations are dependent upon the ability of the company to obtain additional equity or partner financing. Obtaining further financing may be dependent upon market conditions and results of exploration. There is no assurance that the Company's exploration efforts will be successful or that market conditions will be favourable. The Company will require additional funding to maintain its mineral properties in good standing. The lack of additional financing could result in delay or indefinite postponement of further exploration and possible, partial or total loss of Paragon's interest in its mineral properties.

Title

There is no guarantee that title to properties in which Company has a material interest will not be challenged or impugned. The Company's mineral property interests may be subject to prior unregistered agreements or transfers or native land claims and title may be affected by undetected defects. In addition, certain of the mining claims in which the Company has an interest are not recorded in the name of the Company and cannot be recorded until certain steps are taken by other parties. Before a number of claims under option can be recorded in Company's name, the underlying title holder has to assign title to the Company once the Company satisfies its option agreement obligations. There are no assurances that the underlying title holder will assign title.

Operating Hazards and Risks

Mineral exploration involves many risks. The operations in which the Company has a direct or indirect interest will be subject to all the hazards and risks normally incidental to exploration, any of which could result in work stoppages and damage to persons or property or the environment and possible legal liability for any and all damage. Fires, power outages, labour disruptions, flooding, land slides and the inability to obtain suitable or adequate machinery, equipment or labour are some of the risks involved in the conduct of exploration programs.

Environmental Factors

The Company currently conducts exploration activities in the Canadian Province of Newfoundland and Labrador. Such activities are subject to various laws, rules and regulations governing the protection of the environment. In Canada, extensive environmental legislation has been enacted by federal and provincial governments. Such legislation imposes rigorous standards on the mining industry to reduce or eliminate the effects of wastes generated by extraction and processing operations and subsequently deposited on the ground or emitted into the air or water. All phases of the Company's operations are subject to environmental regulation in the jurisdictions in which it operates. Environmental legislation is evolving in a manner which requires stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed properties and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's operations. The cost of compliance with changes in governmental regulations has the potential to preclude entirely the economic development of a property.

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The Company is able to conduct its exploration within the provisions of the applicable environmental legislation without undue constraint on its ability to carry on efficient operations. The estimated annual cost of environmental compliance for all properties held by the Company in the exploration stage is minimal and pertains primarily to carrying out diamond drilling, trenching or stripping. Environmental hazards may exist on the Companies properties, which hazards are unknown to the Company at present, which have been caused by previous or existing owners or operators of the properties.

Governmental Regulation

Exploration activities on the Company's properties are affected to varying degrees by: (i) government regulations relating to such matters as environmental protection, health, safety and labour; (ii) mining law reform; (iii) restrictions on production, price controls, and tax increases; (iv) maintenance of claims; (v) tenure; and (vi) expropriation of property. There is no assurance that future changes in such regulation, if any, will not adversely affect the Company's operations. Changes in such regulation could result in additional expenses and capital expenditures, availability of capital, competition, reserve uncertainty, potential conflicts of interest, title risks, dilution, and restrictions and delays in operations, the extent of which cannot be predicted.

The Company is at the exploration stage on all of its properties. Exploration on the Company's properties requires responsible best exploration practices to comply with company policy, government regulations, maintenance of claims and tenure. The Company is required to be registered to do business and have a valid prospecting license (required to prospect or explore for minerals on Crown Mineral Land or to stake a claim) in any Canadian province in which it is carrying out work.

Mineral exploration primarily falls under provincial jurisdiction. However, the Company is also required to follow the regulations pertaining to the mineral exploration industry that fall under federal jurisdiction, such as the Fish and Wildlife Act.

If any of the Company's projects are advanced to the development stage, those operations will also be subject to various laws and regulations concerning development, production, taxes, labour standards, environmental protection, mine safety and other matters.

Qualified Persons

On the South Tally Pond and Lake Douglas Projects, work was carried out by Paragon employee's and supervised by Qualified Person David Copeland, M.Sc., P.Geo.

On the Golden Promise Project, work was carried out by David Mullen, Consulting Geologist to Paragon and supervised by Qualified Person David Copeland, M.Sc., P.Geo.

On the New World Project, work was carried out by Kim Cunnison, Consulting Geologist to Paragon and supervised by Qualified Person Steve House, B.Sc., P.Geo.

Forward Looking Statements

The Company's interim financial statements for the 3 months ended December 31, 2007 and this accompanying MD&A contain certain statements that may be deemed "forward-looking statements". All statements in this document, other than statements of historical fact, that address events or developments that the Company expects to occur, are forward looking statements. Forward looking statements are statements that are not historical facts and are generally, but not always, identified by the words "expects", "plans", "anticipates", "believes", "intends", "estimates", "projects", "potential", "interprets" and similar expressions, or that events or conditions "will", "would", "may", "could" or "should" occur. Forward-looking statements in this document include statements regarding future exploration programs, joint venture partner participation, and liquidity. Although the Company believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance and actual results may differ materially from those in forward-looking statements. Factors that could cause the actual results to differ materially from those in forward-looking statements include market prices, exploitation and

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exploration success, continued availability of capital and financing, inability to obtain required regulatory or governmental approvals and general economic, market or business conditions. Investors are cautioned that any such statements are not guarantees of future performance and actual results or developments may differ materially from those projected in the forward-looking statements. Forward looking statements are based on the beliefs, estimates and opinions of the Company's management on the date the statements are made. The Company undertakes no obligation to update these forward-looking statements in the event that management's beliefs, estimates or opinions, or other factors, should change.

These statements are based on a number of assumptions, including, among others, assumptions regarding general business and economic conditions, the timing of the receipt of regulatory and governmental approvals for the transactions described herein, the ability of Paragon and other relevant parties to satisfy stock exchange and other regulatory requirements in a timely manner, the availability of financing for Paragon's proposed transactions and exploration and development programs on reasonable terms and the ability of third-party service providers to deliver services in a timely manner. The foregoing list of assumptions is not exhaustive. Events or circumstances could cause results to differ materially.