



CORO MINING CORP.

Management Discussion and Analysis for the year ended December 31, 2006

(expressed in U.S. Dollars)

1. Highlights

- Assembled an integrated mine team with proven track records in exploration, project development and operations supported by a strong independent Board of Directors.
- Entered into an option agreement to purchase the San Jorge Property, in Argentina.
- Established a NI 43-101 compliant resource statement for Barreal Seco and NI 43-101 Technical Report for San Jorge.
- Raised \$12.1 million in 2006 through private equity placements.
- Progressed towards establishing a pipeline of exploration projects in Chile & Mexico.

2. Corporation Overview

Coro Mining Corp. (the “Corporation”) is a development stage company, founded with the goal of building a mining company focused on medium-sized base and precious metals deposits in Latin America. The Corporation intends to achieve this goal through the exploration for, and acquisition of projects that can be developed and placed into production. It has established an experienced exploration and development team to undertake this. The Corporation has two material mineral properties which are located in Argentina and Chile, as well as other less material exploration properties which are located in Chile and Mexico. The Corporation’s strategy is to become a mid tier copper producer within three to four years. It intends to do this by identifying, securing and developing resources containing a minimum of 200,000 to 250,000 tonnes of contained copper that are located in areas of established infrastructure. The projects should generate a greater than 15% return on investment at conservative pricing and have a minimum mine life of eight to ten years. The Corporation’s focus will be on low capital cost, open pit, heap leachable projects in politically stable jurisdictions. It intends to establish a pipeline of projects with the objective of developing a new mine every two to three years.

3. A Year in Review

In 2006, the primary focus was to establish a mine development and operations team. Juan Carlos Roman was hired as the Vice-President of Operations and Development. Mr. Roman was formerly the Vice President of Mining Management at Antofagasta Minerals and he has significantly enhanced the Corporation’s mine development and operational capability in Chile. The mine development and operation team was further augmented early in 2007 with Jorge Tapia, Project Director, formerly with BHP Billiton in Chile; Jorge Irrazaval, Manager of Engineering, formerly with Aker Kvaerner Engineering; and Marcelo Cortes, Infrastructure & Environment Manager, formerly of Antofagasta Minerals, joining the Corporation.

The operational expertise of the Board of Directors was also enhanced with the appointment of Rod Webster, as an Independent Director. Mr. Webster brings over 30 years of operational mining expertise to the Board, and is currently the Chief Executive Officer of Weatherly International Plc. In addition, the Corporation fortified its exploration team with the hiring of Angelo Peri, Exploration Manager Chile-Argentina, formally with CVRD and Phelps Dodge. With the



aforementioned additions to the Corporation, the Corporation believes that it now has the internal capability of bringing a mineral resource project from “drill bit” to “production”.

In Chile, the Corporation’s exploration program resulted in formal option agreements being entered into on a number of properties of interest. The Corporation secured the exploration rights to the Barreal Seco, Salvadora and Celeste properties (collectively, the “Barreal Seco and satellite properties”). The Corporation also entered into an option agreement to acquire one property and purchased another property (collectively referred to as the Gloria property). The Barreal Seco property is located on the boundary of Region II and Region III, in Chile and the satellite properties and the Gloria property are located in Region III in Chile.

The Corporation also entered into an option agreement with Global Copper Corporation (“Global”) to acquire the San Jorge property, in the Province of Mendoza, Argentina. The Corporation is in the process of completing a National Instrument (NI) 43-101 compliant resource statement for this project and it is anticipated that this will be completed in the second quarter of 2007.

In addition to the Corporation’s focus in Chile and Argentina, the Corporation has also secured the rights to the Cordero-Sanson property in Mexico.

4. 2006 Expenditures

4.1 Expenditures

Table 1: Expenditures (\$000’s)	2005	2006
Exploration	\$644	\$8,379
Capitalized costs	-	(4,024)
Corporate costs	173	577
Stock-based compensation	-	123
Depreciation	18	50
Other expenses	1	55
Interest income	(96)	(290)
Net loss	\$740	\$4,870
Loss per share	\$0.06	\$0.20

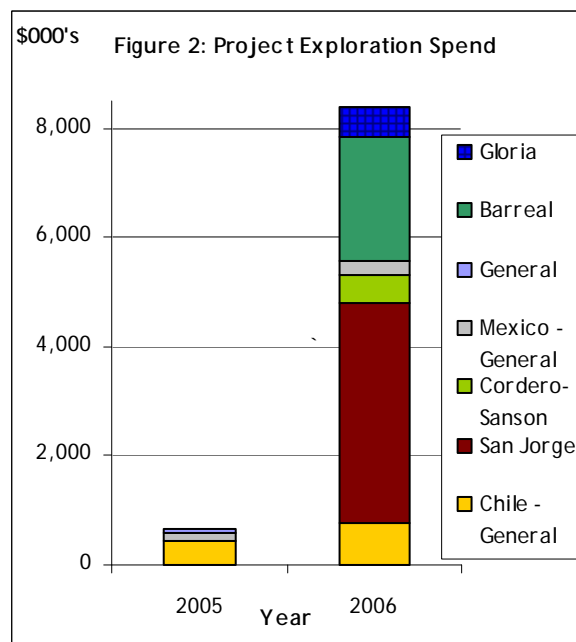
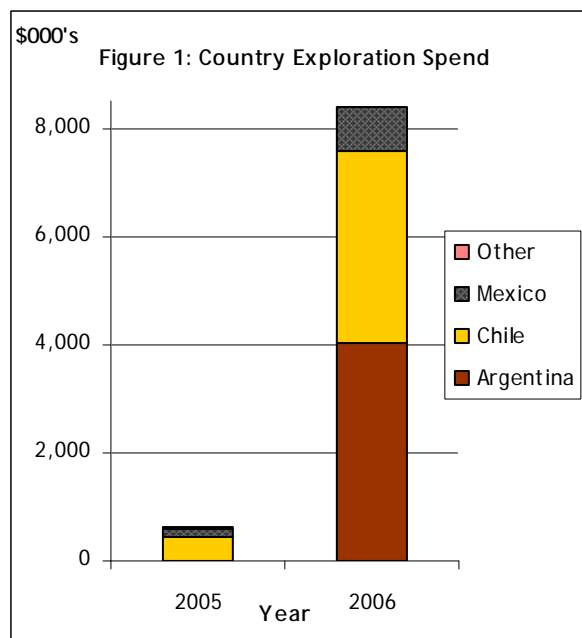
Exploration costs are discussed in more detail from section 4.2 onwards and reference should be made to these sections. Corporate costs increased in 2006, to \$0.6 million (2005: \$0.2m) as a result of a full twelve months of corporate activity, and the compensation incurred for two additional officers of the Corporation (the Chief Financial Officer and Executive Vice President / Secretary). The granting of stock options commenced in 2006 to Directors, Officers and certain key employees. As a result, accounting charges associated with options were \$0.1 million. A full year of activity coupled with increased exploration activities has resulted in depreciation increasing to \$50,000 in 2006 (2005: \$18,000).

The equity financings that occurred during 2006 (refer to section 6.3) resulted in an increased average cash balance year on year, which increased interest income to \$0.3 million (2005: \$0.1m).

Other expenses increased to \$55,000 and are predominantly comprised of the foreign exchange loss from Chile. This foreign exchange loss arises from the method of translation of the Chilean Peso denominated expenses into the Corporation’s U.S. dollar reporting currency and from a practical perspective should be viewed as an exploration expense.



4.2 Exploration Expenditures



In 2006, exploration expenditures increased to \$8.4 million (2005: \$0.6m). Of the total exploration spend, \$4.0 million (2005: \$0) of costs were capitalized in association with the San Jorge property (optioned in August 2006), with the remaining \$4.4 million being expensed. In 2006, mineral property acquisition and option costs represented 45% of the total exploration expenditures.

4.3 San Jorge Property, Argentina

On August 9, 2006 the Corporation entered into an option agreement with Global to purchase the San Jorge property; full terms of the agreement appear in section 6.4.

During 2006, the Corporation incurred costs of \$4.0 million on the San Jorge property, which have been capitalized. The total of \$4.0 million primarily includes option and acquisition costs of \$2.7 million, drilling and trenching costs of \$0.5 million and property investigation costs of \$0.6 million.

Acquisition payments were comprised of cash payments of \$0.3 million, the deemed value of the shares issued of \$0.4 million, the assumption of a future income tax liability of \$0.4 million, an accrual for the settlement of a legal dispute of \$0.4 million and \$1.1 million for an Indemnity and Release Agreement (refer to section 6.4). Not included within the exploration expenses for the San Jorge property is the purchase cost of the ranch (surface rights) surrounding the San Jorge property, which has been recorded as land under property, plant and equipment.

During the fourth quarter of 2006, a 16 hole twin diamond drilling program was undertaken at the San Jorge property to bring the historical resource into NI 43-101 compliance. An additional 15 hole drilling program was also undertaken to gather metallurgical samples for feasibility level column testing.

The Corporation is maintaining contact with ministers and senior officials in the Province of Mendoza, who have all expressed their support for the project. Subsequent to year end, opponents to mining in the Province attempted to place a moratorium on the issuance of new mining related permits, until a new environmental code governing this activity was passed by the legislature. This moratorium was vetoed by the Governor due to its unconstitutional nature. It is anticipated that a new environmental code will be enacted later this year, in all probability after the provincial elections, scheduled for October 2007. As the San Jorge property is located in an area with no significant environmental issues and remote from any conflicting agricultural activities, management believes that the project, if shown to be viable in the feasibility study, will receive its operating permits.



It is the Corporation's intention to submit its Environmental Impact Study (EIS) subsequent to the elections and complete a Feasibility Study by early 2008. In the interim, the Corporation is being proactive in its approach to mitigating any permitting risk by continuing to communicate with local communities; closely working with both the Provincial and Departmental authorities to ensure all environmental and social concerns are addressed; maintaining contact with interested non-governmental organizations and adopting an open and transparent attitude with respect to the project development and its impact on the community.

4.4 Barreal Seco and satellite properties, Chile

Barreal Seco is located on the boundary of Region II and Region III, in Chile, while the other properties are located in the northern part of Region III in Chile. During 2006, the Corporation incurred exploration costs of \$2.3 million associated with these properties, of which \$0.9 million was spent on drilling and trenching, property acquisition costs of \$0.5 million (including the dropped property option of Carrizo) and \$0.4 million on property investigation costs including geophysics and sampling.

At Barreal Seco, the Corporation drilled a total of 51 holes (13 diamond drilled holes (DDH) and 38 reverse circulation (RC) holes for approximately 8,400 meters of drilling. This work was undertaken in preparation for a NI 43-101 compliant resource statement that was completed in February 2007. The Corporation also undertook approximately 1,400 meters of trenching and performed soil geochemistry work at Barreal Seco.

Table 2: Mineral Resources for Oxide Domain (excludes Leached & Mixed, Breccia and Primary Resources) at a 0.30% CuT cutoff

Category	Tonnage (t)	CuT (%)	Cu-Metal (lb)	CuS (%)	CuS Metal (lb)
Measured	5,683,000	0.62	77,584,000	0.39	48,512,000
Indicated	15,135,000	0.55	182,686,000	0.33	112,695,000
Measured & Indicated	20,818,000	0.57	260,200,000	0.35	161,207,000
Inferred	3,991,000	0.43	38,175,000	0.27	23,783,000

The above resource does not incorporate the last 29 drill holes that were conducted in late 2006, and it is envisioned that an updated resource statement incorporating these drill holes will be completed in the second quarter of 2007. The known mineralization remains open to southeast where further work will be undertaken.

The above table is extracted from the AMEC Technical Report on the Barreal Seco property dated February 2007. The AMEC Report suggests a phased approach to advance the project towards completion of a feasibility study. Phase I, which included the resource estimate above, requires a complete geochemical and hydrogeological review to be undertaken, and a preliminary mining and process study before a preliminary assessment (including a financial evaluation) can be completed. This work is anticipated to be completed by the middle of 2007.

The Corporation also drilled the Salvadora property (26 holes for 3,064 meters). Of the 26 holes, 17 holes intersecting oxide copper mineralization (highlights of the drill program included: 112 meters @ 0.44%TCu; 26 meters @ 0.72%TCu; 92 meters @ 0.56%TCu; 128 meters @ 0.57%TCu). Highlights of a 2,144 meter trenching program at Salvadora included 28 meters @ 0.80%TCu; 58 meters @ 0.57% TCu; 54 meters @ 0.56% TCu; and 50 meters @ 0.78%TCu.

The Corporation also entered into an option agreement on the Carrizo property in the same region and drilled approximately 600 meters during 2006. This property was dropped in October 2006, as it was discovered that the only mineralization present was transported exotic copper.

The Celeste property was extensively trenched during the year (2,650 meters), but no drilling occurred as the Corporation's drilling efforts were focused on properties with a higher property option cost (Celeste is a leased property). Highlights of the trenching at Celeste included 84 meters @ 1.13% TCu; 26 meters @ 1.17% TCu; 10 meters @ 1.19% TCu and 76 meters @ 0.52% TCu. These initial results support the Corporation's plans to drill test identified targets in the second/third quarter of 2007.



4.5 Gloria Property, Chile

The Gloria copper property comprises a small claim group situated approximately 28 kilometres southeast of Copiapo, in Region III of Chile. During 2006, the Corporation incurred exploration costs of \$0.6 million on this property, principally comprising property acquisition costs of \$0.5 million, which included a one time payment of \$0.4 million to acquire one of the claims.

During the year, the Corporation has completed preliminary mapping, grid soil geochemistry, rockchip sampling and an induced polarization (“IP”) survey on the property. The results of this preliminary rock chip sampling indicated the presence of plus 1%TCu values over significant widths.

4.6 Cordero-Sanson Property, Mexico

In Mexico, the Corporation has the Cordero-Sanson property which is comprised of two claims groups located 45 kilometres northeast of Parral. During the year, the Corporation incurred exploration costs of \$0.5 million on the Cordero-Sanson property, with property costs of \$0.1 million and property investigation costs of \$0.2 million. At the Cordero claim, the Corporation has identified an early stage polymetallic porphyry related mineralization. The neighbouring Sanson claim is contained within a wholly owned 10,000 hectare claim which covers potential extensions to the Cordero system and may host an early stage porphyry molybdenum (Mo) system.

At Cordero, re-assaying of prior Apex Silver drilling returned significant intercepts averaging 0.77% Zn, 0.43% Pb, (1.20% Pb+Zn), 44g/t Ag and 0.11g/t Au over intersections widths of 30 to 100 meters. This is broadly comparable with grades from similar projects currently under evaluation by other companies in Latin America. Bulldozer trenching and an IP survey were completed over the property. As currently understood, mineralization is hosted by several 30-70 meters wide sub parallel zones of sulphide/carbonate stockworking, each extending over 1,500 meters in length.

At Sanson, field work identified an early stage porphyry molybdenum deposit located immediately adjacent to Cordero. Mineralization, as currently understood, occurs as a low grade quartz- molybdenite stockwork, preferentially developed over widths of 50 to 100 meters immediately adjacent to and/or beneath the sediment contact.

Trenching on the southeast margin of the system has confirmed the presence of partly oxidized molybdenum stockwork mineralization, with grades generally in the 0.03-0.05% Mo range, and exceptionally up to 0.15% Mo. An IP survey over the property was completed and the core of the Sanson system is now believed to be well defined and untested by previous drilling.

4.7 General Exploration, Chile

General exploration spend in Chile was \$0.8 million (2005: \$0.4m) which was predominantly comprised of administration costs of \$0.5 million and labour costs of \$0.2 million. Included within these administration costs is a \$0.3 million provision against value added taxes (“VAT”) in Chile. Chilean VAT is not cash refundable, and can only be recovered through offsets against payables. The Corporation has elected to fully provide for this amount due to the uncertainty surrounding future revenue streams that would be available to offset this receivable.

5. 2006 Cashflow

Cash outflow for operations, after non-cash working capital movements, was \$4.3 million (2005: \$0.7m) as the Corporation continued its focus on exploration activities. During 2006, the activities of the Corporation were financed via private equity placements that resulted in a net increase of \$12.2 million to supplement the Corporation’s existing cash resources.



Cash outflow from investing activities was \$2.9 million (2005: \$0.1m) which were comprised of the cash purchase of the San Jorge ranch (\$0.5m) and deferred exploration costs of \$2.3 million. The cash balance declined in US dollar terms with \$0.2 million resulting in a loss on holding Canadian Dollars and this amount is recorded as the “effect of exchange rate changes or cash and cash equivalents” in the cash flow statement.

As at December 31, 2006, the Corporation had \$10.1 million (2005: \$5.4m) in cash and cash equivalents.

6. Discussion of Financial Position and Liquidity

6.1 Assets

Table 3: Assets (\$000's)	2005	2006
Cash and cash equivalents	\$5,378	\$10,074
AR and prepaids	81	266
Total current assets	5,459	10,340
Property, plant & equipment	56	672
Mineral property interests	-	4,024
Other assets	72	44
Total Assets	\$5,587	\$15,080

Cash and cash equivalents were \$10.1 million (2005: \$5.4m) as at December 31, 2006, as private equity placements during the year exceeded exploration expenditures. Accounts receivable and prepaids were \$0.3 million (2005: \$81,000) with the main component relating to interest accrued on short term deposits. Property, plant and equipment rose \$0.6 million, principally as a result of the acquisition of the 120,000 hectare ranch surrounding the San Jorge property (\$0.5m).

Mineral property interests were \$4.0 million by year end as the Corporation capitalized its property option and acquisition costs and exploration spend relating to the San Jorge property. The \$4.0 million capitalized is comprised of acquisition costs of \$2.7 million and deferred development costs of \$1.3 million.

The property option and acquisition costs are comprised of the assumption of an Indemnity and Release Agreement on the mineral rights for \$1.1 million, the initial cash payments due to Global of \$0.3 million, the deemed value of the 333,333 shares issued of \$0.4 million; and the accrual of settlement costs of a legal dispute of \$0.4 million and an assumed future income tax liability of \$0.4 million, associated with acquisition costs paid to Global (as no tax base exists for these payments in Argentina, a future income tax liability arises).

6.2 Liabilities and Equity

Table 4: Liabilities and Equity (\$000's)	2005	2006
AP and accruals	\$87	\$1,591
Future income tax liability	-	406
Total liabilities	87	1,997
Shareholders' equity		
Common shares	5,841	18,417
Contributed surplus	-	126
Currency translation adjustment	399	150
Deficit	740	5,610
Total Liabilities and Equity	\$5,587	\$15,080

The increase in accounts payable and accrued liabilities is as a result of the inclusion of the San Jorge property and the costs associated with its drill program that remained outstanding on normal business terms, at year end. Also included with accruals was an amount of \$0.4 million to settle an outstanding legal dispute associated with the mining claims of the San Jorge property.



The Corporation also recognized a future income tax liability associated with its payments to Global for San Jorge, in Argentina, as the project was already owned by the Argentinean Subsidiary, the payments made to Global have no tax base and therefore give rise to a future income tax liability.

The equity accounts increased during the year as a result of the three private placements that occurred during 2006 (refer to section 6.3). Contributed surplus increased as a result of issuing stock options during the course of 2006. The currency translation adjustment decreased by \$0.2 million due to unrealized losses on holding Canadian dollars and reporting in U.S. dollars.

6.3 Financings

As at December 31, 2006 and March 26, 2007, the Corporation had 29,796,106 shares outstanding.

Table 5 – Equity Financing

Private Placements			Total Proceeds (\$000's)		
Shares	Date	Price	Cash	Non-Cash	Total
7,700,769	Apr-05	CDN\$0.15	\$931	\$ -	\$931
10,425,554	May-05	CDN\$0.50	4,151	-	4,151
1,680,000	Jun-05	CDN\$0.50	674	-	674
200,000	Sep-05	CDN\$0.50	-	85	85
550,000	Apr-06	CDN\$0.50	246	-	246
333,333	Aug-06	CDN\$1.50	-	446	446
8,906,450	Aug-06	CDN\$1.50	11,884	-	11,884
29,796,106			\$17,886	\$531	\$18,417

Since the initial founders shares were issued in April 2005, the Corporation has managed to conduct each subsequent equity offering at a share price greater than or equal to the previous share price. To date, the Corporation has been successful in raising private equity and therefore has not incurred any share issuances costs.

It is the Corporation's intention to undertake its initial public offering ("IPO") in the second quarter of 2007, to provide both liquidity to its existing shareholders and provide access to the financial markets through further potential equity offerings.

For this purpose, the Corporation entered into a letter of intent with Haywood Securities Inc., RBC Dominion Securities and Dundee Securities Corp. (together, the "Agents") to act as agents in connection with a proposed IPO, for gross proceeds of CDN\$ \diamond , to list for trading on the Toronto Stock Exchange (TSX).

The offering price will be determined by the Agents and the Corporation in the context of the market at the time of filing the final prospectus.

A 7% cash commission will be paid to the Agents. In addition, the Corporation has paid to Haywood Securities Inc. a corporate finance fee in the amount of CDN\$25,000 (plus GST). The Agents will be granted the Agents' Warrants to acquire the Agents' Warrant Shares in an amount equal to 7% of the Shares sold in the offering at an exercise price of CDN\$ \bullet per Agents' Warrant Share for a period of 12 months from the closing of the offering.

Working capital and liquidity

As at December 31, 2006, the Corporation had working capital of \$8.7 million (2005: \$5.4m). The improvement in the working capital is as result of the private placement undertaken in August 2006 that raised approximately \$11.9 million.

It is the Corporation's intention to fund its existing exploration and development program through its existing treasury and the aforementioned IPO. Part of the proceeds from the IPO will be used to complete a bankable feasibility study on the San Jorge property (\$CDN5.5m), continuing exploration and completion of a pre-feasibility study at Barreal Seco (\$CDN3.0m), exploration activities of other existing properties (\$CDN1.2m), property option payments (\$CDN1.5m) and to meet the Corporation's estimated general and administrative expenses (\$CDN1.5m).



6.4 Property option payments

Table 6: Property Option Payments (\$000's)

Year	Argentina	Chile	Chile	Mexico	Total \$
	San Jorge	Barreal	Gloria	Cordero-Sanson	
2006 (paid)	\$300	\$538	\$463	\$113	\$1,414
2007	300	461	403	88	1,252
2008	400	600	608	400	2,008
2009	-	1,963	884	470	3,317
2010	-	-	-	1,920	1,920
	\$1,000	\$3,562	\$2,358	\$2,991	\$9,911

San Jorge, Argentina:

An option agreement was entered into on the San Jorge property in 2006. Under this agreement, the Corporation has agreed to pay a total of \$1.0 million in cash and issue a total of 1,000,000 shares (333,333 issued in 2006). In addition, upon completion of a bankable feasibility study of the leachable ore, the Corporation agreed to pay \$0.025 per pound of copper contained in the mineable, proven and probable heap leach reserves, less the aggregate deemed share price of the 1,000,000 shares noted above, of which up to one half of such amount may be payable, at the seller's option, in shares. Upon commencement of commercial production from any mineable, proven and probable sulphide reserves, the Corporation agreed to pay \$0.02 per pound contained in the mineable, proven and probable sulphide reserves. For any production of copper in excess of that derived from the total mineable, proven and probable heap leachable reserves and mineable, proven and probable sulphide reserves the Corporation agreed to pay; (i) \$0.02 per pound of copper contained in ore placed on leach pads, in excess of the total pounds of copper contained in the mineable, proven and probable heap leachable reserves; and (ii) \$0.015 per pound of copper contained in ore processed by a mill, in excess of the total pounds of copper contained in the mineable, proven and probable sulphide reserves.

The Corporation was also able to obtain an Indemnity and Release Agreement from a previous owner of the San Jorge property, to ensure unrestricted and unencumbered access to the San Jorge property, which was achieved for a cost of \$1.1 million. The signing of this Indemnity and Release Agreement meant that there was only one legal dispute outstanding in respect of the San Jorge property. The Corporation has accrued \$0.4 million for the resolution of the legal dispute which is expected to be settled in the first half of 2007.

Barreal Seco Property, Chile:

The Barreal Seco property has total property option payments of \$2.0 million (2007: \$0.4m, 2008: \$0.4m, 2009: \$0.9m).

Other properties, Chile and Mexico:

The Salvadora property has total option payments of \$1.5 million (2007: \$0.1m, 2008: \$0.2m, 2009: \$1.1 m) and includes a 1.5% net smelter return royalty that can be purchased for \$1.4 million. The Gloria property comprises two separate properties, one which has been purchased and the other that requires total option payments of \$2.4 million (2007: \$0.4m, 2008: \$0.6m, 2009: \$0.9m). The Cordero-Sanson property requires total option payments of \$2.9 million and also requires a net smelter return royalty of between 1% and 2%.



7. Critical Accounting Estimates and Policies and Other Matters

Estimates, risks and uncertainties

The preparation of the financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the amounts reported, and disclosed in the financial statements and the accompanying notes. Actual results could differ from those estimates.

Realization of the Corporation's assets and liabilities is subject to risks and uncertainties, including reserve and resource estimation: future copper and other base and precious metal prices; estimated costs of future production; changes in government legislation and regulations; estimated future income taxes; and the availability of financing and various operational factors.

In determining the stock-based compensation expense management had to estimate both the volatility and vesting provisions of the options issued. In estimating the volatility management considered the volatility of mining companies of similar size and stage of development. As the vesting provisions of the options are from the date of the IPO, management also had to estimate both the probability of an IPO occurring and its timing.

The determination of when to capitalise costs in respect of the Corporation's development is also a critical accounting estimate. As at December 31 2006, the Corporation has capitalized its costs associated with San Jorge, from the date of the option grant, as it believes that sufficient information is available, to confirm that a resource exists and that this resource may be economically recoverable. Upon completion of a NI 43-101 compliant resource for Barreal Seco the Corporation believes that capitalization of costs associated with this property will commence in 2007.

Mineral properties and deferred exploration costs

Exploration and associated costs relating to non-specific projects or properties are expensed in the period incurred. When management has established that a resource exists, significant property acquisition, exploration and development costs relating to specific properties are deferred until the project to which they relate is sold, abandoned, impaired or placed into production.

Asset impairment

The Corporation performs impairment tests on property, plant and equipment and mineral properties when events or circumstances occur which indicate the assets may not be recoverable. Where information is available and conditions suggest impairment, estimated future net cash flows for each project are calculated using estimated future prices, proven and probable reserves and resources, and operating, capital and reclamation costs on an undiscounted basis. When estimated future cash flows are less than the carrying value, the project is considered impaired. Reductions in the carrying value of each project would be recorded to the extent the net book value of the investment exceeds the discounted estimated future cash flows. Where estimates of future net cash flows are not available and where other conditions suggest impairment, management assesses whether the carrying value can be recovered.

Income taxes

The Corporation uses the asset and liability method of accounting for future income taxes. Under this method, future income tax assets and liabilities are recognized for temporary differences between the tax and accounting bases of assets and liabilities as well as for the benefit of losses available to be carried forward to future years. The amount of future tax assets recognized is limited to the amount that is more likely than not to be realized.

Stock-based compensation

The Corporation applies the fair value method of accounting for stock options. The fair value of the options are determined using an option pricing model that takes into account, as of the grant date, the exercise price, the expected life



of the option, the current price of the underlying stock and its expected volatility, expected dividends on the stock, and the risk-free interest rate over the expected life of the option. Cash consideration received from employees on exercise of options is credited to capital stock along with the original grant date fair value of the options exercised. The Corporation expenses the fair value of stock options granted over the vesting period with the corresponding credit to contributed surplus.

Related party transactions

During the year the Corporation paid \$75,000 in expenses (on a cost recovery basis) to a private company with a common director. Certain executive director's fees are paid to private companies with common directors.

Future Changes in Accounting Policies

The Accounting Standards Board ("AcSB") has issued CICA Handbook Section 3855, Financial Instruments – Recognition and Measurement, along with two companion standards; Section 1530, Comprehensive Income, and Section 3865, Hedges; along with consequential amendments to other Handbook sections, including a new section on equity. The purpose of these new standards is to bring Canadian GAAP for the recognition and measurement of financial instruments in line with international financial reporting standards. The Corporation has elected to adopt these new standards effective January 1, 2007. The adoption of this new standard will result in the previously classified "currency translation adjustment" account that was included as part of shareholders' equity being disclosed as part of "accumulated other comprehensive income".

Forward Looking Statements

Certain statements included in this Management Discussion and Analysis ("MD&A") constitute forward-looking statements, including those identified by the expressions "anticipate", "believe", "plan", "estimate", "expect", "intend", "may", "should" and similar expressions to the extent they relate to the Corporation or its management. The forward-looking statements are not historical facts but reflect current expectations regarding future results or events. This MD&A 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 also may be considered forward-looking statements, as such information constitutes a prediction of what mineralization might be found to be present if and when a project is actually developed. The estimates, risks and uncertainties described in this MD&A are not necessarily all of the important factors that could cause actual results to differ materially from those expressed in the Corporation's forward-looking statements. In addition, any forward-looking statements represent the Corporation's estimates only as of the date of this MD&A and should not be relied upon as representing the Corporation's estimates as of any subsequent date. The material factors and assumptions that were applied in making the forward-looking statements in this MD&A include: (a) execution of the Corporation's existing plans or exploration programs for each of its properties, either of which may change due to changes in the views of the Corporation, or if new information arises which makes it prudent to change such plans or programs; and (b) the accuracy of current interpretation of drill and other exploration results, since new information or new interpretation of existing information may result in changes in the Corporation's expectations. Readers should not place undue reliance on the Corporation's forward-looking statements, as the Corporation'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 Corporation's business, or if the Corporation's estimates or assumptions prove inaccurate. Therefore, the Corporation cannot provide any assurance that forward-looking statements will materialize. The Corporation disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.



8. Summary of Financial Results

The following table sets out a summary of the Corporation's results:

Table 7: Financial Position and Performance: Summary of Results (\$000's)		
	2005	2006
Statement of Loss and Deficit		
Exploration	\$ 644	\$8,379
Costs capitalized	-	(4,024)
Corporate costs	173	577
Depreciation	18	50
Interest income	(96)	(290)
Stock-based compensation	-	123
Other expenses	1	55
Net loss	740	\$4,870
Basic and diluted loss per share	\$0.06	\$0.20
Financial Position		
Assets		
Cash	\$5,378	\$10,074
AR and prepaids	81	266
Total current assets	5,459	10,340
Property, plant and equipment	56	672
Mineral property interests	-	4,024
Other assets and deferred charges	72	44
Total assets	5,587	15,080
Liabilities		
Accounts payable and accruals	87	1,591
Future income tax liability	-	406
Total liabilities	87	1,997
Shareholders' equity		
Common shares	5,841	18,417
Contributed surplus	-	126
Currency translation adjustment	399	150
Deficit	740	5,610
Total shareholders' equity	5,500	13,083
Total liabilities and equity	\$5,587	\$15,080
Weighted average # shares (000's)	12,973	24,024
Working capital	\$5,372	\$8,749
Cash Flows from		
Operating activities	\$(652)	\$(4,302)
Financing activities	5,702	12,184
Investing activities	(71)	(2,937)
Effect of exchange rate movements on cash	399	(249)
Net increase in cash	\$5,378	\$4,696

