

**INTERNATIONAL BARYTEX RESOURCES LTD.  
MANAGEMENT DISCUSSION AND ANALYSIS  
SIX MONTHS ENDED JUNE 30, 2006**

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**Date of Information**

The date of the information contained in this Management Discussion and Analysis (“MD&A”) is August 28, 2006 and it covers the period from January 1, 2006 through August 28, 2006. The following information should be read in conjunction with the unaudited and unreviewed financial statements for the six months ended June 30, 2006 and related notes attached thereto, which are prepared in accordance with Canadian generally accepted accounting principles.

This MD&A may contain statements that are forward-looking in nature, involving known and unknown risks and uncertainties such as general economic and business conditions, operating costs, changes in foreign currency exchange rates, and other factors. Since forward-looking statements address future events and conditions, by their nature, they involve inherent risks and uncertainties. Therefore, actual results may be materially different from those expressed or implied in such statements.

**Description of Business**

International Barytex Resources Ltd. (the “Company”) is a natural resource corporation currently engaged in the identification, acquisition, evaluation and exploration of mineral properties, especially with the potential to host base metals and is currently active in the Democratic Republic of Congo (“DRC”). The Company is a reporting issuer in British Columbia and trades on the TSX Venture Exchange under the symbol IBX.

**Overall Performance**

The Company is in the exploration and early development stage and has no operating revenue. Since the acquisition of the Shituru copper-cobalt Property in May 2005, the Company has devoted its resources towards development of this property located in the DRC.

During the six months ended June 30, 2006, there were 380,000 stock options and 3,664,165 warrants exercised to net the Company \$59,600 and \$5,129,831 respectively. Subsequent to the period end, the Company received a further \$23,100 from 16,500 warrants exercised at the price of \$1.40 per share.

During the six months ended June 30, 2006, the Company expended a total of \$60,021 in equipment costs, \$2,594,410 in property payment and acquisition costs, and \$1,702,521 in deferred costs. The majority of these expenditures are related to the Shituru Property. The Company has effectively earned 45% interest in the Shituru Property.

During the six months ended June 30, 2006, the Company incurred a net loss of \$469,311 which included non-cash expense of \$258,093 in stock-option compensation.

**Management**

On July 6, 2006, the Company announced the appointment of Mr. A. L. (Alf) Hills, P. Eng. as CEO and Director. Mr. Hills, a graduate of the University of British Columbia in Mining and Mineral Processing, has 30 years of experience in international mine evaluation, development and operating experience, 26 years of which were with Placer Dome Inc. Most recently he was Vice-President, Evaluations for Placer Dome with responsibilities for development and acquisition opportunities as well as other corporate activities, including project oversight. Mr. Hills

was a member of the joint venture board for the South Deep Gold Mine in the Republic of South Africa for a number of years and was involved in the acquisition of the North Mara Mine in Tanzania.

Mr. Hills was also responsible for monitoring Placer Dome's Mineral Resources and Mineral Reserves. He was part of the industry working groups that developed the CIM and SME guidelines for Mineral Resource and Mineral Reserve Estimation. He is also a member of the Technical Advisory and Monitoring Committee to the Canadian Securities Administrators'.

Prior to moving to Vancouver in 1999, Mr. Hills was Mine General Manager for 5 years at Placer's Kidston mine in Australia. Prior to Kidston he was involved in the 4-B development of the Porgera Mine and spent 5 years at the Misima Mine in PNE during construction, commissioning, start-up and operations.

Mr. Hills will take a leading role in directing the development of the Shituru copper-cobalt property in the Democratic Republic of Congo as well as assessing other mine development opportunities.

## **Exploration and Property Acquisition and Disposition**

### Mel Zinc-Lead-Barite Property

The Mel zinc-lead-barite property is located in the Watson Lake Mining Division, in southeast Yukon, approximately 100 kilometers northeast of the town of Watson Lake. International Barytex acquired from Breakwater Resources Ltd. ("Breakwater") a 100% interest in the Mel Property which currently consists of 257 claims. To date the Company paid a total of \$1,000,000 and incurred \$1,372,375 (including \$472,706 by Cominco) expenditures on the property. The Company also issued 600,000 common shares of the Company to Breakwater and has agreed to pay a royalty of 1% of any net smelter return from the property to Breakwater. The cost of the Mel project was written down to a nominal value of \$1 during the year ended December 31, 2004. Subsequent to December 31, 2004, all deferred exploration costs relating to this property were written off in the period when they were incurred. The Company still considers the Mel property to be of merit and expects to continue with exploration of the property when there is a sustained improvement in base metal prices.

### Barb Zinc-Lead-Silver Property

The Barb zinc-lead-silver property is located in the Watson Lake Mining Division in southeast Yukon, approximately 100 kilometers north of the town of Watson Lake. The property consists of 31 mineral claims. Historic exploration on the property has outlined a small deposit of zinc, lead, and silver. In 1998, an airborne geophysical survey conducted over the property outlined several geophysical anomalies that warrant testing.

The cost of the Barb property was written down to a nominal value of \$1 during the year ended December 31, 2004. Subsequent to December 31, 2004, all deferred exploration cost relating to this property were written off in the period when they were incurred. The Company still considers the Barb property to be of merit and expects to continue with exploration of the property when there is a sustained improvement in base metal prices. A program of ground geophysical surveying to detail potential drill targets is under consideration.

### China Project (Dulong Tin – Zinc Property)

The Dulong tin-zinc property is located in southeast Yunnan Province, China. The Company entered into a new agreement in January 16, 2003 with Asia Now Resources Limited ("AN") replacing a November 7, 2002 agreement with AN. Under the new agreement, the Company was granted an option to acquire all of AN's interest (up to 75%) in the Dulong tin-zinc property by issuing to AN 2,500,000 shares of the Company as follows:

- 625,000 shares upon receipt of a business licence by the joint venture company which is to be formed in China to hold the property;
- an additional 625,000 shares after expenditure by the Company of US\$1,500,000;
- an additional 625,000 shares after further expenditures by the Company of US\$2,500,000;
- the balance of 625,000 shares after further expenditure by the Company of US\$3,000,000.

The agreement is subject to approval by the Chinese authorities who are parties to the underlying agreements of the assignment of interest in the property (such approval has been granted), the issuance of a business licence to the joint venture company, and approval of the TSX Venture Exchange.

In May 2003, the Company received an Independent Technical Report by Hatch, an international engineering firm, on the Dulong tin-zinc property in Yunnan Province, China. The report states that “additional work on the technical and economic aspects of a future operation at Dulong is warranted to advance the project through a pre-feasibility study.” Hatch concludes that a significant Inferred Resource in the order of 51 million tonnes grading 5.02% zinc and 0.58% tin exists on the Dulong property, placing Dulong within the top three tin resources in China. Approximately 90% of the Inferred Resources on the Dulong property lies within the Manjianzhai portion of the property with the balance in Tongjie and other satellite showings. A large portion of the resource appears to be accessible by open-pit mining. Production records and underground development provide support for the Chinese surface drilling results and, by extension, the Inferred classification of the resource.

The following pre-feasibility work is recommended by Hatch:

1. Confirmation drilling and open-pit mine design.
2. Expanded metallurgical testing at a Canadian Laboratory to confirm process conditions and metal recoveries.
3. Scoping level environmental studies, including waste rock characterization and acid base accounting tests.
4. Site geotechnical investigation of potential tailings dam and waste rock storage areas.

It is estimated that a budget of between US\$1.2 to US\$1.4 million would be required to complete all the necessary field work, metallurgical test-work, drilling and related studies.

During the year ended December 31, 2004, the Company held further follow-up discussions in Yunnan, China and identified that the privatization process involving the Dulong tin-zinc property, initiated by the government has been completed. As a result a new company, The Yunnan Hualian Zinc-Indium Co. Ltd. will hold the rights to the Dulong mine. The Company is in discussions regarding involvement with the new company for the development of the Dulong project. It is not known when these discussions might be concluded or if they will be successful. The Company’s primary objective is to negotiate a suitable agreement.

Total costs of \$158,713 incurred on this project were written down to a nominal value of \$1 during the year ended December 31, 2004. The remaining balance was written off during the year ended December 31, 2005. Subsequent to 2005, all deferred exploration costs relating to this property were written off in the period when they were incurred.

#### Shituru Property, Congo

By agreement dated May 27, 2005 and subsequently amended on February 20, 2006 and April 26, 2006, the Company acquired an option to purchase up to an 86.67% interest in East China Capital Holdings Ltd. (“ECCH”) which company’s sole asset is an option to acquire a 75% share interest in the Shituru copper-cobalt deposit from Generale Des Carrieres et des Mines (“Gecamines”) by agreeing to provide all funds to place the property into production. When the option is fully exercised, the Company will indirectly hold a 65% interest in the Shituru Property which is located one kilometer east of the Gecamines hydro metallurgical complex on the eastern limits of the city of Likasi in the Democratic Republic of Congo. In accordance with the terms of the agreement, the Company agreed to pay a total of US\$5,000,000 and issue 6,950,000 common shares of the Company in stages as follows:

- (1) payment of US\$200,000 upon execution of the agreement (paid);
- (2) payment of US\$1,300,000 (paid) and issuance of 1,600,000 common shares (issued) of the Company to acquire a 30% interest in ECCH within five days following the later of the date when the agreement is

- accepted for filing with the TSX Venture Exchange and the date when the legal title to the Shituru Property has been transferred to a joint venture corporation (“TSX Acceptance Date”);
- (3) payment of US\$500,000 (paid) and issuance of 1,600,000 common shares (issued) of the Company on or before February 18, 2006 plus US\$500,000 on or before May 18, 2006 (paid) to acquire an additional 20% interest in ECCH;
  - (4) payment of US\$1,000,000 on or before May 18, 2006 (paid) to acquire an additional 10% interest in ECCH;
  - (5) payment of US\$1,500,000 and issuance of 2,150,000 common shares of the company to acquire an additional 5% interest in ECCH upon completion of a feasibility report and a production decision is made;
  - (6) issuance of 1,600,000 common shares of the Company to acquire an additional 21.67% interest in ECCH upon commencement of commercial production.

In addition to the above, the Company must also assume certain obligations with respect to the underlying option agreement between ECCH and Gecamines, which includes US\$300,000 payment within seven months of legal title transfer to the joint venture company, US\$700,000 payment within 30 days of submission of the feasibility study, and a further US\$1,500,000 payment in seven monthly payments commencing in the fourth month after the start of commercial production. The property is subject to a 1.5% to 2% net sales revenue royalty to be negotiated depending on the results of the feasibility study.

On September 20, 2005, TSX Venture Exchange has accepted for filing the acquisition of the Shituru Property. On November 18, 2005, the legal title to the Shiruru Property was transferred to the joint venture corporation.

As of June 30, 2006, the Company has effectively earned 45% interest in the Shituru Property.

On March 6, 2006, the Company initiated a drilling program on the Shituru Property. A second drill has been ordered and is expected to arrive in September. The initial drill program is designed to test the mineralization along an estimated strike length of 800 meters and will consist of about 5,000 meters of diamond drilling. Drilling will concentrate on testing the near surface oxide mineralization and the eastern extensions and western extensions of the deposit where elevated cobalt values have been identified. Testing the deposit to depth and a fill-in program at 50 m centers will also be undertaken.

Management remains focused on characterizing the oxide mineralization with the current exploration program. The presence of cobalt and copper sulphide mineralization at relatively shallow depth is encouraging, however, the significance cannot be determined at this early stage. The current drilling program, as planned, will provide a better indication of the potential of both the oxide and sulphide mineralization.

The drilling to date has intersected two parallel, south-dipping zones of stratiform copper-cobalt mineralization over significant thicknesses. The mineralization consists of predominately malachite with minor chrysocolla and chalcocite hosted in dolomitic sediments and volcanoclastic rocks occupying an anticlinal structure.

To date 24 diamond drill holes have been completed and the results of the first 10 diamond drill holes for which assays are available are summarized below. Metallurgical test work and engineering studies are currently underway.

HOLE NO.	SECTION DEP.	NORTH		FROM (m)	TO (m)	WIDTH (m)	ESTIMATED		
		LAT.	DIP.				TRUE WIDTH (m)	% Cu	% Co
<b>SM-01-06</b>	383,500	277,174	-45°						
Upper Zone				39.5	46.5	7.0	6.8	1.5	0.02
Lower Zone				79.6	112.0	32.4	30.0	5.6	0.08
<b>SM-02-06</b>	383,500	277,121	-51°						
Upper Zone				85.1	91.2	6.1	6.0	0.7	0.02
Lower Zone				134.8	178.3	43.5	41.0	1.5	0.03
Includes				134.8	139.2	4.4	4.3	4.6	0.02
<b>SM-02-06</b>	383,450	277,210	-45°						
Upper Zone				14.4	27.0	12.6	12.0	2.2	0.02
Lower Zone				62.6	94.2	31.6	30.0	3.6	0.05
Includes				82.2	89.8	7.6	7.0	5.4	0.05
<b>SM-04-06</b>	383,450	277,160	-45°						
Upper Zone				57.0	63.5	6.5	6.0	2.4	0.15
Lower Zone				110.9	155.0	44.1	40.0	4.8	0.07
Includes				136.6	150.5	13.9	13.5	6.2	0.02
Includes				150.5	154.0	3.5	3.2	12.7	0.55
<b>SM-05-06</b>	283,350	277,200	-45°						
New Zone				10.2	20.4	10.2	8.0	3.3	0.11
Upper & Lower Zone				30.0	110.7	80.7	71.0	6.1	0.03
Includes				62.3	105.2	42.9	38.0	8.9	0.03
Includes				87.0	105.2	18.2	17.0	13.5	0.03
<b>SM-06-06</b>	283,250	277,250	-45°						
New Zone				16.8	27.2	10.4	10.0	2.1	0.02
Upper & Lower Zone				37.9	96.1	58.2	58.0	5.6	0.03
Includes				72.6	89.4	16.8	10.5	10.8	0.02
<b>SM-07-06</b>	383,150	277,289	-45°						
New Zone				36.2	57.8	21.6	20.0	1.9	0.26
Upper & Lower Zone				67.7	102.1	34.4	33.0	1.1	0.05
Includes				79.0	85.8	6.8	5.0	2.0	0.08
<b>SM-08b-06</b>	383,450	277,159	-45°						
Upper Zone				69.6	74.9	5.3	5.0	8.8	0.04
Lower Zone				132.6	179.8	47.2	40.0	2.5	0.04
Includes				132.6	144.0	11.4	10.0	4.5	0.03
Includes				164.1	173.5	9.4	5.0	2.0	0.08
<b>SM-09-06</b>	383,600	277,154	-45°						
Upper Zone				31.3	36.3	5.0	5.0	1.3	0.02
Lower Zone				45.4	95.6	50.2	50.0	2.1	0.017
Includes				83.4	95.6	12.2	12.0	7.3	0.04
<b>SM-10-06</b>	383,600	277,113	-45°						
Upper Zone				46.9	51.3	4.4	4.3	0.5	0.047
Lower Zone				109.7	136.3	26.6	20.0	1.1	0.014
Includes				132.5	135.5	3.0	2.5	2.9	0.01

The assays for the first 4 holes indicate significant copper grades within the Lower Zone over wide intersections with local high-grade sections of copper. The mineralization in the Lower Zone averages 35 meters and in the Upper Zone averages 7.7 meters in estimated true thickness.

Hole No. SM-01-06 intersected the highest copper grade averaging 5.6% Cu over 32.4 meters and Hole SM-04-06 returned the widest intersection, 44.1 meters grading 4.8% Cu.

Significant cobalt values were intersected in 3 of the 4 holes within the Lower Zone. Hole SM-01-06 assayed 0.08% Co over 32.4 meters, Hole SM-03-06 assayed 0.05% Co over 31.6 meters and Hole SM-04-06 assayed 0.07% Co over 44.1 meters.

The first 2 drill holes (SM-01-06 and SM-02-06) were drilled on section 283,500E to confirm historic drill results. The next 2 holes, SM-03-06 and SM-04-06 were drilled on section 283,450E, and confirm that the Upper and Lower Zones dip approximately 50° to 60° south with both zones open to depth.

Hole SM-07-06, located on section 150 E, intersected oxide copper mineralization within the New Zone which assayed 1.9 % Cu and 0.26 % Co over 21.6 m (TW 20 m). This intersection and the intersection in hole SM-05-06 of 0.11 % Co over 10.2 m (TW 8 m) indicates that significant cobalt values are present in the interpreted western extension of the New Zone described in the Press Release dated May 30, 2006. The Lower Zone in SM-07-06 on section 150E, returned 1.07 % Cu over 34.4 m (TW 33 m). The hole was stopped due to drilling difficulties while still in Lower Zone stratigraphy. Hole SM-07-06 is 100 meters west of SM-06-06.

Hole SM-08b-06, located on section 450 E, intersected oxide copper mineralization in the Upper Zone which assayed 8.8 % Cu over 5.3 m and in the Lower Zone predominately sulphide mineralization was intersected that assayed 2.5 % Cu over a core length of 47.2 m (TW 40 m). This interval included two higher grade copper intersections that assayed 4.5 % Cu over 11.4 m (TW 10 m) and 4.3 % Cu over 9.4 m (TW 9.0 m). Hole SM-08b-06 was drilled down dip from SM-04-06, and confirms that the mineralization extends to a depth of at least 150 meters over significant widths and indicates a change from oxides to sulphides, namely chalcocite, bornite and chalcopyrite, takes place between 100 m and 150 m below the surface on this section. The continuation of the zone of high grade sulphide mineralization present in this hole will be tested by drilling below 150 meters for assessment of underground potential.

Hole SM-09-06, located on section 600 E, intersected 1.3% Cu over 5 m in the Upper Zone and 2.05 % Cu over 50.2 m (TW 50.0 m) in the Lower Zone.

Hole SM-10-06, located on section 600E and drilled below SM-09-06, intersected 0.5 % Cu over 4.4 m (TW 4.3 m) in the Upper Zone and 1.1% Cu over 26.6 m (TW 20 m) in the Lower Zone. Hole SM-09-06 and hole SM-10-06 were drilled on section 600 E, 100 meters to the east of SM-01 and SM-02.

Core samples were sent to Alfred H. Knight (Zambia) Limited laboratories located at Kitwe, Zambia for preparation and analysis. Alfred H. Knight (Zambia) Limited has ISO 17025 accreditation for analysis of minerals and metals. All samples were prepared to normal industry standards and assayed for total copper, acid soluble copper, total cobalt and acid soluble cobalt and CaO. In addition to the laboratory's internal quality control measures, the Company has implemented a quality assurance and quality control program which includes insertion of appropriate standards and blanks into the sample stream. All samples were prepared to normal industry standards and assayed for total copper, acid soluble copper, total cobalt and acid soluble cobalt and CaO. In addition to the laboratory's internal quality control measures, the Company has implemented a quality assurance and quality control program which includes insertion of appropriate standards and blanks into the sample stream.

Bruno Barde, P. Geo, Exploration Manager for the Company, is supervising the program. Mr. Barde is a qualified person as defined under National Instrument 43-101.

The Company continues to review other opportunities in the mineral resource industry.

Deferred Exploration Costs:

	Mel Property	Barb Property	Shituru Property	China Project	Total
<b>Three Months Ended June 30, 2006</b>					
Balance, March 31, 2006	\$ -	\$ -	\$ 1,105,559	\$ -	\$ 1,105,559
Addition during the period:					
Assay and analysis	-	-	2,052	-	2,052
Claim renewal fees	-	(1,470)	-	-	(1,470)
Depreciation	-	-	7,504	-	7,504
Drilling	-	-	470,691	-	470,691
Field expenses	-	-	195,559	-	195,559
Geological consultants	-	-	74,188	-	74,188
Office expenses	-	-	43,853	-	43,853
Office rent	-	-	8,989	-	8,989
Others	-	-	85,503	-	85,503
Preseasibility study	-	-	84,876	-	84,876
Travel and accommodation	-	-	105,371	13,909	119,280
Vehicle expenses	-	-	4,647	-	4,647
	-	(1,470)	1,083,233	13,909	1,095,672
Written off during the period	-	1,470	-	(13,909)	(12,439)
	-	-	1,083,233	-	1,083,233
Balance, June 30, 2006	\$ -	\$ -	\$ 2,188,792	\$ -	\$ 2,188,792
<b>Six Months Ended June 30, 2006</b>					
Balance, December 31, 2005	\$ -	\$ -	\$ 488,334	\$ -	\$ 488,334
Addition during the period:					
Assay and Analysis	-	-	355	-	355
Claim renewal fees	105	2,835	-	-	2,940
Depreciation	-	-	15,007	-	15,007
Drilling	-	-	591,271	-	591,271
Environmental study	-	-	12,000	-	12,000
Field expenses	-	-	384,385	-	384,385
Geological consultants	-	-	152,788	-	152,788
Metallurgy	-	-	1,697	-	1,697
Office expenses	-	-	69,222	-	69,222
Office rent	-	-	19,787	-	19,787
Others	-	-	154,197	-	154,197
Preseasibility study	-	-	84,876	-	84,876
Survey	-	-	11,916	-	11,916
Travel and accommodation	-	-	187,979	14,130	202,109
Vehicle expenses	-	-	14,978	-	14,978
	105	2,835	1,700,458	14,130	1,717,528
Written off during the period	(105)	(2,835)	-	(14,130)	(17,070)
	-	-	1,700,458	-	1,700,458
Balance, June 30, 2006	\$ -	\$ -	\$ 2,188,792	\$ -	\$ 2,188,792

## Selected Annual Information

Year Ended	Revenue (\$)	Operating Income (Loss) (\$)	Basic & Fully Diluted Loss per Share (\$)	Total Assets (\$)	Long Term Liabilities (\$)	Cash Dividend (\$)
December 31, 2005	77,135	(1,069,557)	(0.04)	5,332,196	Nil	Nil
December 31, 2004	20,766	(1,307,868)	(0.06)	709,492	Nil	Nil
December 31, 2003	11,369	(259,869)	(0.01)	1,456,118	Nil	Nil

The Company is in the exploration and early development stage and has no operating revenue except management fees charged to an affiliated company with common directors and management. In 2004 and 2005, the Company incurred significantly higher losses due to non cash expenses in stock-option compensation and losses from write-down of deferred costs. The cash operation losses for 2004 and 2005 were \$180,926 and \$241,107 respectively. Since inception, the Company has been incurring losses. It is estimated that the Company will continue to incur losses in the immediate future until a mineral property is developed and in commercial production.

As a result of the private placement of 4,540,607 common shares in 2005, the Company raised a total of \$4,863,125 net of share issuing expenses. In 2005, the Company expended \$1,835,678 in acquiring the Shituru property and \$480,370 in deferred costs. Accordingly, the Company significantly increased its assets to \$5,332,196 as of December 31, 2005. It is expected that the Company's annual expenditures will vary widely depending on the Company's ability to raise funds, drilling results from the mineral properties, metal prices, and the market conditions.

## Results of Operations

The Company's revenue during the three months ended consisted of management services provided to a junior mining company in the amount of \$10,140 (2005 - \$10,140) and interest income of \$20,577 (2005 - \$2,809). The Company's interest income was significantly higher than the same period last year due to cash received from warrants exercised. The Company recorded a net loss during the three months ended June 30, 2006 of \$146,010 as compared to \$80,976 during the same period last year. During the period, major expenses were as follows:

- i) Professional fees of \$27,287 (2005 - \$15,449) which included \$9,500 in audit fees, \$12,732 in legal and \$5,055 in accounting fees;
- ii) Management fees of \$16,500 (2005 - \$10,200);
- iii) Wages and benefits of \$24,949 (2005 - \$17,303) which included two full time and one part-time employees;

The Company's revenue during the six months ended consisted of management services provided to a junior mining company in the amount of \$20,280 (2005 - \$20,280) and interest income of \$38,048 (2005 - \$5,402). The Company's interest income was significantly higher than the same period last year due to cash received from warrants exercised. The Company recorded a net loss during the six months ended June 30, 2006 of \$469,311 as compared to \$118,396 during the same period last year. The increased loss was mainly due to stock-based compensation expenses.

During the six months ended June 30, 2006, major expenses were as follows:

- i) Stock-option compensation of \$258,093 (2005 - \$Nil) relating to deemed stock option benefits arising from granting of 150,000 stock options during the quarter;
- ii) Management fees of \$30,900 (2005 - \$20,400);
- iii) Wages and benefits of \$45,277 (2005 - \$36,678) which included two full time and one part-time employees;

- iv) Professional fees of \$34,979 (2005 - \$15,659) which included \$9,500 in audit fees, \$17,394 in legal and \$8,085 in accounting fees;

## Investor Relations

During the period, investor relations services were provided by the Company's employee, Mr. Ivan Bebek. Duties included acting as the Company's investor relations contact, preparing materials for publication purposes, maintaining the Company's website and handling investment dealer communications.

## Summary of Quarterly Results

Quarter Ended	Revenue (\$)	Operating Income (Loss) (\$)	Basic & Fully Diluted Loss per Share (\$)	Total Assets (\$)	Long Term Liabilities (\$)	Cash Dividend (\$)
June 30, 2006	30,717	(146,010)	-	16,281,464	Nil	Nil
March 31, 2006	27,611	(323,301)	(0.01)	11,295,900	Nil	Nil
December 31, 2005	31,236	(76,008)	(0.00)	5,332,196	Nil	Nil
September 30, 2005	20,217	(875,153)	(0.04)	5,505,335	Nil	Nil
June 30, 2005	12,949	(80,976)	(0.00)	949,490	Nil	Nil
March 31, 2005	12,733	(37,420)	(0.00)	1,024,457	Nil	Nil
December 31, 2004	12,753	(832,108)	(0.04)	709,492	Nil	Nil
September 30, 2004	2,771	(379,725)	(0.02)	1,473,343	Nil	Nil

During the last eight quarters, the Company's operating losses varied widely ranging from \$37,420 to \$875,153 per quarter. The fluctuation was caused by major non-cash expenses of a non-recurring nature such as stock-option compensation expenses and write-down of deferred costs. The following table shows the Company's operating losses before major non-cash expenses ranging from \$36,000 to \$130,000 per quarter.

Quarter Ended	Operating Income (Loss) (\$)	Stock-Option Compensation (\$)	Write-Down of Deferred Costs (\$)	Operating Income (Loss) before Major Non-Cash Expenses (\$)
June 30, 2006	(146,010)	-	15,694	(130,316)
March 31, 2006	(323,301)	258,093	1,376	(63,832)
December 31, 2005	(76,008)	-	1	(76,007)
September 30, 2005	(875,153)	818,584	1,470	(55,099)
June 30, 2005	(80,976)	-	1,785	(79,191)
March 31, 2005	(37,420)	-	1,155	(36,265)
December 31, 2004	(832,108)	63,000	731,937	(37,171)
September 30, 2004	(379,725)	264,600	420	(114,705)

It is estimated that the Company will continue to incur losses in the immediate future quarters until a mineral property is developed and in commercial production. The losses would continue to fluctuate widely depending on non-cash expenses such as stock-option compensation and write down of deferred costs during the quarter.

## **Liquidity and Capital Resources**

As at June 30, 2006, the Company had working capital of \$3,546,497 (December 31, 2005 - \$2,858,556), and cash and cash equivalent of \$3,222,528 (December 31, 2005 - \$2,362,071) and no long term debts. However, the Company will need to raise additional cash to finance a drilling program and meet all its future obligations.

During the six months ended June 30, 2006, the Company received \$59,600 from stock options exercised at an average price of \$0.16 per share and \$5,129,831 for warrants exercised at the price of \$1.40 per share. Subsequent to the period end 16,500 warrants were exercised for total proceeds of \$23,100.

During the annual general and special meeting on May 18, 2006, the Company passed a special resolution to increase its authorized common share capital to an unlimited number of common shares.

The Company's ability to continue as a going concern is dependant upon the ability of the Company to generate profitable operations in the future, and/or obtain the necessary financing to meet its obligations and repay its liabilities arising from normal business operations when they come due.

In August 2006 the Company arranged a non-brokered private placement of 4,883,721 units at the price of \$2.15 per unit which consists of one common share and one warrant. Each warrant entitles the holder to purchase one common share at the price of \$2.55 for a period of two years. The warrants will be subject to an acceleration clause whereby if the common shares of the Company trade above \$3.50 for a period of 20 consecutive trading days at any time after four months and one day after closing the private placement, the Company may require warrant holders to exercise the warrants within 30 days of formal notice from the Company. In consideration for the above financing, the Company will have to pay certain finders a total of \$269,610 in commissions, and 142,953 in finders' units with the same terms as the private placement units sold, and issue 447,255 in finders' warrants subject to the same terms as the private placement warrants. The TSX Venture Exchange has accepted the Company's filing with respect to this private placement.

## **Stock Options**

On January 10, 2006, the Company issued 25,000 stock options to Bruno Barde, who was appointed as Exploration Manager, exercisable at a price of \$1.54 per share for a period of five years. On July 5, 2006, 25,000 stock options were issued to Bruno Barde at a price of \$2.28 per share for a period of five years. On March 27, 2006, the Company issued 50,000 stock options to a consultant and 75,000 stock options to Michael Liu who was appointed as director of the Company, exercisable at a price of \$1.62 per share for a period of five years.

In July 2006, a new director was granted incentive stock options to purchase a total of 500,000 common shares of the Company at \$2.31 per share, subject to regulatory approval, with 200,000 options vested immediately and the remaining 300,000 vesting annually at 100,000 per year for the next 3 years. Any shares issued under the option granted will be subject to a 4 month hold period from the date of granting pursuant to the policies of the Exchange.

## **Related Party Transactions**

During the six months ended June 30, 2006, the Company paid \$30,900 (2005 - \$20,400) for management services to H. Leo King & Associates Inc., a company controlled by Leo King, the President of the Company. The Company entered into a contract with H. Leo King & Associates Inc. to provide management services. Effective February 1, 2006, the contract was revised to increase the fees for management services from \$3,400 to \$5,500 per month. Effective July 1, 2006, the contract was further revised to increase the fees for management services to \$7,500 per month for a period of three months renewable at the end of each period.

For the six months ended June 30, 2006, the Company incurred \$8,085 (2005 - \$4,200) for accounting services to Albert Wu & Associates Ltd., ("AW&AL") a private corporation controlled by Albert Wu who is the Chief Financial Officer of the Company. As of June 30, 2006, a balance of \$712 payable to AW&AL remained outstanding.

For the six months ended June 30, 2006, the Company paid \$26,300 (2005 - \$23,956) for secretarial and book-keeping services to Chelsia Cheam who is the Secretary of the Company.

As of June 30, 2006, a total of \$40,258 was due from Kobex Resources Ltd. (“Kobex”), Pacific Imperial Mines Inc. (“PPM”), certain directors and officers for travel advances, and a private corporation, with common directors and officers, for their share of the office rent, administration and general office expenses. The amount due was non-interest bearing, unsecured, with no fixed terms of repayment.

During the period, the Company wrote off bad debts of \$Nil (2005 - \$1,243) due by a related company.

### **Risk and Uncertainties**

The Company holds an interest in a mineral property in Congo and as such is exposed to the laws governing the mining industry in that country with respect to such matters such as taxation, repatriation of profits, restrictions on production, export controls, environmental compliance, and expropriation of property or limitations on foreign ownerships, as well as shifts in the political stability of the country and labour unrest, any of which could adversely affect the Company and its exploration and production activities in the country.

The Company’s business, results of operations, financial condition, and the trading price of its common shares could be materially adversely affected by any of the foregoing risks and by other risks, including risks related to development of mineral deposits, metal prices, title matters, reclamation costs, copper and cobalt price volatility, competition, additional funding requirements, insurance, currency fluctuations, conflicts of interest, and share trading volatility. Any of these risks could have a material adverse effect on the business, operations or financial condition of the Company.

### **Critical Accounting Estimates**

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities at the date of the financial statements and the reported amounts of certain revenue and expenses during the period. Actual results could differ significantly from those estimates. Specific items requiring estimates are accounts receivable, equipment, and amortization, asset retirement obligations, future income taxes, stock-option compensation and other accrued liabilities and contingent liabilities.

At June 30, 2006, the net book value of equipment amounted to \$125,245. Amortization of these costs is calculated on the declining balance method using estimated percentages.

The Company has estimated the present value of estimated future asset retirement costs for the Shituru Property to be \$Nil at June 30, 2006. Estimates of these closure costs and the expected timing of their incurrence are reviewed periodically. It is possible that the Company’s estimates of its ultimate asset retirement obligations could change as a result of changes in regulations, the extent of environmental remediation required, the means of reclamation, cost estimates or the estimated remaining ore reserves.

The Company recorded stock-option compensation expense of \$258,093 in the first quarter of 2006 based on an estimate of the fair value of the options on the grant date. This accounting required estimates of interest rates, life of options, stock price volatility and the application of the Black-Scholes option pricing model.

### **Off-Balance-Sheet Arrangements**

The Company has not entered into any off-balance-sheet arrangements.

### **Latest Outstanding Share Data**

As of August 28, 2006, the Company had the following outstanding securities:

(1)	Common Shares issued	35,464,101
(2)	Stock Options	2,295,000
(3)	Share Warrants	1,167,742