

**INTERNATIONAL BARYTEX RESOURCES LTD.
MANAGEMENT DISCUSSION AND ANALYSIS
THREE MONTHS ENDED MARCH 31, 2006**

Date of Information

The date of the information contained in this Management Discussion and Analysis (“MD&A”) is May 26, 2006 and it covers the period from January 1, 2006 through May 26, 2006. The following information should be read in conjunction with the unaudited and unreviewed financial statements for the three months ended March 31, 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 Congo. 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 Property in May 2005, the Company has devoted its resources towards development of this property.

During the three months ended March 31, 2006, there were 320,000 stock options and 86,250 warrants exercised to net the Company \$41,600 and \$120,750 respectively. Subsequent to the period end, the Company received a further \$1,903,230 from 1,359,450 warrants exercised at the price of \$1.40 per share and \$10,000 from 50,000 stock options exercised at the price of \$0.20 per share.

During the three months ended March 31, 2006, the Company expended a total of \$1,245,101 which included \$59,253 in equipment costs, \$574,750 in property payment and acquisition costs, and \$611,098 in deferred costs. The majority of these expenditures are related to the Shituru Property.

During the quarter, the Company incurred a net loss of \$323,301 which included non-cash expense of \$258,093 in stock-option compensation.

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 is 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 is 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.

In recent meetings held in China, the Chairman of Yunnan Hualian Zinc-Indium Co. Ltd. confirmed his interest in completing a business arrangement with the Company. The Company has been unable to get clarification from the Wenshan Prefecture regarding its underlying agreements with the Wenshan Prefecture and Yunnan Non-Ferrous Geology and Mining Ltd. on the Dulong property.

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, 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 of 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 (paid subsequent to March 31, 2006) on or before April 18, 2006 to acquire an additional 20% interest in ECCH;
- (4) payment of US\$1,000,000 on before July 18, 2006 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 of the Shiruru Property was transferred to the joint venture corporation.

On April 26, 2006, the Shituru Property agreement was again amended. The US\$500,000 and US\$1,000,000 cash payments that were due on April 18, 2006 and July 18, 2006 respectively have been changed to May 18, 2006, which the Company has now paid.

On March 6, 2006, the Company initiated a drilling program on the Shituru Property. To date, ten drill holes have been completed. On May 17, 2006, the Company announced assay results of the first 4 diamond drill holes as summarized below:

The drilling 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.

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 following is a summary of assay results from the first 4 diamond drill holes:

<u>HOLE NO.</u>	<u>SECTION</u> <u>DEP.</u>	<u>NORTH</u>		<u>FROM</u> <u>(m)</u>	<u>TO</u> <u>(m)</u>	<u>WIDTH</u> <u>(m)</u>	<u>ESTIMATED</u> <u>TRUE WIDTH</u> <u>(m)</u>	<u>% Cu</u>	<u>% Co</u>
		<u>LAT.</u>	<u>DIP.</u>						
SM-01-06									
Upper Zone	383,500	277,174	-45°	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
SM-02-06									
Upper Zone	383,500	277,121	-51°	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
SM-02-06									
Upper Zone	383,450	277,210	-45°	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
SM-04-06									
Upper Zone	383,450	277,160	-45°	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

A second drill has been ordered and is expected to arrive within one month. 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. Metallurgical test-work on a core sample composite is expected to begin shortly.

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.

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.

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:

Deferred exploration costs incurred during the three months ended March 31, 2006 are as follows:

	<u>Mel</u> <u>Property</u>	<u>Barb</u> <u>Property</u>	<u>Shituru</u> <u>Property</u>	<u>China</u> <u>Project</u>	<u>Total</u>
Balance, December 31, 2005	\$ -	\$ -	\$ 488,334	\$ -	\$ 488,334
Addition during the period:					
Amortization	-	-	7,503	-	7,503
Drilling	-	-	120,580	-	120,580
Environmental study	-	-	12,000	-	12,000
Field expenses	-	-	188,826	-	188,826
Geological consultants	-	-	78,600	-	78,600
Office administration	-	-	36,167	-	36,167
Permit and fees	105	1,050	11,613	-	12,768
Surveys	-	-	11,916	-	11,916
Travel and accommodation	-	-	82,608	221	82,829
Vehicle and equipment expenses	-	-	10,331	-	10,331
Wages	-	-	57,081	-	57,081
	<u>105</u>	<u>1,050</u>	<u>617,225</u>	<u>221</u>	<u>618,601</u>
Written off during the period	<u>(105)</u>	<u>(1,050)</u>	<u>-</u>	<u>(221)</u>	<u>(1,376)</u>
	-	-	617,225	-	617,225
Balance, March 31, 2006	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,105,559</u>	<u>\$ -</u>	<u>\$ 1,105,559</u>

Deferred exploration costs incurred during the three months ended March 31, 2005 and year ended December 31, 2005 were as follows:

	<u>Mel Property</u>	<u>Barb Property</u>	<u>Shituru Property</u>	<u>China Project</u>	<u>Total</u>
Balance, December 31, 2004	\$ -	\$ -	\$ -	\$ -	\$ -
Addition during the period:					
Permit and fees	105	1,050	-	-	1,155
	<u>105</u>	<u>1,050</u>	<u>-</u>	<u>-</u>	<u>1,155</u>
Written off during the period	<u>(105)</u>	<u>(1,050)</u>	<u>-</u>	<u>-</u>	<u>(1,155)</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance, March 31, 2005	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Balance, December 31, 2004	\$ -	\$ -	\$ -	\$ -	\$ -
Addition during the period:					
Amortization	-	-	12,374	-	12,374
Assays	-	-	58	-	58
Drilling	-	-	54,963	-	54,963
Field expenses	-	-	57,664	-	57,664
Geological consultants	-	-	115,871	-	115,871
Office expenses	-	-	44,433	-	44,433
Permit and fees	105	4,305	20,185	-	24,595
Travel and accommodation	-	-	156,619	-	156,619
Vehicle and equipment expenses	-	-	26,167	-	26,167
	<u>105</u>	<u>4,305</u>	<u>488,334</u>	<u>-</u>	<u>492,744</u>
Written off during the period	<u>(105)</u>	<u>(4,305)</u>	<u>-</u>	<u>-</u>	<u>(4,410)</u>
	<u>-</u>	<u>-</u>	<u>488,334</u>	<u>-</u>	<u>488,334</u>
Balance, December 31, 2005	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 488,334</u>	<u>\$ -</u>	<u>\$ 488,334</u>

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 currently consists of management services provided to a junior mining company in the amount of \$10,140 (2005 - \$10,140) and interest income of \$17,471 (2005 - \$2,593).

The Company recorded a net loss during the three months ended March 31, 2006 of \$323,301 as compared to \$37,420 during the same period last year.

During the three months ended March 31, 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 \$14,400 (2005 - \$10,200);
- iii) Wages and benefits of \$20,328 (2005 - \$19,375) which included two full time and one part-time employees;

Investor Relations

During the year ended December 31, 2005, 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 (\$)
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
June 30, 2004	1,921	(50,419)	(0.00)	1,412,003	Nil	Nil

During the last eight quarters, the Company's operating losses varied wildly ranging from \$37,420 to \$875,153 per quarter. The fluctuation was caused by major non-cash expenses of 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 were ranging from \$36,265 to 114,705 per quarter.

Quarter Ended	Operating Income (Loss) (\$)	Stock-Option Compensation (\$)	Write-Down of Deferred Costs (\$)	Operating Income (Loss) before Major Non-Cash Expenses (\$)
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)
June 30, 2004	(50,419)	-	1,890	(48,529)

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 March 31, 2006, the Company had working capital of \$1,643,452 (December 31, 2005 - \$2,858,556), and cash and cash equivalent of \$ 1,147,022 (December 31, 2005 - \$2,362,071) and no long term debts. However, the Company will need to raise additional cash to meet all its future obligations.

During the three months ended March 31, 2006, the Company received \$41,600 from stock options exercised at the price of \$0.13 per share and \$120,750 for warrants exercised at the price of \$1.40 per share.

Subsequent to the period end, 1,359,450 warrants and 50,000 stock options were exercised for total proceeds of \$1,903,230 and \$10,000 respectively.

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.

Stock Options

On January 10, 2006, the Company issued 25,000 stock options to Bruno Barde, who was appointed as Exploration Manager, exercisable at the a price of \$1.54 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.

Related Party Transactions

During the three months ended March 31, 2006, the Company paid \$14,400 (2005 - \$10,200) 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 \$33,400 to \$5,500 per month.

For the three months ended March 31, 2006, the Company incurred \$3,030 (2005 - \$210) 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 March 31, 2006, a balance of \$2,504 payable to AW&AL remained outstanding.

For the three months ended March 31, 2006, the Company paid \$14,450 (2005 - \$11,806) for secretarial and book-keeping services to Chelsia Cheam who is the Secretary of the Company.

An amount of \$50,483 is 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 is 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 March 31, 2006, the net book value of equipment amounted to \$133,436. 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 March 31, 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 May 26, 2006, the Company had the following outstanding securities:

(1)	Common Shares issued	33,219,136
(2)	Stock Options	1,780,000
(3)	Share Warrants	3,402,707