

**INTERNATIONAL BARYTEX RESOURCES LTD.  
MANAGEMENT DISCUSSION AND ANALYSIS  
THREE MONTHS ENDED MARCH 31, 2007**

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**Date of Information**

The information contained in this Management Discussion and Analysis (“MD&A”) covers the period from January 1, 2007 through May 24, 2007. The following information should be read in conjunction with the unaudited and unreviewed financial statements for the three months ended March 31, 2007 and related notes attached thereto, which are prepared in accordance with Canadian generally accepted accounting principles. Additional information relating to the Company is available on the Company’s website at [www.barytex.com](http://www.barytex.com) and the SEDAR website at [www.sedar.com](http://www.sedar.com).

**Forward-Looking Statements**

This MD&A may contain statements that are forward-looking in nature. These forward looking statements are made as of the date of this MD&A and the Company does not intend, and does not assume any obligation, to update these forward looking statements. Forwarding looking statements may include, but not limited to, statements with respect to future reclamation activities, future mineral exploration, the success of exploration activities, requirements for additional capital. Forwarding looking statements involve known and unknown risks and uncertainties and other factors which may cause the actual results to be materially different from any future results expressed or implied by the forwarding looking statements. Such factors include, among others, risks related to actual results of exploration activities, changes in economic and political conditions, future prices of gold and other commodities, changes in foreign exchanges rates, accidents, labour disputes, delays in obtaining governmental approvals or financing .

**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 Alberta 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. It is the Company’s goal to complete the development of the Shituru Property and place it into commercial production.

The key performance factors affecting the Company’s financial performance include copper and cobalt prices, ore grades, recovery rates, energy and transportation costs, cost control, efficient mine development, and the ability to raise additional capital.

During the year ended December 31, 2006, the Company completed a private placement of 4,883,721 units at the price of \$2.15 per unit for total proceeds of \$10,500,000 before share issuance costs. In addition, there were 480,000 stock options and 3,715,665 warrants exercised to net the Company \$91,900 and \$5,201,931 respectively. There were no financing activities during the current quarter.

During the three months ended March 31, 2007, the Company incurred a total of \$345,006 in equipment costs and \$1,826,117 in deferred costs. The majority of these expenditures are related to the Shituru Property. The Company has earned a 60% interest in East China Capital Holdings Ltd., which company’s sole asset is an option to acquire a 75% share interest in the Shituru copper-cobalt deposit in Democratic Republic of Congo.

During the three months ended March 31, 2007, the Company incurred a net loss of \$642,365 after allocating \$175,530 as project management fees to the Shituru Property. Non-recurrent expenses during the period included non-cash expense of \$745,286 in stock-option compensation and \$2,915 in write down of deferred costs.

## **Management Change**

On July 6, 2006, the Company announced the appointment of Mr. A.L. (Alf) Hills, P.Eng. as CEO and director. 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.

On May 25, 2007, the Company appointed Mr. Ted Muraro as Vice President Exploration. Mr. Muraro is currently a director of the Company.

On May 25, 2007, Mr. Michael Liu was appointed as member of the audit committee replacing Mr. William Phillipow.

## **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. The Company 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; and
- 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 property. 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. Callum Grant, P. Eng. of Hatch was the qualified person under National Instrument 43-101 for this estimate. 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 was 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 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 with the new company for the development of the Dulong project and negotiate a suitable agreement. However, it is not known when these discussions might be concluded or if they will be successful. The Company continues to monitor the development of this project.

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 (“DRC”). 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 to the vendors of the property 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 (not due);

- (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 (not due).

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 (paid) 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, the TSX Venture Exchange 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 March 31, 2007, the Company has earned a 60% interest in ECCH.

On March 6, 2006, the Company initiated a staged drilling program intended to quantify size, grade and mineralogy of the Shituru deposit as well as provide a representative sample for metallurgical testing. The program started with one drill; a second drill capable of drilling deeper holes was sourced for the program and commenced drilling in February 2007.

The initial drilling (Phase 1) consisting of about 4,000 metres was designed to explore the down-dip extension of the oxide mineralization historically mined by Gecamines and to test mineralization along strike. A total of 25 holes were drilled and this phase was completed late in 2006 and confirmed broad zones of copper oxide mineralization over about 800 metres of strike length. The widths of mineralization appear to narrow at the East and West ends of the deposit and sulphide mineralization was intersected about 180 metres below surface in the deepest holes drilled.

Recent drilling (Phase 2) has concentrated on near surface oxide mineralization, down-dip extensions and further testing of East and West extensions to the deposit. This phase of drilling includes a total of about 3,000 metres in 21 holes.

In April 2007, the Company started drilling for Phase 3 and so far about 5,300 meters in 29 holes have been completed.

The results indicate there is better grade copper oxide mineralization in the upper regions of the deposit generally confirming high copper grades reported from historic trenching by Gecamines. Cobalt grades are variable and appear to be of better grade at the extremities of the known deposit. The mineralization consists of predominately malachite with minor chrysocolla and chalcocite hosted in dolomitic sediments and volcanoclastic rocks occupying an anticlinal structure.

In summary, the Company has drilled a total of 12,200 meters in 75 holes. In general terms, drilling to date has intersected two parallel south-dipping zones of stratiform copper-cobalt mineralization over significant thicknesses. Near surface the mineralization appears pervasive, cuts lithology, and is of a higher grade than at depth. The Company considers the deposit to consist of zones of broadly stratabound mineralization typical of the Congo Copperbelt with dips varying from 60 to 85 degrees. Assays results to date show an average width of 72 meters over four zones with an average grade of 3.7% in copper and 0.07% in cobalt. Detailed results of these assays are available on the Company's website at [www.barytex.com](http://www.barytex.com)

Management remains focused on characterizing the oxide mineralization with the current exploration program to a level sufficient to support a Mineral Reserve estimate. The presence of copper sulphide mineralization at relatively shallow depths is encouraging and further depth testing will continue with the second drill now on-site.

Core samples were sent to Alfred H. Knight (Zambia) Limited laboratories located at Kitwe, Zambia and to ALS/Chemex located in Johannesburg for preparation and analysis. Alfred H. Knight (Zambia) Limited has ISO/IFC 17025 accreditation for analysis of minerals and metals and is SANAS accredited for Copper and Cobalt.

All samples were prepared to normal industry standards and assayed for total copper, acid soluble copper, total cobalt, acid soluble cobalt and Calcium oxide (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 drilling program and has reviewed the technical aspects of this management discussion and analysis. Mr. Barde is a qualified person as defined under National Instrument 43-101.

An initial Mineral Resource estimate is being prepared by an independent third party engineering firm. This estimate will be used as the basis for a Preliminary Assessment which will consider technical and economic aspects of the Shituru deposit. The Preliminary Assessment is expected to be completed in the third quarter of 2007 and will provide a scoping study level of detail for Shituru and identify areas requiring further study and refinement during the Feasibility Study. The company intends to proceed with a Feasibility Study following completion of the Preliminary Assessment.

The Company has engaged consultants to carry out a variety of scoping level engineering studies to assess the technical viability of developing the Shituru deposit. In particular a representative sample from the deposit is being tested to determine the most suitable metallurgical process for Shituru.

Relations with the community of Likasi, a town of approximately 250,000, have been cordial. Artisanal miners working at Shituru peacefully vacated the site early in 2006 after a period of discussion with the Company. The Company has employed about 200 local residents in the exploration program and is now a significant employer in the area. The Company received recognition for its community relations from Association of Lubumbashi Journalists of DRC on February 10, 2007.

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 March 31, 2007</b>					
Balance, December 31, 2006	\$ -	\$ -	\$ 4,925,513	\$ -	\$ 4,925,513
Addition during the period:					
Amortization	-	-	19,642	-	19,642
Assay and Analysis	-	-	108,401	-	108,401
Drilling	-	-	737,706	-	737,706
Field expenses	-	-	204,218	-	204,218
Geological consultants	-	-	132,172	-	132,172
Office administration	-	-	65,202	-	65,202
Permits and fees	2,915	-	-	-	2,915
Prefeasibility study	-	-	66,829	-	66,829
Project management fees	-	-	181,811	-	181,811
Salaries, wages and benefits	-	-	135,533	-	135,533
Taxes	-	-	8,580	-	8,580
Travel and accommodation	-	-	131,086	-	131,086
Vehicle and equipment expenses	-	-	32,022	-	32,022
	<u>2,915</u>	<u>-</u>	<u>1,823,202</u>	<u>-</u>	<u>1,826,117</u>
Written off during the period	<u>(2,915)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,915)</u>
	<u>-</u>	<u>-</u>	<u>1,823,202</u>	<u>-</u>	<u>1,823,202</u>
Balance, March 31, 2007	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,748,715</u>	<u>\$ -</u>	<u>\$ 6,748,715</u>

	Mel Property	Barb Property	Shituru Property	China Project	Total
<b>Year Ended December 31, 2006</b>					
Balance, December 31, 2005	\$ -	\$ -	\$ 488,334	\$ -	\$ 488,334
Addition during the period:					
Amortization	-	-	44,866	-	44,866
Assay and analysis	-	-	199,223	-	199,223
Drilling	-	-	1,444,725	-	1,444,725
Environomnetal study	-	-	12,000	-	12,000
Field expenses	-	-	619,541	-	619,541
Geological consultants	-	-	360,661	-	360,661
Office administration	-	-	234,508	-	234,508
Permits and fees	105	3,255	13,719	-	17,079
Prefeasibility study	-	-	94,347	-	94,347
Project management fees	-	-	459,764	-	459,764
Salaries, wages and benefits	-	-	374,567	-	374,567
Surveys	-	-	11,916	-	11,916
Taxes	-	-	198,159	-	198,159
Travel and accommodation	3,554	-	342,739	14,763	361,056
Vehicle and equipment expenses	-	-	26,444	-	26,444
	3,659	3,255	4,437,179	14,763	4,458,856
Written off during the period	(3,659)	(3,255)	-	(14,763)	(21,677)
	-	-	4,437,179	-	4,437,179
Balance, December 31, 2006	\$ -	\$ -	\$ 4,925,513	\$ -	\$ 4,925,513

## Results of Operations

### First Quarter Ended March 31, 2007

The Company's revenue during the three months ended March 31, 2007 consisted of management services provided to a junior mining company in the amount of \$10,140 (2006 - \$10,140) and interest income of \$101,372 (2006 - \$17,471). The Company's interest income was significantly higher than the same period last year due to cash received from the private placement and warrants exercised in 2006. The Company recorded a net loss during the three months ended March 31, 2007 of \$642,365 as compared to net loss of \$323,301 during the same period last year. During the quarter, major expenses were as follows:

- i) Stock-based compensation of \$745,286 (2006 - \$258,093) being option benefits for granting 540,000 stock options to directors, officers, and consultants
- ii) Professional fees of \$26,034 (2005 - \$7,692) which included \$1,700 in audit fees, \$10,859 in legal and \$13,475 in accounting fees;
- iii) Management fees of \$22,500 (2006 - \$14,400);
- iv) Cost recovery of \$175,530 (2005 - \$Nil) being project management fees allocated to Shituru Project;

## 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 (\$)
March 31, 2007	111,512	(642,365)	-	27,754,582	Nil	Nil
December 31, 2006	122,965	374,450	0.01	27,108,609	Nil	Nil
September 30, 2006	70,207	(511,506)	(0.01)	26,485,899	Nil	Nil
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

During the last eight quarters, the Company's operating losses varied widely. The fluctuations were caused by cost recovery from the Shituru Project as project management fees, expenses of a non-recurring nature such as stock-option compensation expenses and write-down of deferred costs.

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 are expected to 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, 2007, the Company had working capital of \$9,383,954 (December 31, 2006 - \$11,414,797), and cash and cash equivalent plus short-term investments of \$9,812,770 (December 31, 2006 - \$11,341,004) and no long term debts. The Company believes that it has sufficient funds to finance its operations for the next twelve months.

At 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 purpose of this change is to provide the Company with greater flexibility for future corporate activities and to allow the Company to raise additional funds from time to time without the limitation of the authorized share capital.

In September 2006 the Company completed a private placement of 4,883,721 units at the price of \$2.15 per unit which consists of one common share and one warrant to net the Company \$9,481,649 net of share issuing expenses. 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 \$278,273 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.

During the year ended December 31, 2006, the Company also received \$91,900 from stock options exercised and \$5,201,931 for warrants exercised. There were no financing activities during the current quarter.

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 March 19, 2007, the Company announced that it has granted stock options to directors, officers, employees and consultants to purchase a total of 540,000 common shares of the Company for a period of five years at a price of \$1.87 per share.

## **Related Party Transactions**

During the three months ended March 31, 2007, the Company paid \$22,500 (2006 - \$14,400) for management services to H. Leo King & Associates Inc. ("HLK"), a company controlled by Leo King, the President of the Company. On July 1, 2006, the Company entered into a contract with HLK to provide management services at the rate of \$7,500 per month for a period of three months renewable at the end of each period.

For the three months ended March 31, 2007, the Company incurred \$13,475 (2006 - \$3,030) for accounting services to Albert Wu & Associates Ltd., ("AWA") a private corporation controlled by Albert Wu who is the Chief Financial Officer of the Company.

During the three months ended March 31, 2007, the Company paid \$7,500 (2006 - \$Nil) for geological consulting services to Ted Muraro, a director of the Company.

As of March 31, 2007, a total of \$78,186 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.

The amounts due by or to related parties are non-interest bearing and are unsecured with no specific terms of repayment. These transactions are in the normal course of operations and are measured at the exchange amount, which approximates fair value and is the amount of consideration established and agreed to by the related parties.

## **Risk and Uncertainties**

The Company holds an interest in a mineral property in Democratic Republic of 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 agreements pursuant to which the Company acquired its interests in the properties provide that the Company must make a series of cash payments over certain time periods, expend certain minimum amounts on the exploration of the properties or contribute its share of ongoing expenditures. If the Company fails to make such payments or expenditures in a timely fashion, the Company may lose its interest in those properties. Further, even if the Company does complete exploration activities, it may not be able to obtain the necessary licenses to conduct mining operations on the properties, and thus would realize no benefit from its exploration activities on the properties.

The acquisition of title to resource properties or interests therein is a very detailed and time-consuming process. Title to and the area of resource concessions may be disputed. The Company has conducted an internal investigation of title to its significant resource properties. Based on a review of records maintained by the relevant government agencies in each country in which the Company has properties, and, based upon legal opinions prepared for the Company, there is no guarantee of title to any of the Company's properties. The properties may be subject to prior unregistered agreements or transfers and title may be affected by undetected defects. Title may be based upon interpretation of a country's laws, which laws may be ambiguous, inconsistently applied and subject to reinterpretation or change.

The business of mineral exploration and extraction involves a high degree of risk. Few properties that are explored are ultimately developed into production and there is a risk that none of the Company's properties is commercially viable. Unusual or unexpected formations, formation pressures, fires, power outages, labour disruptions, flooding, explosions, cave-ins, landslides and the inability to obtain suitable or adequate machinery, equipment or labour are other risks involved

in extraction operations and the conduct of exploration programs. There are also physical risks to the exploration personnel working in developing countries, often in poor climate conditions.

The Company has no experience in placing mineral deposit properties into production, and its ability to do so will be dependent upon using the services of appropriately experienced personnel or entering into agreements with other major resource companies that can provide such expertise. There can be no assurance that the Company will have available to it the necessary expertise when and if the Company places mineral deposit properties into production.

Previous mining operations may have caused environmental damage at certain of the Company's properties. It may be difficult or impossible to assess the extent to which such damage was caused by the Company or by the activities of previous operators, in which case, any indemnities and exemptions from liability may be ineffective. If any of the Company's properties is found to have commercial quantities of ore, the Company would be subject to additional risks respecting any development and production activities.

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 copper and cobalt prices, change of laws and regulations, enforcement of judgements, competition, dependence on key employees and consultants, additional funding requirements, insurance, currency fluctuations, conflicts of interest, and share trading volatility.

### **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, 2007, the net book value of equipment amounted to \$478,937. 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, 2007. 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-based compensation expense of \$745,286 based on an estimate of the fair value of the options granted. 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.

### **Disclosure and Internal Financial Reporting Control and Procedures**

The Company has evaluated its disclosure and internal financial reporting controls and procedures as of March 31, 2007 and concluded that the Company's disclosure and internal financial reporting controls and procedures, as at March 31, 2007, are effective in ensuring that material information is disclosed adequately and timely. The Company's disclosure and internal financial reporting controls and procedures can only provide reasonable assurance and not absolute assurance. The Company will re-evaluate its system and make necessary improvements from time to time.

## Latest Outstanding Share Data

As of May 24, 2007, the Company had the following outstanding securities:

(1)	Common shares issued	40,625,775
(2)	Stock options	2,735,000
(3)	Share warrants	6,606,671