

**INTERNATIONAL BARYTEX RESOURCES LTD.  
MANAGEMENT DISCUSSION AND ANALYSIS  
NINE MONTHS ENDED SEPTEMBER 30, 2006**

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**Date of Information**

The date of the information contained in this Management Discussion and Analysis (“MD&A”) is November 23, 2006 and it covers the period from January 1, 2006 through November 23, 2006. The following information should be read in conjunction with the unaudited and unreviewed financial statements for the nine months ended September 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.

Additional information relating to the Company is available on the SEDAR website at [www.sedar.com](http://www.sedar.com)

**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 nine months ended September 30, 2006, the Company completed a private placement completed a non-brokered private placement of 4,883,721 units at the price of \$2.15 per unit for a total proceeds of \$9,521,635, net of share issuance costs. In addition, there were 390,000 stock options and 3,715,665 warrants exercised to net the Company \$67,600 and \$5,201,931 respectively.

During the nine months ended September 30, 2006, the Company incurred a total of \$77,890 in equipment costs, \$8,450,410 in property payments and acquisition costs paid in cash and shares of the Company, and \$2,656,674 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 nine months ended September 30, 2006, the Company incurred a net loss of \$980,817 which included non-cash expense of \$630,169 in stock-option compensation and \$21,677 in write down of deferred costs.

**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 operations, 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 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 Mining Task Force & Advisory 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 with the 4-B development of the Porgera Mine in Papua New Guinea (PNG) and also spent 5 years at the Misima Mine in PNG 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. Callum Grant, P. Eng. of Hatch was the qualified person under NI43-101 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 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 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 September 30, 2006, the Company has earned 60% interest in ECCH.

On March 6, 2006, the Company initiated a diamond drilling program on the Shituru Property. A second is currently being assembled at the property. Phase One of the drill program, consisting of about 6,000 meters, is designed to explore the down-dip extension of the oxide mineralization historically mined by Gecamines and to test the mineralization along an estimated strike length of 800 meters. Drilling has concentrated on testing the near surface oxide mineralization and the eastern extensions and western extensions of the deposit.

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 of the sulphide mineralization 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 35 diamond drill holes have been completed and the results of the first 16 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-03-06</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

Hole No.	Section Dep.	North Lat.	Dip.	From (m)	To (m)	Width (m)	Estimated		
							True Width (m)	% Cu	% Co
<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
<b>SM-11-06</b>	283,700	277,118	-44°						
Upper Zone				1.8	5.4	3.6	3.6	1.1	0.02
Lower Zone				51.8	65.9	14.1	13.9	1.1	0.15
Includes				54.9	62.4	7.5	7.4	1.4	0.26
<b>SM-12-06</b>	283,799	277,110	-55°						
Upper Zone				17.9	27.6	9.7	9.5	0.2	0.18
<b>SM-13-06</b>	283,699	277,065	-55°						
Upper Zone				35.0	44.0	9.0	8.0	0.8	0.04
Lower Zone				121.3	127.6	6.3	5.0	0.7	0.22
<b>SM-14-06</b>	283,650	277,141	-44°						
Upper Zone				30.1	42.2	12.1	12.0	0.5	0.02
Lower Zone				56.9	87.6	30.7	30.0	2.1	0.11
Includes				56.9	66.0	9.1	9.0	3.7	0.04
Includes				82.6	87.6	5.0	4.8	7.2	0.67
<b>SM-15-06</b>	283,550	277,201	-60°						
Upper Zone				11.5	12.3	0.8	0.7	0.6	0.20
Lower Zone				56.8	94.0	37.2	30.0	4.1	0.05
Includes				70.9	87.0	16.1	14.0	7.6	0.10
<b>SM-16-06</b>	283,550	277,150	-44°						
Upper Zone				49.7	52.4	2.7	2.4	0.7	0.05
Lower Zone				90.3	112.4	22.1	20.0	6.9	0.11

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-06-06 intersected the highest copper grade over the wider portion of the combined upper and lower zones, averaging 5.6% Cu over 58 meters (estimated true width).

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 located stratigraphically above the upper and lower zones, 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 (TW 5 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 on this section 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.

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.

Hole SM15, located on section 550E, returned 4.1% Cu over a core interval of 37.2 meters (TW 30 m) in the Lower Zone. Please note that estimated true widths for all intersections are provided in the above table.

Hole SM16, located below SM15, intersected the Lower Zone at 80 meters below surface and returned 6.9% Cu and 0.11% Co over a core length of 22.1 meters (TW 20 m). The Upper and Lower Zones remain open at depth on this section.

Hole SM14, located on section 650E, intersected the Lower Zone returning 2.1% Cu and 0.11% Co over 30.7 meters (TW 30 m), including 7.1 % Cu and 0.67% Co over 5 meters.

Hole SM11 and SM13, located on section 700E, intersected low grade copper mineralization in the Lower Zone with significant cobalt assays for both holes. SM11 intersected 1.1% Cu and 0.15% Co over a core length of 14.1 meters (TW 13.9 m) in the Lower Zone. SM13 intersected 0.22% Co over a core length of 6.3 meters (TW 5.0 m). Poor ground conditions resulted in poor core recoveries in both holes and therefore the recovered sections may not be representative.

Hole SM12, located on section 800E, was drilled on the section representing the eastern limit of drilling to date. Although the drill hole intersected low grade copper, significant cobalt grading 0.18% Co over 9.7 meters was encountered in the Lower Zone. Further drilling is planned to test favorable stratigraphy extending to the east of section 800 E.

A shallow drilling program is currently under way to test high-grade copper grades reported from historic trenching carried out by Gecamines. In addition to fill-in drilling, it is anticipated that Phase 2 drilling will test for extensions to mineralization along strike and to depth.

Core samples are 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. 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 September 30, 2006</b>					
Balance, June 30, 2006	\$ -	\$ -	\$ 2,188,792	\$ -	\$ 2,188,792
Addition during the period:					
Amortization	-	-	13,503	-	13,503
Assay and analysis	-	-	50,240	-	50,240
Drilling	-	-	396,559	-	396,559
Field expenses	-	-	138,850	-	138,850
Geological consultants	-	-	63,065	-	63,065
Office administration	-	-	48,515	-	48,515
Permits and fees	-	420	-	-	420
Prefeasibility study	-	-	5,737	-	5,737
Travel and accommodation	3,554	-	116,941	633	121,128
Vehicle and equipment expenses	-	-	2,853	-	2,853
Wages	-	-	98,276	-	98,276
	3,554	420	934,539	633	939,146
Written off during the period	(3,554)	(420)	-	(633)	(4,607)
	-	-	934,539	-	934,539
Balance, September 30, 2006	\$ -	\$ -	\$ 3,123,331	\$ -	\$ 3,123,331
<b>Nine Months Ended September 30, 2006</b>					
Balance, December 31, 2005	\$ -	\$ -	\$ 488,334	\$ -	\$ 488,334
Addition during the period:					
Amortization	-	-	28,510	-	28,510
Assay and Analysis	-	-	52,292	-	52,292
Drilling	-	-	987,830	-	987,830
Environmental study	-	-	12,000	-	12,000
Field expenses	-	-	523,235	-	523,235
Geological consultants	-	-	215,853	-	215,853
Office administration	-	-	137,524	-	137,524
Permits and fees	105	3,255	13,719	-	17,079
Prefeasibility study	-	-	90,613	-	90,613
Surveys	-	-	11,916	-	11,916
Travel and accommodation	3,554	-	304,920	14,763	323,237
Vehicle and equipment expenses	-	-	17,831	-	17,831
Wages	-	-	238,754	-	238,754
	3,659	3,255	2,634,997	14,763	2,656,674
Written off during the period	(3,659)	(3,255)	-	(14,763)	(21,677)
	-	-	2,634,997	-	2,634,997
Balance, September 30, 2006	\$ -	\$ -	\$ 3,123,331	\$ -	\$ 3,123,331

## 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 \$60,067 (2005 - \$10,077). The Company's interest income was significantly higher than the same period last year due to cash received from the new private placement and warrants exercised. The Company recorded a net loss during the three months ended September 30, 2006 of \$511,506 as compared to \$875,153 during the same period last year. During the period, major expenses were as follows:

- i) Stock-based compensation of \$372,076 (2005 - \$818,584) being option benefits for 225,000 stock options granted and vested to directors, officers, and consultants;
- ii) Professional fees of \$8,132 (2005 - \$1,467) which included \$3,232 in legal and \$4,900 in accounting fees;
- iii) Management fees of \$22,500 (2005 - \$10,200);
- iv) Wages and benefits of \$68,679 (2005 - \$18,056) which included three full time and one part-time employees;

The Company's revenue during the nine months ended consisted of management services provided to a junior mining company in the amount of \$30,420 (2005 - \$30,420) and interest income of \$98,115 (2005 - \$15,479). 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 nine months ended September 30, 2006 of \$980,817 as compared to \$993,549 during the same period last year. Despite of the fact that the total losses were similar comparing to last year, actual administration expenses, excluding stock-based compensation expenses, actually increased by \$276,415 mainly due to increased corporate activities.

During the nine months ended September 30, 2006, major expenses were as follows:

- i) Stock-option compensation of \$630,169 (2005 - \$818,584) relating to deemed stock option benefits arising from 375,000 stock options granted and vested during the period;
- ii) Management fees of \$53,400 (2005 - \$30,600);
- iii) Wages and benefits of \$113,956 (2005 - \$54,734) which included two full time and one part-time employees;
- iv) Professional fees of \$43,111 (2005 - \$17,126) which included \$9,500 in audit fees, \$20,626 in legal and \$12,985 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 (\$)
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
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

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 \$37,000 to \$135,000 per quarter.

Quarter Ended	Operating Income (Loss) (\$)	Stock-Option Compensation (\$)	Write-Down of Deferred Costs (\$)	Operating Income (Loss) before Major Non-Cash Expenses (\$)
September 30, 2006	(511,506)	372,076	4,607	(134,823)
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)

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 September 30, 2006, the Company had working capital of \$12,738,708 (December 31, 2005 - \$2,858,556), and cash and cash equivalent of \$12,437,006 (December 31, 2005 - \$2,362,071) and no long term debts. The Company believes that it has sufficient funds to finance its operations for the next twelve months.

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 \$9,521,635 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 \$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.

During the nine months ended September 30, 2006, the Company also received \$67,600 from stock options exercised at an average price of \$0.17 per share and \$5,201,931 for warrants exercised at the price of \$1.40 per share.

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 a price of \$1.54 per share for a period of five years. On July 5, 2006, an additional 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, Alfred Hills, the new CEO and director was granted incentive stock options to purchase a total of 500,000 common shares of the Company at \$2.31 per share 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 nine months ended September 30, 2006, the Company paid \$53,400 (2005 - \$30,600) 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 nine months ended September 30, 2006, the Company incurred \$12,985 (2005 - \$5,250) 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 September 30, 2006, a balance of \$Nil payable to AW&AL remained outstanding.

As of September 30, 2006, a total of \$9,169 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 September 30, 2006, the net book value of equipment amounted to \$127,992. 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 September 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-based compensation expense of \$630,169 and share issuance costs of \$359,843 based on an estimate of the fair value of the options and finders' warrants on the grant dates respectively. 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 September 30, 2006 and concluded that the Company's disclosure and internal financial reporting controls and procedures, as at September 30, 2006, 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 and the Company will re-evaluate its system and make necessary improvements from time to time.

### **Latest Outstanding Share Data**

As of November 23, 2006, the Company had the following outstanding securities:

(1)	Common shares issued	40,535,775
(2)	Stock options	2,195,000
(3)	Share warrants	6,463,718