

JASPER MINING CORPORATION
Management's Discussion and Analysis (Form 51-102F1)
December 31, 2006

The following discussion and analysis of financial results for the year ending December 31, 2006 should be read in conjunction with the Corporation's audited consolidated financial statements as at and for the year ended December 31, 2006 and related notes thereto. Certain statements included in this discussion constitute forward-looking statements that involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements expressed or implied by such forward-looking statements. Such factors include general economic and business conditions, which among other things, affect demand for the Corporation's services; industry capacity; the ability of the Corporation to implement its business strategy; and changes in, or the failure to comply with government regulations, especially health, safety and environmental law, regulations and guidelines.

The date of this Management's Discussion and Analysis ("MD&A") is April 20, 2007.

OVERVIEW

Jasper Mining Corporation (the "Corporation"), is an Alberta provincially incorporated company that operates as a junior mining company in the Province of British Columbia through its wholly owned subsidiary Mountain Star Resources Ltd..

The carrying value of mineral properties reported in the Corporation's financial statements represents costs incurred to date, net of abandonment's and write-downs, and do not necessarily reflect present or future values. The ability of the Corporation to continue as a going concern and the recoverability of amounts shown for mineral properties is dependent upon the existence of economically recoverable mineral reserves, the ability of the Corporation to obtain necessary financing to complete their development and upon future profitable operations. These consolidated financial statements have been prepared on a going concern basis, which assumes the Corporation will be able to realize its assets and discharge its liabilities in the normal course of business in the foreseeable future. These consolidated financial statements do not include any adjustments that would be necessary should the Corporation be unable to raise sufficient capital and consequently be unable to continue as a going concern.

Jasper's sole business is the exploration and development of mining properties located in the Province of British Columbia. Jasper's business plan has been to acquire 100% working interest properties that have indications of known mineralization. The Corporation has undertaken an extensive review of the B.C. mines department's public records and private corporate records in order to locate properties that management of Jasper believe are mineral properties of merit. Jasper has acquired its properties by share purchase agreements, options to purchase, staking, and a combination of these methods.

Once acquired, Jasper's strategy has been to develop a systematic exploration approach, which generally includes gathering and assimilating all known reports and data on a particular property, conducting geological mapping to determine rock type and structure followed by geophysical work which usually includes airborne magnetic, electromagnetic and radiometric followed by diamond drilling, if warranted.

During 2006, the Corporation has raised additional funds to meet both its general and administrative expenses for the year, and to enable it to undertake further exploration and development on its mineral properties.

PORTFOLIO OF EXPLORATION PROPERTIES AND YEARLY ACTIVITY REPORT

The Corporation was not able to carry out work on all of the properties during 2006 but has kept them in good standing and has still to incur \$303,195 of flow through expenditures resulting from 2005 equity issues. All properties owned by the Corporation are considered to have potential for economic mineral development. During 2006, the Corporation expended \$2,568,962 on diamond drilling and exploration, soil sampling, Induced Polarization (IP) and airborne geophysics to evaluate many of its properties. Updates of work performed on the properties are outlined in the following descriptions which are categorized by possible type of deposit and principal mineral(s):

Graphite Veins Vowell Creek / Ruth Vermont

Vowell Creek - The Vowell Creek property comprises of 15,766 hectares (“ha”) (38,960 acres) located approximately 35 km south of Golden, British Columbia. Previous programs on the property were undertaken to evaluate potential for Sedimentary Exhalative.

The Vowell Creek property has been the focus of precious metal-enriched vein and/or replacement (manto) type mineralization since 1996. In an attempt to test the projected trend of the Ruth Vermont Vein System, an airborne survey was completed on the property in 2006, resulting in identification of two prominent geophysical anomalies on the northeast side of Vowell Creek. The Corporation is continuing to evaluate the graphite discovery. Two field trips were made to evaluate the gold potential. The Corporation is still in discussions with a large U.S. graphite producer but progress has been slow.

Polymetallic Veins

Sanca- The Sanca property consists of 11 separate claims comprising 5,335 ha (13,184 acres) located immediately east of Kootenay Lake in British Columbia. Significant work has been completed by the BC Geological Survey Branch over the past several years to assess the underlying Mount Skelly Batholith for intrusion-related gold potential. Aeroquest Surveys flew geophysics on the property and the geophysical signatures look promising and are still being evaluated.

Molybdenum Porphyry

Lydy - The property consists of 522 ha (1,364 acres) located east of the community of Grey Creek, east of Kootenay Lake in British Columbia.

A short diamond drill program was completed on the Lydy property in 2005. This property is being treated as a molybdenum exploration property.

McFarlane – The property is located immediately west of Kootenay Lake in British Columbia and is separated from the Lydy property by 1 km of competitor’s claims. Relatively extensive soil sampling was completed during 2005 along the existing road network. As a result of preliminary soil results, the available ground between the initial McFarlane property and the Lydy property was acquired.

In addition, a geophysical airborne survey was flown over the property in the early fall, comprised of magnetic, radiometric and electromagnetic. The final interpreted data have been received and the results are encouraging. The recent geophysics are still being evaluated and

indicate locations for new drill holes in the futures.

Management anticipates identification of molybdenum mineralization, hosted by Cretaceous age equivalents of the Bayonne Magmatic Suite, on either the Lydy and/or the McFarlane properties. Successful identification of such mineralization, particularly on the Lydy property, might reasonably be anticipated to lead to a possible joint venture between EPL (Sphinx property) and Jasper (Lydy property).

Organic and/or Shear-hosted Gold

Cascade - the property, located approximately 55 kilometers north of the community of Kaslo, British Columbia is comprised of approximately 1545 ha (3,819 acres), on the west side of the Lardeau River. The Corporation's soils geochemical work is still being evaluated.

Faith - the property is located approximately 38 km southwest of Cranbrook, British Columbia, in the headwaters of Kamma Creek, a tributary of the Goat River. The property consists of approximately 2,104 ha (5,199 acres), underlain by strata correlated to the Creston and Aldridge Formations of the Late Proterozoic Purcell Supergroup. Other than geological property visits, no significant work has been carried out on this property.

Punch Bowl - The 118 ha (293 acre) property is located adjacent to the British Columbia - Alberta border, south-southwest of Jasper, in the footwall of the Chatter Creek Thrust. The Corporation carried out no work on this property during the year.

Perry Creek - The property consists of 943 ha (2,331 acres), located southwest of Cranbrook, British Columbia, along one of the placer gold producing creeks in the area. The Corporation carried out no work on the property during the year.

Copper Molybdenum Porphyry

Isintok - The Isintok property is located approximately 30 km west of Summerland, British Columbia and south of the former Brenda Mine. A limited program late in 2005, comprised of 4 holes, documented thick intervals of anomalous (but not "ore grade") mineralization. However, due to winter conditions prevalent on the property during drilling, particularly with regard to accessing water, prevented the Corporation from drilling the holes in the intended locations. These holes on secondary objectives returned very encouraging results.

A geophysical airborne survey was flown over the property in the early fall of 2005, comprised of magnetic, radiometric and electromagnetic. The final interpreted data has been received and results are very encouraging and suggest several significant drilling targets.

The Corporation concentrated most of its efforts in 2006 on the Isintok property. An extensive soils geochemical program was carried out as well as an Induced Polarization (IP) survey. This work has resulted in the identification of a significant anomaly laying to the east of the all of the Corporation's 2006 and earlier drilling. The Corporation expects to drill this anomaly during 2007. Diamond drill results were announced in the Corporation's press release dated March 27, 2007.

Alaric - The property consists of 16 claims, comprising 1,250 ha (3,089 acres), located west of Summerland, British Columbia. Geophysics were flown during 2006 and are still being evaluated.

Proximal - The property is located immediately north of Cranbrook, British Columbia and consists of 300 ha (741 acres). Geophysics were flown during 2006 and are still being evaluated.

Polymetallic Veins

Memphis Creek - The property consists of 396 ha (978 acres), located between the communities of Slocan and Silverton, British Columbia immediately east of Slocan Lake. The Corporation carried out no work on the property during 2006.

Erie Creek - The property consists of 3,287 ha (8,122 acres), located north of Salmo along Erie Creek and west of Sultan Minerals Keno property. The Corporation carried out soils geochemistry and interpreted airborne geophysics on this property. A diamond drill program was stated in 2007 and is ongoing at this time.

Broken-Hill Type Pb-Zn

Irony - The property is located north of Revelstoke, British Columbia and southwest of Mica Dam, consisting of 2,375 ha (5,869 acres), immediately adjacent and contiguous with Selkirk Metals' Ruddock Creek property. The Corporation drilled a number of unsuccessful diamond holes and have gone back to the geophysical contractor and explained our difficulty with the interpretation and it has been agreed that the Corporation drilled on faulty interpretation and the geophysical contractor has given us seven of what they consider to be high grade locations where the Corporation expects to drill during 2007.

Cretaceous Granite Project

The properties comprising the Cretaceous Granite Project are all located along the east side of Kootenay Lake, British Columbia extending from the Sanca property northward to the Crawford property and includes the Baribeau, Copper Storm, Crawford, Lydy, McFarlane, Mt. Rice, Sanca and Sawyer properties.

Intrusion-related Gold

Baribeau - The property is located along Redding Creek, east of Kootenay Lake, consisting of 1,527 ha (3,773 acres). Limited soil sampling was completed on the property during 2005. No significant work was carried out on this property during 2006.

Copper Storm - The property consists of 315 ha (778 acres) located immediately northeast of the Mount Skelly Batholith, east of Kootenay Lake. Geophysics was flown during 2006 and are still being interpreted.

Crawford - The 522 ha (1,290 acre) property is located within the magnetic halo surrounding the Fry Creek Batholith and covers a small granitic exposure previously documented and exposed at surface. The Humbolt and Rose Pass MINFILE occurrences are located to the southwest and may indicate base metal mineralization associated with proximity to one (or more) Cretaceous intrusions. Geophysics was flown during 2006 and are still being interpreted.

Mount Rice - The 522 ha (1,290 acre) property similarly overlies a moderate magnetic signature located southwest of the Fry Creek Batholith and between the mapped exposures of the Sawyer stock (north) and Hall Creek stock (south). No significant work was carried out on this property

during the year.

Sawyer - The Sawyer property is located on a tributary of St. Marys River, west of Cranbrook, British Columbia. The property consists of 1,566 ha (3,869 acres) overlying a Cretaceous age intrusive body localized along the contact between the uppermost Purcell Supergroup and the lowermost Windermere Supergroup. Geophysics was flown during 2006 and are still being interpreted.

Diamonds

Summer - The Summer property consists of 271 ha (671 acres) located along Summer Creek, British Columbia, an east flowing tributary of the Bull River, in the western Rocky Mountains. No work was carried out on this property during 2006. The Corporation did not have an opportunity to collect bulk samples, but expect to have an opportunity in 2007.

RESULTS OF OPERATIONS

Three months ended December 31

During the three months ended December 31, 2006, the Corporation incurred a net loss of \$550,437 compared to a net loss of \$373,367 during the same 2005 period. The majority of the increase in the loss can be attributed to the following components:

- A \$92,318 increase in general and administrative expenses due to higher than expected 2005 annual report and audit fees (\$10,800); increase in regulatory fees (\$11,100); decrease in legal fees (\$30,800); increase in accounting fees (\$25,000); additional travel/entertainment expenses (\$17,200); increases in consulting fees (\$57,500); and other decreases of (\$2,600).
- A \$93,393 decrease in financing fees which were incurred in 2005 and paid to a related company that was owned by the Corporation's president to extinguish a tax burden created by the Corporation on the flow-through requirements that were not met during the required time period. The fee was paid through the issue of 373,573 shares valued at \$0.25 per share.
- A \$66,214 increase in stock-based compensation due to 2005 stock-based compensation expense related only to the options granted in 2005 whereas the 2006 amounts relate to options granted in both 2005 and 2006.
- A \$38,589 increase in Part XII.6 tax due to the amount and timing of qualifying flow-through expenditures incurred under the look-back rule. In 2006, the Company incurred \$2.5 million of flow-through expenditures under the look-back rule compared to \$0.7 million in 2005.
- A \$6,768 increase in interest revenue as term deposits held at December 31, 2005 were purchased in December 2005 whereas the balance of term deposits at December 31, 2006 was held throughout the 2006 fourth quarter period at a higher average balance.

Year ended December 31

During the year ended December 31, 2006, the Corporation incurred a net loss of \$1,121,350 compared to a net loss of \$523,007 in 2005. The increase in the loss for the year is primarily due

to increases in the same components discussed above, in the following amounts:

- A \$262,921 increase in general and administrative expenses due to higher than expected 2005 annual report and audit fees (\$40,700); increase in regulatory fees (\$71,700); increase in legal fees (\$20,600); increase in accounting fees (\$24,000); additional travel/entertainment expenses (\$29,200); increase in office (\$33,200); increases in consulting fees (\$57,500); and other increases of (\$8,100).
- A \$93,393 decrease in financing fee which were incurred in 2005 and paid to a related company that was owned by the Corporation's president to extinguish a tax burden created by the Corporation on the flow-through requirements that were not met during the required time period. The fee was paid through the issue of 373,573 shares valued at \$0.25 per share.
- A \$434,521 increase in stock-based compensation due to 2005 stock-based compensation expense related only to the options granted in 2005 whereas the 2006 amounts relate to options granted in both 2005 and 2006.
- A \$108,674 increase in Part XII.6 tax due to the amount and timing of qualifying flow-through expenditures incurred under the look-back rule. In 2006, the Company incurred \$2.5 million of flow-through expenditures under the look-back rule compared to \$0.7 million in 2005.
- An \$83,476 increase in interest revenue as term deposits held at December 31, 2005 were purchased in December 2005 whereas the balance of term deposits at December 31, 2006 was held throughout all of 2006 at a higher average balance. In 2006, the Corporation earned \$90,788 compared to \$7,312 in 2005 of interest revenue on cash invested in short-term deposits.

LIQUIDITY AND CAPITAL RESOURCES

As at December 31, 2006, the Corporation had working capital of \$1,206,588 compared to \$3,757,159 at December 31, 2005. The decrease in working capital is due primarily to net proceeds of \$560,181 raised through the issue of common and flow-through shares offset by \$2,568,962 of mineral property expenditures, \$43,923 of capital asset purchases, \$370,966 of funds used by operations and \$126,901 of other reductions.

FINANCING ACTIVITIES

During 2006, the Corporation issued the following equity instruments for net cash proceeds of \$560,181:

	Number	Amount
Common shares on the exercise of warrants	618,333	\$ 243,166
Flow-through common shares	100,000	50,000
Common shares on exercise of stock options	1,347,500	278,750
Reduced by:		
Cash share issue costs		(11,735)
	<u>2,065,833</u>	<u>\$ 560,181</u>

MINERAL PROPERTY AND OTHER CAPITAL SPENDING

During the year ended December 31, 2006, the Corporation incurred \$2,568,962 of cash expenditures on mineral properties as described under “Portfolio of Exploration Properties and Yearly Activity Report”.

In addition, the Corporation issued a total of 90,000 common shares on the acquisition of mineral properties:

- In April, the Corporation transferred 59 mining claim properties in British Columbia for 50,000 common shares and \$31,200 cash payment. The Corporation issued the common shares in May 2006 which were valued at \$25,000 based on the trading price of the Corporation’s shares on the date of issuance.
- Pursuant to an agreement signed in September 2006, two unrelated parties transferred 2 mining claim properties in British Columbia to the Corporation in exchange for 40,000 common shares of the Corporation and \$22,500 cash payment. The Corporation issued the common shares in November 2006 which were valued at \$14,000 based on the trading price of the Corporation’s shares on the date of issuance.

The Corporation also capitalized \$98,572 of stock-based compensation of two officers of the Corporation who are involved 100% in exploration and development of the Corporation.

2006 mineral property expenditures are summarized in the following table:

Property	Type of Expenditure	Amount
Vowell Creek	Acquisition	\$ 94,507
	Exploration	48,545
Isintok	Acquisition	75,699
	Exploration	1,082,748
Lydy/McFarlene	Acquisition	11,720
	Exploration	358,518
Proximal	Acquisition	–
	Exploration	29,524
Erie Creek	Acquisition	6,216
	Exploration	95,640
Irony	Acquisition	9,709
	Exploration	537,437
Other	Acquisition	24,185
	Exploration	332,086
		\$ 2,706,534

During 2006, the Corporation incurred a total of \$43,923 (cash) on other capital expenditures comprised of \$4,950 for land, \$10,697 for computer equipment and a \$28,276 for vehicles.

INCOME TAX

The Corporation's liability for future income tax and related provision for future income tax recovery increased in 2006 primarily due to the increase in the valuation allowance estimated against the Corporation's future income tax assets. Because the Corporation continues to generate losses and its related non-capital losses for tax purposes are beginning to expire, their actual use and recovery is uncertain. In addition, the Corporation did not increase the tax base of its mineral properties as the majority of mineral property expenditures incurred in the year are renounced out as flow-through expenditures.

As at December 31, 2006, the Corporation has approximately \$1,650,000 (2005 - \$1,500,000) in tax pools and \$1,385,000 (2005 - \$837,000) in non-capital losses available for deduction against future taxable income.

ASSET RETIREMENT OBLIGATIONS

At December 31, 2006, the Corporation did not estimate costs relating to future site restoration and abandonment to be in excess of recorded property deposits. The Corporation has made no provision for site restoration costs or potential environmental liabilities on the basis any such liability would not have a material effect on the December 31, 2006 or 2005 financial statements. Factors such as further exploration, inflation and changes in technology may materially change the cost estimate. Mineral property deposits totaling \$40,541 (2005 - \$27,500) have been paid to the Government of British Columbia and are refundable upon reclamation of areas impacted by mining exploration activities.

RELATED PARTY BALANCES AND TRANSACTIONS

In August 2005, the Corporation's shareholders approved the conversion of existing related party debt to equity. The total amount of outstanding debt extinguished by the Corporation was in the amount of \$225,000 for 900,000 common shares. An additional 373,573 shares were issued in the amount of \$93,393, to a related company that was owned by the Corporation's president to extinguish a tax burden created by the Corporation on the flow-through requirements that were not met during the required time period. Both conversions were recorded at \$0.25 per share which is the trading price of the shares as at the date the conversions were approved.

Except as disclosed elsewhere, the Corporation also had the following related party transactions:

- a) Legal fees of \$120,221 (2005 - \$141,825) relating to various financings were charged by the president's law firm and were capitalized to share issue costs, capital additions and general and administrative costs as follow: \$23,055; \$63,836; \$33,330
- b) Rent of \$22,075 (2005 - \$10,400) was charged by a Corporation owned by the president for rent and administrative services.
 - a. Consulting fees and rental fees of \$255,246 (2004 - \$197,789) paid to a company owned by an officer of the Corporation and capitalized to exploration and development costs. Transactions in the normal course of operations were recorded at exchange amounts, which is the amount of consideration established and agreed to by the related parties. Consulting fees of \$70,000 (2005 - nil) were paid to president.

SHARE CAPITAL

Common shares

The Corporation commenced 2006 with 44,829,220 shares outstanding. During the year the Corporation issued the following:

- 100,000 common shares on a flow-through basis through private placements
- 90,000 common shares in exchange for mineral properties
- 1,347,500 common shares on the exercise of stock options
- 618,333 common shares on the exercise of warrants

As at December 31, 2006, the Corporation had 46,985,053 common shares outstanding.

Subsequent to December 31, 2006, 600,000 warrants were exercised resulting in 47,585,053 common shares outstanding at the date of this MD&A.

Warrants

At the beginning of 2006, the Corporation had 8,232,440 warrants outstanding. During the year, 618,333 options were exercised and 205,000 expired. As at December 31, 2006, 7,409,107 warrants were outstanding.

Subsequent to December 31, 2006, 600,000 warrants were exercised, resulting in 6,809,107 warrants outstanding at the date of this MD&A.

Stock options

The Corporation had 3,575,000 stock options outstanding at the beginning of the year. During 2006, the Corporation granted 3,225,000 options and 1,347,500 options were exercised resulting in 5,452,500 options outstanding at December 31, 2006 and at the date of this MD&A.

COMMITMENTS AND CONTRACTUAL OBLIGATIONS

Flow-through expenditures

During 2006, the Corporation raised \$50,000 of flow-through share proceeds. The related tax benefits of the flow-through share proceeds will be renounced to investors in February 2007 with an effective date of December 31, 2006. The Corporation has until December 31, 2007 to incur the \$50,000 of qualifying flow-through expenditures. As at December 31, 2006, no related expenditures had been incurred.

In addition, the Corporation has \$303,195 of qualifying expenditures to incur related to flow-through proceeds raised in 2005 that remained unspent at December 31, 2006.

Work Credits

The Corporation's work on the Ruth/Vowell Creek, Lydy, Proximal, Isintok, Erie Creek and other properties have been credited towards the assessment requirement of the Province of British Columbia which puts the claims, leases and grants of the Corporation in good standing for a number of years. The Corporation will file its assessment report with the Government of the Province of British Columbia for the 2007 field work.

Other

The Corporation has not entered into any hedging contracts. The Corporation does not have any special purpose entities nor is it a party to any off-balance sheet arrangements.

THE YEAR AHEAD

The Management of the Corporation believes that the exploration for economic deposits in British Columbia is a high risk program. The results that the Corporation has obtained to date justify continued exploration on all of its properties. The financial reward of success in mining exploration would be significant.

SELECTED QUARTERLY INFORMATION

\$	2006			
	March 31	June 30	September 30	December 31
Mineral properties	3,207,770	4,004,225	5,086,688	5,804,075
Total assets	7,327,030	7,569,462	7,749,682	7,630,104
Working capital	3,831,105	3,060,869	2,016,825	1,206,588
Shareholders' equity	5,702,722	5,953,355	6,013,018	5,985,178
Net loss	(153,524)	(168,228)	(249,161)	(550,437)
Net loss per share	–	–	(0.01)	(0.01)
\$	2005			
	March 31	June 30	September 30	December 31
Mineral properties	2,200,949	2,373,144	2,784,618	3,097,541
Total assets	2,973,791	2,822,995	4,213,719	7,322,190
Working capital	664,393	315,593	1,209,303	3,757,159
Shareholders' equity	1,890,680	1,859,079	3,433,757	6,617,335
Net loss	(34,935)	(51,397)	(63,075)	(373,600)
Net loss per share	–	–	–	(0.02)

BUSINESS AND OPERATIONAL RISKS

The Corporation is a mineral exploration company and is exposed to a number of risks and uncertainties that are common to companies in the same business. These risks and uncertainties include, among other things, the speculative nature of mineral exploration and development activities, the Corporation's need for additional funding to continue its exploration efforts, operating hazards and risks incidental to mineral exploration, the Corporation's properties are in

the exploration stage only and do not contain a known body of commercial ore, uncertainties associated with title to mineral properties, changes in general economic, market and business conditions; competition for, among other things, capital, acquisitions of mineral properties and skilled personnel; ability to obtain required mine licenses, mine permits and regulatory approvals required to proceed with mining operations; ability to comply with current and future environmental and other laws; actions by governmental or regulatory authorities including increasing taxes and changes in other regulations; and the occurrence of unexpected events involved in mineral exploration, development and production.

Being a junior exploration mining company, the Corporation's ability to raise the necessary financings for future exploration depends to a large degree on commodity price trends, general investor sentiment for companies in the mining exploration sector and the Corporation's ability to confirm the existence of sought after minerals in sufficient quantities and quality on its exploration lands. Management of the Corporation is of the view that these risks faced by the Corporation are no greater than with risks encountered by its peers.

CRITICAL ACCOUNTING ESTIMATES

The Corporation's financial statements are prepared in accordance with Canadian generally accepted accounting principles. A comprehensive discussion of the Corporation's significant accounting policies is contained in Note 2 to the audited financial statements for the year ended December 31, 2006. The Corporation's significant accounting policies are subject to estimates and key judgments about future events, many of which are beyond management's control.

The Corporation believes the following are the most critical accounting estimates used in the determination of its financial results:

Valuation of mineral properties

The Corporation records its interest in mineral claims and properties at cost whereby all direct and indirect costs of acquiring, exploring for and developing mining properties are capitalized as separate areas of interest. When the areas of interest are brought into production, the costs will be amortized using the unit-of-production method based on estimated proved reserves. Where a property shows no promise from prior exploration results and is dormant, the claims may be allowed to lapse, and would be written down to a nominal value where an interest in claims remained. Management will also determine if an exploration property is impaired, and whether the carrying value of such property should be written down and whether exploration costs incurred should be charged against earnings rather than being deferred, on each occasion that financial statements are issued.

Income taxes

The Corporation records future tax assets and liabilities to account for the expected future tax consequences of events that have been recorded in its consolidated financial statements and its tax returns. These amounts are estimates and the actual tax consequences may differ from the estimates due to changing tax rates and regimes, as well as changing estimates of cash flows and capital expenditures in current and future periods. A valuation allowance is recorded to the extent that there is uncertainty regarding utilization of future tax assets.

Stock-based compensation

Stock-based compensation expense is recorded in the statement of loss and deficit for all options granted based on the estimated fair value at the time of the grant and recognized as expense over the vesting period of the option. The fair value of options is estimated using the Black-Scholes pricing model based on estimates and assumptions for expected life of the options, expected volatility, risk-free interest rate and dividend yield.

CHANGE IN ACCOUNTING POLICIES

The Canadian Institute of Chartered Accountants (“CICA”) has issued a number of accounting pronouncements, some of which may impact the Corporation’s reported results and financial position in future periods:

Comprehensive Income / Financial Instruments / Hedges

The CICA issued new standards in early 2005 for Comprehensive Income (CICA 1530), Financial Instruments – Recognition and Measurement (CICA 3855), Financial Instruments – Disclosure and Presentation (CICA 3861) and Hedges (CICA 3865), all of which are effective for fiscal periods beginning on or after January 1, 2007.

The standards require the inclusion of all financial instruments on a company’s balance sheet at their fair value, other than held-to-maturity investments, loans and receivables. Held-to-maturity investments, loans and receivables would be measured at their amortized cost. The standards create a new statement of comprehensive income that will include changes in fair value of certain derivative financial instruments.

The Corporation elects to mark-to-market its derivative contracts under its risk management program. The accounting for hedging relationships for prior fiscal years is not retroactively changed. Therefore, management expects no restatement of prior periods as a result of these new standards.

As the Corporation does not have any hedges in place, the new pronouncements do not impact the Corporation’s current financial position.

International Financial Reporting Standards (“IFRS”)

Over the next five years, the CICA will adopt its new strategic plan for the direction of accounting standards in Canada as ratified in 2006. As part of that plan, Canadian accounting standards for public companies will converge with IFRS. The Company will continue to monitor and assess the impact of the planned convergence of Canadian GAAP with IFRS.

DISCLOSURE CONTROLS AND PROCEDURES

Disclosure controls and procedures have been designed to ensure that information required to be disclosed by the Company is accumulated and communicated to our management as appropriate to allow timely decisions regarding required disclosure. The Company’s Chief Executive Officer and Chief Financial Officer have concluded, based on their evaluation as of December 31, 2006, that the Company’s disclosure controls and procedures are effective to provide reasonable assurance that material information related to the Company, is made known to them by others with the entity. It should be noted that while the Company’s Chief Executive Officer and Chief Financial Officer

believe that our disclosure controls and procedures provide a reasonable level of assurance and that they are effective, they do not expect that the disclosure controls and procedures will prevent all errors and fraud. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Chief Executive Officer and Chief Financial Officer of the Company are responsible for designing internal controls over financial reporting or causing them to be designed under their supervision in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP. We have assessed the design of our internal control over financial reporting and during this process we have identified certain weaknesses in internal controls over financial reporting which are follows:

- Due to the limited number of staff at the Company, it is not possible to achieve complete segregation of duties; and
- Due to the size of the Company and the limited number of staff, the Company does not have the technical accounting expertise and knowledge to address all complex and non-routine accounting transactions that may arise.

These weaknesses in the Company's internal controls over financial reporting result in a more than remote likelihood that a material misstatement would not be prevented or detected. Management and the board of directors work to mitigate the risk of material misstatement in financial reporting. In addition, when complex accounting and technical issues arise during preparation of the quarterly financial statements outside consulting expertise is engaged. In spite of management's best efforts, there can be no assurance that this risk can be reduced to less than a remote likelihood of a material misstatement.

LIST OF DIRECTORS AS OF DECEMBER 31, 2006

Gordon F. Dixon, Q.C.
 Steven C. Funk
 John A. Dixon
 Ronald W. Shepherd
 Jean-Pierre Pelletier
 Tiro Clarke
 Frederick W. Shandro

LIST OF OFFICERS AS OF DECEMBER 31, 2006

Gordon F. Dixon, Q.C. - President and CEO
 John A. Dixon - Secretary
 Richard T. Walker - Vice-President, Exploration
 Susan Lawrence - Assistant Secretary
 Dena Dixon - Assistant Treasurer