

**JASPER MINING CORPORATION**  
**Management's Discussion and Analysis (Form 51-102F1)**  
**September 30, 2006**

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The following discussion and analysis of financial results as at September 30, 2006 and for the three and nine months then ended should be read in conjunction with the Corporation's unaudited September 30, 2006 consolidated financial statements and related notes as well as the audited consolidated financial statements and related notes for the year ended December 31, 2005. 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 November 27, 2006.

**It is assumed by Management that the reader has access to the previously filed MD&A.**

## **OVERVIEW**

Jasper Mining Corporation ("Jasper" or the "Corporation"), is an Alberta provincially incorporated company that operates as an exploration 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 abandonments 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 public records at the British Columbia Mines Department and of 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 geochemical sampling and then sometimes allowed ground geophysics and then generally followed by diamond drilling.

The Corporation has raised additional funds to meet both its general and administrative expenses

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for the year, and to enable it to undertake further exploration and development on its mineral properties.

During the nine month period ending September 30, 2006, the required assessment reports were filed with the Government of the Province of British Columbia with respect to the Corporation's mining properties. At present, all 21 of the Corporation's properties are in good standing.

The Corporation's 2006 exploration program has resulted in extensive diamond drilling on the McFarlane, Proximal, Isintok and Irony properties. The Corporation had four soils sampling crews in the field on the Corporation's properties, collecting soil samples for geochemical analysis. The results are presently being analyzed.

The Corporation has used two geophysical contractors, both using airborne geophysics, on the Corporation's properties. The two contractors are Fugro Airborne Surveys and Aeroquest Surveys. To date in 2006, the Corporation has flown airborne geophysics on its Proximal, McFarlane, Irony, Isintok, Sawyer, Crawford and Storm King and some of its other properties. Results from all of the surveys are, in the opinion of management, encouraging.

The Corporation's exploration plans for the balance of the 2006 exploration season are to continue drilling on its Irony property and then return to exploration on its Isintok property. The actual timing of the exploration on the Corporation's various properties will vary as a result of weather related issues.

## **RESULTS OF OPERATIONS**

### **Three and nine months ended September 30**

During the three and nine months ended September 30, 2006, the Corporation incurred a net loss of \$249,161 and \$570,913, respectively. The Corporation's net loss for the comparative 2005 periods was \$63,075 and \$149,407, respectively. The majority of the increase in the 2006 figures is due to general and administrative expenses, interest and stock based compensation, offset by interest income and future income tax recovery.

The Corporation earns interest on proceeds from private placements completed in the latter part of 2005, which were invested in term deposits. During the three and nine months ended September 30, 2006, the Corporation earned \$23,111 and \$76,708 of interest, respectively. The Corporation did not earn any interest in the comparative 2005 periods.

General and administrative expenses for the nine months ended September 30, 2006 were \$252,878 compared to \$70,275 for the same 2005 period. The increase is due to: higher than expected 2005 annual report and audit fees (\$31,800); increase in regulatory fees (\$41,200); increase in legal fees (\$51,300); increase in accounting fees (\$15,700); additional travel expenses (\$21,000); increases in office expenses (\$17,000) and insurance (\$4,200). General and administrative expenses for the third quarter of 2006 were \$146,013 compared to \$24,950 for the third quarter of 2005, due to increases in the same expense categories detailed above. The increases and additional expenses are commensurate with the increase in the exploration activity on the Corporation's mineral properties.

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Stock-based compensation for the three and nine months ended September 30, 2006 was \$97,461 and \$421,522, respectively, compared to \$33,419 and \$53,215 for the same 2005 periods. The fair value of options is estimated at the time of grant and recognized as stock-based compensation expense on a straight-line basis over the vesting period of the options. 2005 stock-based compensation expense relates only to options granted in June 2005, whereas the 2006 amounts relate to options granted in both 2005 and 2006.

Interest expense for the three and nine months ended September 30, 2006 was \$21,994 and \$82,085, respectively compared to \$2,400 and \$12,000 for the 2005 periods. Interest expense relates to interest on the unspent portion of flow-through proceeds raised in 2005 and 2004. In addition, in 2005 there was interest expense on related party debt that was repaid in August 2005.

During the three and nine months ended September 30, 2006, the Corporation recorded a future income tax expense of \$1,769 and reduction of \$123,492, respectively. The reduction of future income taxes is primarily due to the Corporation's net loss adjusted for non-deductible expenses, such as stock-based compensation expense, combined with a decrease in corporate tax rates.

**Restatement of prior interim financial statements**

The Company restated the financial statements as at and for the six months ended June 30, 2006 for stock-based compensation related to 380,000 stock options approved by the Company's Board of Directors in April and May 2006. Because the Company did not obtain the approval of the TSX Venture Exchange, the options were not granted. As a result, the related stock-based compensation in the amount of \$70,569 has been reversed. The stock based compensation expense for the six months was previously reported as \$394,630. The restated amount, after the adjustment of \$70,569, is \$324,061. The adjustment for restatement is included in the discussion of stock-based compensation for the nine months ended September 30, 2006, above.

**SELECTED QUARTERLY INFORMATION**

\$	2006		
	March 31	June 30	September 30
		(restated)	
Mineral properties	3,207,770	4,004,225	5,086,688
Total assets	7,327,030	7,569,462	7,749,682
Working capital	3,831,105	3,060,869	2,016,825
Shareholders' equity	5,702,722	5,953,355	6,013,018
Net loss	(153,524)	(168,228)	(249,161)
Net loss per share	-	-	(0.01)

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**SELECTED QUARTERLY INFORMATION** (continued)

\$	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)

\$	2004			
	March 31	June 30	September 30	December 31
Mineral properties	1,538,014	1,553,987	1,567,191	1,626,512
Total assets	1,592,372	1,590,726	1,650,641	2,372,860
Working capital	(39,100)	(81,559)	21,529	653,119
Shareholders' equity	893,755	861,584	900,671	1,311,544
Net loss	(17,711)	(32,172)	(9,978)	(171,845)
Net loss per share	-	-	-	-

**LIQUIDITY AND CAPITAL RESOURCES**

Funds used in operations for the three and nine months ended September 30, 2006 were \$145,484 and \$259,542, respectively as compared to \$24,950 and \$70,275 for the same 2005 periods. The increase in funds used in operations is due to the increase in both general and administrative expense and interest expense offset by interest income as described in the "Results of Operations" section.

As at September 30, 2006, the Corporation had working capital of \$2,016,825 compared to \$3,757,159 at December 31, 2005. The decrease is due to: \$1,908,776 of mineral property expenditures; \$43,923 of capital asset additions; \$34,992 addition to mineral property deposits; \$11,416 repayment of long-term debt; and \$259,542 of funds used in operations offset by \$518,316 of cash proceeds received on the exercise of stock options and warrants.

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**FINANCING ACTIVITIES**

During the nine months ended September 30, 2006, the Corporation raised \$518,316 of net cash through the exercise of 1,347,500 stock options and 618,333 warrants.

**MINERAL PROPERTY AND OTHER CAPITAL SPENDING**

During the three and nine months ended September 30, 2006, the Corporation incurred \$1,082,463 and \$1,989,147, respectively, of expenditures on mineral properties. Of the expenditures, \$10,546 and \$80,371, respectively, was paid by the issue of common shares and stock options in the three and nine months ended September 30, 2006.

The expenditures are classified between acquisition and exploration as follows:

Property	Three months ended September 30		Nine months ended September 30	
	Acquisition	Exploration	Acquisition	Exploration
Vowell Creek	\$ —	\$ —	\$ 42,476	\$ 71,433
Isintok	—	270,776	56,574	476,572
Lydy/McFarlene	—	109,360	—	307,134
Proximal	—	275	—	28,598
Erie Creek	—	12,455	6,499	48,355
Other	10,546	679,010	31,922	919,584
	<u>\$ 10,546</u>	<u>\$ 1,071,917</u>	<u>\$ 137,471</u>	<u>\$ 1,851,676</u>

**INCOME TAXES**

In the first quarter of 2006, the Corporation renounced the 2005 flow-through proceeds to the investors and filed the appropriate documents with the tax authorities. The related tax effect of the flow-through shares in the amount of \$1,053,614 was recorded to share capital. In addition, the Corporation recorded a future income tax reduction of \$123,492 for the nine month period.

As at September 30, 2006, the Corporation has approximately \$1,600,000 in tax pools and \$1,000,000 in non-capital losses available for deduction against future taxable income.

**RELATED PARTY BALANCES AND TRANSACTIONS**

Except as disclosed elsewhere in this MD&A, the Corporation had the following related party transactions during the three and nine months ended September 30, 2006:

- a) A total of \$5,250 and \$22,050, respectively (three and nine months ended September 30, 2005 – nil) was charged by a Corporation owned by the president for rent and administrative services.
- b) Consulting fees of \$145,543 and \$251,639, respectively (three and nine months ended

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September 30, 2005 – nil) was paid to a company owned by an officer of the Corporation and capitalized to exploration and development costs.

- c) A total of \$52,500 (three and nine months ended September 30, 2005 – nil) was charged by a Corporation owned by the president for legal fees.
- d) In 2005 there was interest paid on amounts due to companies controlled by the Corporation's president and companies in which the Corporation's president is a significant shareholder. Interest paid to the related parties for the three and nine months ended September 30, 2005 was \$2,259 and \$13,822.

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.

## **SHARE CAPITAL**

### **Common shares**

The Corporation commenced 2006 with 44,829,220 shares outstanding. During the first three quarters of the year, the Corporation issued an additional 2,015,833 common shares resulting in 46,845,053 common shares outstanding at September 30, 2006. Subsequent to September 30, 2006, 40,000 shares were issued to pay for additional claims increasing the total common shares outstanding to 46,885,053 as at the date of this MD&A.

### **Warrants**

At the beginning of 2006, the Corporation had 8,232,440 warrants outstanding. During the period, 618,333 warrants were exercised and 205,000 warrants expired. As at September 30, 2006 and at the date of this MD&A, the Corporation had 7,409,107 warrants outstanding.

### **Stock options**

The Corporation had 3,575,000 stock options outstanding at the beginning of the 2006. During the nine month period, 1,347,500 options were exercised and 1,025,000 options were granted. As at September 30, 2006, the Corporation had 3,252,500 options outstanding.

In November 2006, the Corporation granted an additional 2,400,000 options, increasing the number of options outstanding as at the date of this MD&A to 5,652,500.

## **COMMITMENTS AND CONTRACTUAL OBLIGATIONS**

### **Flow-through expenditures**

During 2005, the Corporation raised \$3,133,889 of flow-through share proceeds. As at September 30, 2006, the Corporation had incurred approximately \$2,164,142 of related qualifying expenditures. The Corporation has until December 31, 2006 to incur the remaining \$969,747 of expenditures.

### **Work Credits**

The Corporation's work on the Ruth/Vowell Creek, Lydy, Proximal, Isintok, Erie Creek and other properties has 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

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number of years.

**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**

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.

**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.

**LIST OF DIRECTORS AS OF NOVEMBER 27, 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 NOVEMBER 27, 2006**

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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