

JASPER MINING CORPORATION
Management's Discussion and Analysis (Form 51-102F1)
December 31, 2005

The following discussion and analysis of financial results for the year ending December 31, 2005 should be read in conjunction with the Corporation's audited consolidated financial statements as at and for the year ended December 31, 2005 and related notes. 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 May 1, 2006.

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.

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 2005 but has kept them in good standing. All properties owned by the Corporation are considered to have potential for economic mineral development.

The following descriptions are categorized by possible type of deposit and principal mineral(s):

Graphite Veins Vowell Creek / Ruth Vermont

The Vowell Creek property comprises of 15,766 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.

Vowell Creek - 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 2005, resulting in identification of two prominent geophysical anomalies on the northeast side of Vowell Creek. A total of 8 drill holes, comprising approximately 1,224 metres, were completed to test the two geophysical anomalies resulting in identification of two graphite-bearing horizons up to a maximum of 19.4 m thick. The Kaigyn Trend is approximately 1.2 km in length, truncated at each end by the survey boundaries, and the Mikayla Trend is at least 6.5 km in length. The two trends appear very similar on the basis of drill core recovered and may represent a fold or fault repeat of a single graphitic horizon. Based on visual evaluation of drill core recovered from the drill program, initial analytical results were surprisingly low. Quality and the grade of the graphite are still under evaluation by the Corporation. It is proved more difficult than was expected to analyze the grade and determine the quality of the graphite. High quality flake graphite is a valuable resource. The Corporation is continuing to evaluate the graphite discovery.

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. There are a total of 12 documented occurrences within, or immediately adjacent to, the property consisting predominantly of polymetallic vein-type occurrences with anomalous to highly anomalous Au, Ag, Pb and Zn" As, W (some having limited historical production). 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.

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. Although no molybdenum mineralization or felsic intrusive lithologies were intersected in any of the holes, the presence of pyrrhotite, idioblastic biotite porphyroblasts and variable chloritic alteration is interpreted as indicative of location within a thermal aureole in relative proximity to a felsic intrusive, probably a quartz monzonite correlative to the Cretaceous Bayonne Magmatic Belt. In

addition, a carbonate breccia unit with a porphyritic diorite and possible bedded massive sulphide breccia fragments were intersected in LYDY 05-01 and are interpreted as a possible olistostrome, derived from a high standing block of Mount Nelson Formation, Toby Formation and/or and lower Horsethief Creek Group strata.

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. The property comprises 2,869 ha (7,090 acres) located immediately adjacent to the Crawford Bay stock, a Cretaceous age granitic intrusive. 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. Initial soil results returned weakly to moderately anomalous copper along the headwaters of Grey Creek (along the eastern portion of the property) and in excess of 300 ppm molybdenum in soils from two separate areas within the core of the McFarlane property. In the course of soil sampling, a previously unreported audit was discovered, adjacent to the strongly anomalous molybdenum in soil sample location.

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.

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 claims are immediately south of Cream Minerals Ltd.'s Goldsmith property, from which a large number of high grade gold values have been previously reported from soil, chip and rock samples. Management believes the quartz veins hosting gold, as documented on the Goldsmith property, extend south onto the Cascade property, consistent with the mapped regional trend, with potential for identification of similar gold-bearing to gold-enriched values.

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. A series of northeast trending faults cross-cut the property, mapped as both thrust and normal faults, resulting in a series of northeast-southwest oriented fault slices. If the faults are the controlling structure for anomalous gold documented in soils, it remains untested by drilling.

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. Bedding parallel quartz veins localized within the McNaughton Formation host highly anomalous gold values.

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 structure of the area is dominated by the regionally significant St. Mary's Fault, with a number of smaller en echelon and splay faults. Proterozoic strata within the Perry Creek and Moyie River drainages host quartz carbonate veins with variable anomalous gold, locally including visible gold. No single lode source has yet been identified for the relatively significant placer gold recovery documented from these drainages. The presence of strong magnetic responses in the area suggest potential for buried Cretaceous intrusions to have provided mineralized source fluids for the vein mineralization identified.

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.

The first and second holes were collared north and south, respectively, of a prominent geophysical linear defined on the Electromagnetic and Magnetic surveys. The trend of 050° is similar to the mineralized trend of 060° documented on the Crow Rea property approximately 10 km to the north and similar trends reported from the Brenda mine. This trend represents a high priority target for evaluation during the 2006 field season.

Previous drilling by Verdstone Gold Corporation (now Goldrea Resources) was located approximately 150 to 200 metres west of the Corporation's holes 3 and 4. Highly anomalous copper ± molybdenum mineralization was documented from these holes. A review of the geophysical data with regard to all available drill results from the property suggest they may define a mineralized annulus. This annulus (and several other possible annuli identified) represent interpreted porphyry style potential. Further drilling on the most clearly defined annulus is expected to increase low grade reserves, while representing potential to define higher grade results within the annulus itself.

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 plans to diamond drill Isintok during July 2006.

Alaric - The property consists of 16 claims, comprising 1,250 ha (3,089 acres), located west of Summerland, British Columbia. A number of porphyry deposits, including the former Brenda Mine, are associated with the Pennask Batholith, which underlies the property. In addition, an elongate Cu-in-soil anomaly extends northwest from the Isintok property toward the Alaric property. Based on a preliminary review of the available literature, the Alaric property is believed have potential for identification of porphyry style mineralization. Limited production of dimension stone (under the trade name Pacific Rose) has also been reported from the property for use as flooring tile and outside facing on the Jack Davis Building in Victoria.

Proximal - The property is located immediately north of Cranbrook, British Columbia and

consists of 300 ha (741 acres). The property was staked to cover an old drill pad surrounded by several small blast pits excavated to assess chalcopyrite-bearing occurrences of a diorite sill associated with strong local alteration. No reports of the results of drilling have been located but it is rumored to have intercepted in excess of 60 feet of mineralized diorite.

A short 3-hole diamond drill program was completed on the property in the spring of 2005. The first hole intersected the target gabbro and returned only minor copper mineralization. The second and third holes, located approximately 40 m farther north, intersected the same gabbro, however, enriched in copper mineralization. The third hole returned a 17.97 m interval grading 0.324% Cu, including 3.91 m grading 1.892% and 1.70 m grading 7.839%.

The results were encouraging and several high grade copper intersections were encountered. The Corporation is sufficiently encouraged and intends to fly airborne geophysics for this property in an attempt to detect the geological boundary of the mineralization.

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 property includes 5 occurrences described as polymetallic veins localized within granite of the Middle Jurassic Nelson Suite. The mineralized occurrences document high grade silver in association with lead and zinc. Limited gold was reported but with modern techniques identification of high tonnage, low grade mineralization is possible. In addition, a location adjacent to the regionally significant Slocan Lake Fault is interpreted to present an opportunity for identification of organic-type mineralization.

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. A recent geophysical airborne survey appears to support the potential for potassium enriched porphyry-style alteration.

The Erie Creek property is considered to have considerable potential for discovery of significant mineralization from any of porphyry-style, gold (+ silver + base metal) vein-type and/or skarn-type exploration models. Ongoing compilation and interpretation of the results of previous programs, together with the abundant geophysical anomalies documented by the airborne survey, has provided Management with a wealth of prospective targets for subsequent evaluation.

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. It is anticipated that airborne geophysics, followed by diamond drilling, on the property will result in identification of one or more mineralized horizons correlative to that on the Ruddock Creek property. If successful in identifying such mineralization, a joint venture with Selkirk Metals on the Irony and Ruddock Creek properties is considered highly probable.

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. The intrusions, both known and interpreted, are localized in strata belonging to the upper Purcell and lower Windermere Supergroups, including carbonate-bearing to carbonate-rich strata. Postulated deposit types include Intrusion-related gold and/or Mo " Cu " Au porphyry deposits hosted by the intrusions as well as polymetallic vein and/or skarn deposits within and/or immediately adjacent to the intrusions.

Intrusion-related Gold

Baribeau - The property is located along Redding Creek, east of Kootenay Lake, consisting of 1,527 ha (3,773 acres). The property covers a possible buried ("blind") intrusive body localized along an apparent magnetic trend extending from the Hall Creek stock northward to the Fry Creek Batholith. Limited soil sampling was completed on the property during 2005. The results have yet to be finally interpreted but seem as encouraging.

Copper Storm - The property consists of 315 ha (778 acres) located immediately northeast of the Mount Skelly Batholith, east of Kootenay Lake. A swarm of quartz veins up to 50 feet thick has been previously reported with copper up to 1.9% from a grab sample. In addition, molybdenite, scheelite, stibnite and galena occur in concentric zones formed in the hornfelsed sediments in the metamorphic aureole of the intrusion.

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.

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). The United Copper MINFILE occurrence is located to the west and may indicate a polymetallic vein associated with local granitic intrusions.

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. The presence of a Cretaceous intrusion is believed to play an important role in controlling local mineralization, as a probable source of mineralized fluids.

Summer Property (Diamonds)

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. A mafic igneous intrusive cores in a prominent knoll at the confluence of the Galbraith and Summer Creeks and intrudes Early Paleozoic age strata correlated to the McKay Group. The Corporation intends to bulk sample this occurrence during 2006. The occurrence appears to be a kimberlite pipe and looks interesting.

RESULTS OF OPERATIONS

Three months ended December 31

During the three months ended December 31, 2005, the Corporation incurred a net loss of \$373,600 compared to a net loss of \$171,845 during the same 2004 period. The majority of the increase in the loss can be attributed to the following components:

- A \$54,985 increase in general and administrative expenses due to increases in professional fees, regulatory and filing fees and travel.
- A \$93,393 financing fee incurred in 2005 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 \$170,634 increase in stock-based compensation due to the granting of 1,350,000 options in 2005 for which the average fair value at the time of grant was estimated at \$0.43 per option compared to an average fair value of \$0.09 per option for the 1,075,000 options granted in 2004. The estimated fair value of options is recognized as stock-based compensation expense over the vesting period of the options. Options granted in 2005 vest 50% immediately and 50% on the first anniversary of the grant date whereas options granted in 2004 vested immediately.
- A \$100,865 decrease in the provision for future income tax as explained under "Income Taxes" below.

Year ended December 31

During the year ended December 31, 2005, the Corporation incurred a net loss of \$523,007 compared to a net loss of \$231,706 in 2004. The increase in the loss for the year is primarily due to increases in the same components discussed above, in the following amounts:

- \$83,176 increase in general and administrative expenses;
- \$93,393 financing fee;
- \$223,849 increase in stock-based compensation expense; and
- \$71,267 decrease in the provision for future income tax

In both the 2005 three-month and year ended periods, the Corporation earned \$7,312 of interest revenue on cash invested in short-term deposit. In addition, interest on related party debt decreased due to the settlement of the debt through the conversion to common shares of the Corporation in August 2005.

LIQUIDITY AND CAPITAL RESOURCES

As at December 31, 2005, the Corporation had working capital of \$3,757,159 compared to \$653,119 at December 31, 2004. The improvement in working capital is due primarily to net proceeds of \$4,641,554 raised through the issue of common and flow-through shares offset by \$332,980 of payments to related parties, \$897,800 of mineral property expenditures, \$102,211 of

capital asset purchases, \$153,228 of funds used by operations and \$24,295 of other reductions.

FINANCING ACTIVITIES

During 2005, the Corporation issued the following equity instruments for net cash proceeds of \$4,614,554:

	Number	Amount
Common shares, including 3,602,750 warrants	7,345,500	\$ 2,199,100
Flow-through common shares, including 3,415,193 warrants	7,830,386	3,133,889
Common shares on exercise of stock options	525,000	90,000
Reduced by:		
Cash received in 2004 for shares issued 2005	–	(230,000)
Cash share issue costs	–	(578,435)
	15,700,886	\$ 4,614,554

MINERAL PROPERTY AND OTHER CAPITAL SPENDING

During the year ended December 31, 2005, the Corporation incurred \$897,800 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 2,450,000 common shares on the acquisition of mineral properties: In February 2005, the Corporation acquired thirteen mineral properties and geochemical assets for consideration consisting of 2,250,000 common shares valued at \$0.21 per share; in July and in August 2005, the Corporation acquired nineteen Crown grant mineral properties for consideration consisting of \$28,000 cash and 200,000 common shares valued at a \$0.25 per share. In addition \$50,728 of stock option expenses were capitalized as the officer of the Corporation who is involved 100% in exploration and development of the Corporation.

2005 mineral property expenditures are summarized in the following table:

Property	Type of Expenditure	Amount
Vowell Creek	Acquisition	\$ 109,633
	Exploration	357,669
Isintok	Acquisition	37,258
	Exploration	153,368
Lydy/McFarlene	Acquisition	75,841
	Exploration	160,030
Proximal	Acquisition	37,718
	Exploration	90,353
Erie Creek	Acquisition	36,518
	Exploration	58,737
Other	Acquisition	293,228

Exploration	<u>60,676</u>
	\$ <u><u>1,471,029</u></u>

During 2005, the Corporation purchased a total of \$144,821 of capital assets comprised of \$102,211 of land and office equipment purchased with cash and a \$42,610 vehicle acquired through purchase financing.

The land was acquired for \$101,786 and is in Cranbrook, British Columbia. The Corporation intends to construct a small building on the land from which the Corporation can conveniently access all of its properties.

INCOME TAX

The Corporation's liability for future income tax and related provision for future income tax recovery increased in 2005 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.

As at December 31, 2005, the Corporation has approximately \$1,500,000 (2004 - \$1,100,000) in tax pools and \$837,000 (2004 - \$700,000) in non-capital losses available for deduction against future taxable income.

ASSET RETIREMENT OBLIGATIONS

At December 31, 2005, 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, 2005 or 2004 financial statements. Factors such as further exploration, inflation and changes in technology may materially change the cost estimate. Mineral property deposits totaling \$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 \$141,825 (2004 - \$7,742) were charged by the president's law firm and capitalized to share issue costs.

- b) Rent of \$10,400 (2004 - nil) was charged by a Corporation owned by the president for rent and administrative services.
- c) Consulting fees of \$197,789 (2004 – nil) 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.

SHARE CAPITAL

Common shares

The Corporation commenced 2005 with 25,404,761 shares outstanding. During the year the Corporation issued the following:

- 7,345,500 common shares through private placements
- 7,830,386 common shares on a flow-through basis through private placements
- 2,450,000 common shares in exchange for mineral properties
- 1,273,573 common shares on the conversion on related party debt
- 525,000 common shares on the exercise of stock options

As at December 31, 2005 and the date of this MD&A, the Corporation had 44,829,220 common shares outstanding.

Warrants

At the beginning of 2005, the Corporation had 205,000 warrants outstanding. During the year, the Corporation issued 7,017,943 warrants in conjunction with unit private placements and 1,009,497 warrants to agents. As at December 31, 2005, the Corporation had 8,232,440 warrants outstanding.

In April 2006, 120,000 warrants expired, resulting in 8,112,440 warrants outstanding as of the date of this MD&A.

Stock options

The Corporation had 2,750,000 stock options outstanding at the beginning of the year. During 2005, the Corporation granted 1,350,000 options and 525,000 options were exercised resulting in 3,575,000 options outstanding at December 31, 2005.

Since December 31, 2005, the Corporation granted an additional 1,025,000 options and 1,300,000 options were exercised, resulting in 3,300,000 options outstanding as of the date of this MD&A.

COMMITMENTS AND CONTRACTUAL OBLIGATIONS

Flow-through expenditures

During 2005, the Corporation raised \$3,133,889 of flow-through share proceeds. The related tax benefits of the flow-through share proceeds will be renounced to investors in February 2006 with an effective date of December 31, 2005. The Corporation has until December 31, 2006 to incur the \$3,133,889 of qualifying flow-through expenditures. As at December 31, 2005, \$288,567

expenditures had been incurred.

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 2005 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

\$	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	–	–	–	–

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, 2005. The Corporation's significant accounting policies are subject to estimates and key judgements 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 (CICA 3855) and Hedges (CICA 3865), which will be effective for the reporting year-end 2007. The new standards will bring Canadian rules in line with current rules in the US. The standards will introduce the concept of “Comprehensive Income” to Canadian GAAP and will require that an enterprise (a) classify items of comprehensive income by their nature in a financial statement and (b) display the accumulated balance of comprehensive income separately from retained earnings and additional paid-in capital in the equity section of a statement of financial position. Derivative contracts will be carried on the balance sheet at their mark-to-market value, with the change in value flowing to either net income or comprehensive income. Gains and losses

on instruments that are identified as hedges will flow initially to comprehensive income and be brought into net income at the time the underlying hedged item is settled. It is expected that this standard will be effective for 2007 reporting. Any instruments that do not qualify for hedge accounting will be marked-to-market with the adjustment (tax effected) flowing through the income statement.

As the Corporation does not have any hedges in place, this new pronouncement does not impact the Corporation's current financial position.

DISCLOSURE CONTROLS AND PROCEDURES

Disclosure controls and procedures have been designed to ensure that information required to be disclosed by the Corporation is accumulated and communicated to the Corporation's management as appropriate to allow timely decisions regarding required disclosure. The Corporation's Chief Executive Officer and Chief Financial Officer have concluded, based on their evaluation as of the end of the period covered by the annual filings, that the Corporation's disclosure controls and procedures as of the end of such period are effective to provide reasonable assurance that material information related to the Corporation, including its consolidated subsidiaries, is made known to them by others within those entities. It should be noted that while the Corporation's Chief Executive Officer and Chief Financial Officer believe that the Corporation's disclosure controls and procedures provide a reasonable level of assurance 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.

LIST OF DIRECTORS AS OF DECEMBER 31, 2005

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, 2005

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