

# TINKA RESOURCES LIMITED

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE NINE MONTHS ENDED JUNE 30, 2007

### Background

This discussion and analysis of financial position and results of operation is prepared as at August 27, 2007, and should be read in conjunction with the unaudited interim consolidated financial statements and the accompanying notes for the nine months ended June 30, 2007, and the audited consolidated financial statements and the accompanying notes for the years ended September 30, 2006 and 2005, of Tinka Resources Limited (the "Company"). The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). Except as otherwise disclosed, all dollar figures included therein and in the following management discussion and analysis ("MD&A") are quoted in Canadian dollars. Additional information relevant to the Company's activities, can be found on SEDAR at [www.sedar.com](http://www.sedar.com).

### Company Overview

The Company is a junior mineral exploration company engaged in the acquisition and exploration of precious metals on mineral properties located in Peru and Australia with the aim of developing them to a stage where they can be exploited at a profit or to arrange joint ventures whereby other companies provide funding for development and exploitation. As of the date of this MD&A, the Company has not earned any production revenue, nor found any proven reserves on any of its properties. The Company is a reporting issuer in British Columbia and Alberta and trades on the TSX Venture Exchange ("TSXV") as a Tier II issuer, under the symbol "TK" and on the Frankfurt Exchange under the symbol "TLD".

### Forward Looking Statements

Certain information included in this discussion may constitute forward-looking statements. Forward-looking statements are based on current expectations and entail various risks and uncertainties. These risks and uncertainties could cause or contribute to actual results that are materially different than those expressed or implied. The Company disclaims any obligation or intention to update or revise any forward-looking statement, whether as a result of new information, future events, or otherwise.

### Exploration Projects

#### *Sierra Exploration Alliance, Peru*

On May 27, 2004, the Company entered into an agreement with Sierra Peru Pty Ltd. ("Sierra"), a privately held Australian corporation at arms-length to the Company, to form an exploration alliance to define gold and silver targets throughout Peru. The agreement provided the Company with the right of first refusal on all targets defined by Sierra for a period of two years. Sierra identified a number of prospects for the Company which were explored and the following three remain as part of the Company's property portfolio:

#### (i) *Colquipucro Project*

The Company has staked 40 claims totalling 7,000 hectares in the Department of Pasco approximately 190 km NE of Lima and 65 km NW of Cerro de Pasco. The Colquipucro mining district lies some 25 km northwest of the famed Cerro de Pasco and Colquijirca Pb-Zn-Cu mines, and 35 km east of the Raura mine, a Cu-Pb-Zn-Ag skarn deposit mined since 1958. The project is 25 km SW of Buenaventura's high grade 150 million oz Uchucchacua silver mine.

A first field visit identified numerous gossanous mantos and veins over an area of 20 sq km within a sequence of limestone, shale and carbonaceous sandstone. Two dominant vein orientations were identified with widths up to 1 m, containing galena, sphalerite and pyrite as the principal sulphide minerals. Mapping identified propylitic alteration associated with intrusives northeast of the vein and gossanous occurrences, suggesting a mineralizing intrusive source may exist nearby.

Reconnaissance sampling of vein and mantos has yielded strong base metal and silver anomalism with lesser gold values. Mineralogy is not known at this time. A 1 m X 2 m panel sample of oxidized and pyritic rock yielded 64 g/t Ag, 0.7 % Pb and 0.4% Zn; a 0.5 m wide channel sample from a quartz vein returned 460 g/t Ag, 12.3% Pb, 1.9% Zn and 0.2 g/t Au. Two grab samples taken from old mine dumps ran 500 g/t Ag each, 1.8% and 1% Pb, 0.8% and 0.1 % Zn, respectively. From 41 rock chip and soil samples, Ag values ranged from trace to 500 g/t, Au from trace to 0.2 g/t, Pb from trace to 12.3%, and Zn from trace to 1.9%.

Since the end of the financial year comprehensive exploration has followed both in the main adit and on the surface. Numerous east-west trending and steeply northerly dipping fault/breccia zones crosscut the adit at fairly regular intervals along its length. The host rock is a banded sandstone unit of the Chimu Formation which has been extensively fractured between the adjacent fault zones, resulting in a series of parallel, closely-spaced fractures resembling a stockwork texture. Surface workings along these faults have been traced over approximately 500m in strike length to at least 300m north-south.

A total of 127 samples were taken over a 245m length along the adit at regular 2m intervals, except where either narrow high grade shear zones or pillars occur at old workings. It appears that the mineralizing event that produced the high grade silver mineralization along the fault zones also produced mineralization over large widths in the intervening host rock. Anomalous lead and zinc values occur with the high grade silver. These faults and fractures are filled with limonites derived from sulphides and no associated vein material, like quartz, carbonates or barite, are observed. Sampling of the mineralized wallrock included 25m averaging 171 g/t Ag. 5m channels up to 300 metres long were cut on the surface using a diamond saw. The results confirmed the presence of a large silver system with values such as 17m averaging 88 g/t Ag, 10m averaging 117 g/t Ag, and 10m averaging 130 g/t Ag. Zn and Pb were also found in highly anomalous numbers with one 15m section returning 4% Zn.

Another zone of interest was discovered approximately 200m northeast of the area being explored. This area contains limonite and manganese “clinker” derived from what appears to have been fairly massive sulphides over widths ranging from 30m to 80m. The Company’s Peruvian geological staff indicate that this type of gossan is similar to those found in and around some of the deposits of the famous Cerro de Pasco mining camp located to the southeast. Due to these very encouraging results, the Company staked an additional six claims around the existing property.

An induced polarization (“IP”) geophysical survey was completed early in 2007 consisting of 10 lines totaling 8 km in length. The inversion model of the IP data produced a zone of high chargeabilities from surface to a depth of greater than 150m over an area roughly 400m east-west by 700m north-south. Some of the chargeability conductors correlate with the strongly mineralized zones in the 3870 level adit while others can be related to mineralized zones found in the surface trenches.

An initial drill program commenced on May 15, 2007 consisting of eleven holes totaling approximately 2,000m with eight holes targeting the known surface and underground mineralization and three holes targeting chargeable anomalies identified by the IP survey. As at August 13, 2007, four holes have been completed, three of which targeted known surface and underground mineralization along the westernmost section of the program area and one hole targeted known surface mineralization one hundred metres to the east. Drilling results are as follows:

HOLE NO.	SECTION	FROM (m)	TO (m)	TOTAL (m)	Recovery (%)	Silver (g/t)	Lead (%)	Zinc (%)
<b>CDD1</b>	332600E	0	4	4	72	154	0.4	nil
		12	14	2	95	50	0.1	nil
		16	20	4	99	71	0.2	nil
		24	34	10	99	67	0.1	0.1
		38	40	2	90	38	nil	0.1
		60	62	2	6	53	nil	nil
		70	72	2	67	61	0.2	0.1
		74	76	2	84	30	nil	0.2
		82	84	2	5	61	0.1	0.6
		98	100	2	97	40	0.2	0.1
		102	106	4	36	146	0.4	0.3
		126	130	4	91	154	0.4	0.3

HOLE NO.	SECTION	FROM (m)	TO (m)	TOTAL (m)	Recovery (%)	Silver (g/t)	Lead (%)	Zinc (%)
<b>CDD2</b>	332600E	36	38	2	100	40	0.1	0.1
		66	78	12	36	90	0.2	nil
		80	84	4	71	54	0.3	0.1
		86	92	6	100	70	0.2	nil
		106	108	2	71	37	nil	nil
		112	116	4	30	42	nil	nil
		152	154	2	33	0.2	nil	2.1
		156	158	2	18	2.0	nil	1.7
<b>CDD3</b>	332600E	0	4	4	26	276	0.1	nil
Including		2	4	2	22	486	0.1	nil
		14	18	4	61	54	0.1	0.1
		20	26	6	95	76	0.3	0.2
		28	30	2	94	42	0.2	0.2
		66	70	4	97	36	0.1	nil
		76	78	2	88	35	0.1	nil
		146	148	2	46	664	1.2	4.2
		164	174	10	85	131	0.4	1.3
Including		166	170	4	73	250	1.0	1.7
		176	182	6	89	82	0.3	1.0
<b>CDD4</b>	332700E	0	2	2	35	66	0.3	nil
		10	38	28	96	105	0.2	nil
Including		18	26	8	99	210	0.3	nil
		46	48	2	100	77	0.3	nil
		66	68	2	100	46	0.1	0.1
		96	104	8	99	125	0.3	0.2
		110	116	6	100	174	0.3	0.2
		118	128	10	88	625	1.2	0.1
Including		122	128	6	80	1003	1.8	0.1
		150	160	10	91	7	nil	2.2
Including		156	158	2	78	16	nil	5.7
		166	170	4	24	73	0.8	1.1
		180	184	4	34	38	0.2	0.7

All intercepts are down-hole lengths and true widths have not been calculated. A 30 g/t cut-off has been used for silver and a 0.1% cut off for lead and zinc. It should be noted that badly fractured ground has caused poor core recovery in a number of sampled intervals.

All diamond drilling has been performed using HQ and NQ diameter core. Core is logged and split on site under the supervision of Tinka geologists. Sampling is done on two metre intervals and samples are transported by company staff to Plenge Laboratories in Lima, Peru for assay by multi acid digestion method. The Company has continued a program of randomly inserting known sample standards as a means of checking on laboratory analytical reproducibility. Random samples were also transported to IPL Laboratories in Vancouver for check analysis. Results from the quality control program are within acceptable limits.

A contract to complete the remaining seven holes has been entered into and the new drill contractor has completed drilling hole five and is currently drilling hole six.

The Company's Qualified Person as defined in National Instrument 43-101, John Nebocat (P.Eng.), has visited the drill site to observe the drilling and sampling procedures.

(ii) *Tibillos Project*

The Company has staked an area of intrusive-hosted copper mineralization located along the coastal batholith in the Ayacucho Department and province of Lucanas, Peru. The property consists of eight claims totaling 7,575 hectares. The Tibillos Project lies within a belt along the coast of Peru which contains several porphyry copper deposits.

Reconnaissance work yielded stream sediment and grab rock samples anomalous in copper from an area underlain by quartzite and andesite porphyry intruded by diorite and granodiorite.

(iii) *Chunumayo Project*

The Company has staked 900 hectares, known as the Chunumayo Project, located in the Department and Province of Huancavelica, Peru. The Chunumayo Project lies within the richly mineralized Castrovirreyña-Julcani mining district, 20 km south of the town of Huancavelica and 250 km southeast of Lima. Mapping and prospecting of the claim area discovered a series of low-sulphidation epithermal vein/stockwork occurrences developed within limestone of the Pucara Group and overlying Tertiary-age volcanic rocks. Both rock sequences are host to mineralization in the district. Extensive areas of silification, brecciation and alteration with associated veins were located and sampled. Twenty-one grab samples taken within an area of 3.3 km by 1 km ranged from <0.2 g/t Ag to 595 g/t Ag and averaged 70 g/t Ag, <0.005 g/t Au to 2.4 g/t Au and averaged 0.2 g/t Au. Pb averaged 0.35% and Zn averaged 0.8%.

***Tingo Este Project***

This 3,000 hectare property was identified by Company staff and staked in late August 2006. Porphyry copper mineralization has been discovered within a creek bed and mapped over a distance of at least 300 metres. Chalcopyrite has been identified, occurring as grains along fractures. Host rocks are well fractured. Mapping and prospecting have defined copper mineralization within a 1,000m by 800m area. Eighty two channel samples were collected over 2m widths to sample the dominantly fracture-controlled mineralization. These sites were taken at nominal 50m intervals along the major drainages within the target area. Results ranged from 0.012% to 0.9% copper with 20 samples assaying greater than 0.1% copper.

Mineralization is hosted by granodiorite and quartz monzonite of the Coastal Batholith (largely biotite granodiorite) which has intruded Jurassic to Cretaceous age sediments and volcanics. Quartz, limonite, goethite, pyrite, chalcopyrite, copper oxide and molybdenite were found along the fractures.

The Company is planning further work on the property which will involve detailed mapping, rock chip sampling and trenching to further delineate the extent of copper mineralization.

***Strathbogie South Project - Australia***

The Company has entered into a Heads of Agreement (“HOA”) dated June 5, 2007 with an arm’s length private company, that provides Tinka with the right to earn an initial 49% interest and the right to acquire the remaining 51% interest in four mineral exploration claims located in north-eastern Victoria, Australia (the “Strathbogie South Project”). The Strathbogie South Project claims total approximately 960 square kilometres, situated 150 kilometres to the north-east of Melbourne, the capital of Victoria.

The goldfields of central Victoria are the second largest in Australia with regard to historic production. Victoria is famous for quartz reef-associated vein mineralization, including the active mining centres of Bendigo, Ballarat and Stawell. Gold exploration has seen a strong recent resurgence, following the discovery of extensive sediment hosted gold mineralization, including the Fosterville (2.5M oz gold resource) and Nagambie deposits, and the recent discovery of buried mineralization at Lockwood.

Sediment hosted gold mineralization was not historically identified, due to the lack of quartz and the fine grained nature of the gold. Gold mineralization is disseminated within sandstone and siltstone, grade is well distributed, and mineralization is associated with pyrite and arsenopyrite and therefore provides a geophysical target. Mineralization is believed associated with the Devonian age Strathbogie Granite, and is developed around contacts, cupolas and major structures that link the granite with the overlying sediment sequence.

The Strathbogie South Project covers the southern boundary of the Strathbogie Granite where mineralization is developed within a sandstone-bearing sedimentary sequence at the contact of the granite. Numerous historic small scale workings are recorded within the claims, including the extensive Merton and Yea goldfields. An example of the potential of the claim at Yea is indicated by historic records which include a drill intersection of 18m grading 2.75 g/t gold. Historic production is estimated in excess of 500,000 oz of gold from alluvial and hard rock workings within the Strathbogie South Project area.

Tinka believes that the addition of the Strathbogie South Gold Project in Australia provides country diversification as well as a rare opportunity to work on an important project in the famous goldfields of Victoria. The project area is nearly 1000 square kilometres in size and contains sediment hosted gold mineralization that was overlooked historically by the many gold miners active in the region.

Pursuant to the terms of the HOA, the Company may earn a 49% interest in the Claims by making one cash payment of \$6,000 (paid) on signing of the HOA and issuing 200,000 common shares upon TSXV acceptance (issued) and a further 300,000 common shares on June 5, 2008. The Company must also incur a total minimum expenditure of \$400,000 within the one-year option period, including a minimum of \$150,000 expenditure on two of the licences known as Merton and Yea. The Company will have the option to acquire the remaining 51% interest in the Strathbogie South Project once the Company has earned the initial 49% interest, at a price still to be negotiated.

The Company will pay a bonus of 500,000 common shares of the Company should the Company define a gold resource within the Strathbogie South Project in excess of 1,000,000 ounces of gold in the proven or probable category as defined in the JORC code. The vendor will also retain a 1% NSR on any production from the Strathbogie South Project which the Company has the exclusive right to purchase for \$1,000,000.

The Company shall collate all of the historic work undertaken within the areas and undertake a detailed stream sediment geochemical survey of the licence areas. Targets identified will be subjected to detailed geological mapping and sampling and will be advanced to the initial drill stage as soon as possible. Work is scheduled to start in late August 2007.

### Selected Financial Data

The following selected financial information is derived from the unaudited interim consolidated financial statements of the Company prepared in accordance with Canadian GAAP.

	Fiscal 2007			Fiscal 2006			Fiscal 2005	
	Jun. 30 \$	Mar. 31 \$	Dec. 31 \$	Sept. 30 \$	Jun. 30 \$	Mar. 31 \$	Dec. 31 \$	Sept. 30 \$
<b>Operations:</b>								
Revenues	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Expenses	(200,008)	(147,378)	(104,016)	(137,785)	(157,738)	(116,036)	(105,105)	(106,376)
Other items	(22,807)	6,798	37,411	(1,037,940)	46,107	(6,595)	18,845	(124,026)
Net loss	(222,815)	(140,580)	(66,605)	(1,175,725)	(111,631)	(122,631)	(86,260)	(230,362)
Loss per share -basic and diluted	(0.01)	(0.01)	(0.00)	(0.07)	(0.01)	(0.01)	(0.01)	(0.07)
Dividends per share	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
<b>Balance Sheet:</b>								
Working capital	2,168,928	1,740,591	1,062,004	1,286,743	1,504,185	445,141	923,418	1,263,896
Total assets	3,052,520	2,348,867	1,616,522	1,685,462	2,797,108	1,636,208	1,763,633	1,881,819
Total long-term liabilities	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil

### Results of Operations

During the nine months ended June 30, 2007 (the "2007 period") the Company reported a net loss of \$430,000 (\$0.02 per share), compared to a net loss of \$320,522 (\$0.02 per share) for the nine months ended June 30, 2006 (the "2006 period"), an increase in loss of \$109,478.

General and administrative expenses increased by \$75,523 from \$378,879 during the 2006 period to \$451,402 during the 2007 period. Specific expenses of note are as follows:

- The Company has been engaged in an ongoing program in communicating with its investors and investment community. The Company retained Mr. Nick Nicolaas to provide investor relations activities on behalf of the Company. Mr. Nicolaas' services are provided through his company, Mining Interactive Corp. During the 2007 period, the Company paid \$39,000 (2006 - \$27,000).
- During the 2007 period, the Company reimbursed \$9,000 (2006 - \$9,000) to Tumi Resources Limited ("Tumi"), a public company with common directors, for shared office personnel and \$5,149 (2006 - \$3,329) for other costs.
- During the 2007 period, management fees of \$72,000 (2006 - \$64,000) were paid to the Company's President in his capacity as such.
- During the 2007 period the Company paid \$19,950 (2006 - \$16,000) for accounting and administration services provided by Chase Management Ltd. ("Chase") a private company owned by a director of the Company. In addition, the Company paid \$4,050 (2006 - \$4,050) to Chase for office space provided.
- General exploration decreased by \$10,167 from \$85,566 during the 2006 period to \$75,399 during the 2007 period, reflecting an increase in direct exploration activities on the Company's existing properties.
- Stock based compensation of \$128,400 (2006 - \$76,700) was recorded in the 2007 period relating to the granting and vesting of stock options.
- Amortization expense increased by \$10,215 from \$1,161 during the 2006 period to \$11,376 during the 2007 period. The increase reflects the amortization of equipment expensed during the 2007 period whereas during the 2006 period a portion of the amortization was capitalized to mineral property interests.
- Regulatory fees increased by \$3,720 from \$6,675 during the 2006 period to \$10,395 during the 2007 period. The increase is attributed to the filing fee required for the Heads of Agreement on the Strathbogie South Project in Australia.

As the Company is in the exploration stage of investigating and evaluating its mineral property interests, it has no revenue. Interest income is generated from cash held with the Company's financial institution. During the 2007 period, the Company reported interest income of \$33,900 as compared to \$16,168 during the 2006 period. The increase is attributed to higher levels of cash held during the 2007 period.

During the 2007 period, the Company paid \$433,773 (2006 - \$734,785) for mineral property interests expenditures, comprising of \$15,393 in acquisition costs and \$346,825 in exploration costs on the Colquipucro Prospect and \$29,786 in acquisition costs and \$41,769 in exploration costs on other prospects in Peru and Australia. The Company also issued 200,000 common shares at an ascribed value of \$98,000 for the Strathbogie south Project in Australia.

### **Financial Condition / Capital Resources**

As at June 30, 2007, the Company had working capital of \$2,168,928. The Company believes that it currently has sufficient financial resources to undertake by itself all of its anticipated exploration activities and ongoing level of corporate activities for the ensuing year. Exploration activities may change however, due to ongoing results and recommendations or the Company may acquire additional mineral properties, which may entail significant funding or exploration commitments. In the event that the occasion arises, the Company may be required to obtain additional financing. The Company has relied solely on equity financing to raise the requisite financial resources. While it has been successful in the past, there can be no assurance that the Company will be successful in raising future financings should the need arise.

### **Off-Balance Sheet Arrangements**

The Company has no off-balance sheet arrangements.

## Proposed Transactions

The Company has no proposed transactions.

## Critical Accounting Estimates

A detailed summary of all the Company's significant accounting policies is included in Note 2 to the September 30, 2006 audited consolidated financial statements.

## Changes in Accounting Policies

Effective October 1, 2006 the Company has adopted two new accounting standards related to financial instruments that were issued by the Canadian Institute of Chartered Accountants. These accounting policy changes were adopted on a prospective basis with no restatement of prior period financial statements. The new standards and accounting policy changes are as follows:

### *Financial Instruments - Recognition and Measurement (Section 3855)*

In accordance with this new standard, the Company now classifies all financial instruments as either held-to-maturity, available-for-sale, held-for-trading, loans and receivables, or other financial liabilities. Financial assets held-to-maturity, loans and receivables and financial liabilities other than those held-for-trading are measured at amortized cost. Available-for-sale instruments are measured at fair value with unrealized gains and losses recognized in other comprehensive income. Instruments classified as held-for-trading are measured at fair value with unrealized gains and losses recognized on the statement of loss.

Upon adoption of this new standard, the Company has designated its cash and cash equivalents as held-for-trading, which are measured at fair value. Exploration advances and other receivables are classified as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities are classified as other financial liabilities, which are measured at amortized cost. As at June 30, 2007, the Company did not have any financial assets classified as available-for-sale and therefore the adoption of the standards noted above had no effect on the presentation of the Company's financial statements.

The Company has no proposed changes in accounting policies.

### *Comprehensive Income (Section 1530)*

Comprehensive income is the change in shareholders' equity during a period from transactions and other events and circumstances from non-owner sources. In accordance with this new standard, the Company now reports a statement of comprehensive income and a new category, accumulated other comprehensive income, in the shareholders' equity section of the balance sheet. The components of this new category will include unrealized gains and losses on financial assets classified as available-for-sale.

## Transactions With Related Parties

- (a) During the nine months ended June 30, 2007 and 2006, the Company incurred the following expenditures to directors and corporations controlled by directors of the Company:

	2007 \$	2006 \$
Management fees	72,000	64,000
Accounting and administration	19,950	16,000
Consulting services	16,000	-
Rent	4,050	4,050

- (b) During the nine months ended June 30, 2007, the Company reimbursed \$9,000 (2006 - \$9,000) and \$5,146 (2006 - \$3,329) to Tumi for shared office personnel and other costs, respectively.

The above transactions have been recorded at the exchange amounts which is the amount agreed to by the related parties.

## **Risks and Uncertainties**

The Company competes with other mining companies, some of which have greater financial resources and technical facilities, for the acquisition of mineral concessions, claims and other interests, as well as for the recruitment and retention of qualified employees.

The Company is in compliance with all material regulations applicable to its exploration activities. Existing and possible future environmental legislation, regulations and actions could cause additional expense, capital expenditures, restrictions and delays in the activities of the Company, the extent of which cannot be predicted. Before production can commence on any properties, the Company must obtain regulatory and environmental approvals. There is no assurance that such approvals can be obtained on a timely basis or at all. The cost of compliance with changes in governmental regulations has the potential to reduce the profitability of operations.

The Company's mineral properties are located in Peru and consequently the Company is subject to certain risks, including currency fluctuations and possible political or economic instability which may result in the impairment or loss of mining title or other mineral rights, and mineral exploration and mining activities may be affected in varying degrees by political stability and governmental regulations relating to the mining industry.

## **Investor Relations Activities**

The Company provides information packages to investors; the package consists of materials filed with regulatory authorities. The Company updates its website ([www.tinkaresources.com](http://www.tinkaresources.com)) on a continuous basis. The Company has retained Mr. Nick Nicolaas to provide market awareness and investor relations activities at a current rate of \$5,000 per month. Mr. Nicolaas' services are provided through his company, Mining Interactive Corp. During the 2007 period, the Company paid \$39,000 (2006 - \$27,000).

## **Outstanding Share Data**

The Company's authorized share capital is unlimited common shares with no par value. As at August 27, 2007, there were 22,686,511 issued common shares and 1,825,000 stock options outstanding, at exercise prices ranging from \$0.30 to \$0.50 per share expiring between January 17, 2008 and May 8, 2010 and 1,327,501 warrants outstanding at an exercise price of \$0.60 per share expiring between February 28, 2008 to May 8, 2008.

## **Disclosure Controls and Procedures**

Disclosure controls and procedures are designed to provide reasonable assurance that material information is gathered and reported to senior management, including the Chief Executive Officer and acting Chief Financial Officer, as appropriate to permit timely decisions regarding public disclosure.

Management, including the Chief Executive Officer and acting Chief Financial Officer, has evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures. Based on this evaluation, the Chief Executive Officer and acting Chief Financial Officer has concluded that the Company's disclosure controls and procedures, as defined in Multilateral Instrument 52-109 - Certification of Disclosure in Issuer's Annual and Interim Filings ("52-109"), are effective to ensure that the information required to be disclosed in reports that are filed or submitted under Canadian Securities legislation are recorded, processed, summarized and reported within the time period specified in those rules. In conducting the evaluation it has become apparent that management relies upon certain informal procedures and communication, and upon "hands-on" knowledge of senior management. Management intends to formalize certain of its procedures. Due to the small staff, however, the Company will continue to rely on an active Board and management with open lines of communication to maintain the effectiveness of the Company's disclosure controls and procedures. Lapses in the disclosure controls and procedures could occur and/or mistakes could happen. Should such occur, the Company will take whatever steps necessary to minimize the consequences thereof.

## **Internal Controls and Procedures over Financial Reporting**

Management is also responsible for the design of the Company's internal control over financial reporting 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 generally accepted accounting principles. During the process of

management's review and evaluation of the design of the Company's internal control over financial reporting, it was determined that certain weaknesses existed in internal controls over financial reporting. In addition, the Company has not fully completed its review and evaluation of the design of internal control over financial reporting as envisioned under 52-109. The Company expects to complete its assessment in Fiscal 2007. As is indicative of many small companies, the lack of segregation of duties and effective risk assessment were identified as areas where weaknesses existed. The existence of these weaknesses is to be compensated for by senior management monitoring which exists. The Company is taking steps to augment and improve the design of procedure and controls impacting these areas of weakness over internal control over financial reporting. It should be noted that a control system, no matter how well conceived or operated, can only provide reasonable assurance, not absolute assurance, that the objectives of the control system are met.