



**(an exploration stage company)**

***Management's Discussion and Analysis  
For the year ended December 31, 2007***

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL POSITION AND OPERATING RESULTS  
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**

The following Management's Discussion and Analysis ("MD&A") provides an analysis of the results of operations, financial condition and cash flows of Plexmar Resources Inc. (the "Company" or "Plexmar") for the years ended December 31, 2007 and 2006. This MD&A should be read in conjunction with the annual consolidated financial statements and related notes for the years ended December 31, 2007 and 2006, which are prepared with generally accounting principles in Canada ("GAAP").

The Annual financial statements and many other data regarding the business of the company are available on SEDAR at the following Internet address: [www.sedar.com](http://www.sedar.com).

All amounts included in this report are expressed in Canadian dollars unless otherwise stated.

**Forward looking statements**

This MD&A contains certain forward-looking statements and information relating to Plexmar Resources Inc. that are based on the beliefs of its management as well as assumptions made by and information currently available to Plexmar. When used in this document, the words "anticipate", "believe", "estimate", "expect" and similar expressions, as they relate to Plexmar or its management, are intended to identify forward-looking statements. This MD&A contains forward-looking statements relating to, among other things, regulatory compliance, the sufficiency of current working capital, the estimated cost and availability of funding for the continued exploration and development of the Company's exploration properties. Such statements reflect the current views of Plexmar with respect to future events and are subject to certain risks, uncertainties and assumptions. Many factors could cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements. Aside from factors identified in the annual MD&A, additional important factors, if any, are identified here.

**Business of the Company and Summary of Activities**

The Company, incorporated under the Canada Business Company's Act is in the business of acquiring and exploring mineral properties with the objective of discovering and defining economically viable ore deposits. The Company's corporate objectives are currently focused on acquiring and developing gold properties in Peru and Ecuador through its subsidiaries, with medium term objectives of defining gold resources. The Company is a reporting issuer in British Columbia, Alberta, Ontario and Quebec and trades on the TSX Venture Exchange under the symbol PLE.

Due to the nature of the Plexmar's business, most of our expenditures consist of exploration and assay costs, fees and salaries for professional personnel, land, legal and property payments, and travel to, from and within properties. The following table details properties specific spending for the year ended December 31, 2007.

*Mining properties as at December 31, 2007*

	Undivided interest %	Balance as at January 1, 2007 \$	Costs incurred \$	Mining properties under option, abandoned and written off \$	Balance as at December 31, 2007 \$
Marilia I, II & III (Peru)					
Mining property	100	150,598	-	(150,598)	-
Exploration costs		8,298	-	(8,298)	-
		<u>158,896</u>	<u>-</u>	<u>(158,896)</u>	<u>-</u>
Lucma (Cascajal) (Peru)					
Mining property	100	70,947	-	-	70,947
Oro Del Norte I, II & III (Cascajal) (Peru)					
Mining property	100	374,165	-	-	374,165
Gran Chimu I & II (Cascajal) (Peru)					
Mining property	100	2,974	-	-	2,974
Almirante Miguel Grau (Peru)					
Mining property	100	1,398,075	-	-	1,398,075
Exploration costs		35,971	36,549	-	72,520

		1,434,046	36,549	-	1,470,595
Bolsa Del Diablo (Peru)					
Mining property	100	976,184	1,124,012	(149,970)	1,950,226
Exploration costs		1,416,969	645,841	-	2,062,810
		2,393,153	1,769,853	(149,970)	4,013,036
Ecuador (Escondida)					
Mining property	100	541,225	3,243,225	(1,384,822)	2,399,628
Exploration costs		269,180	416,585	-	685,765
		810,405	3,659,810	(1,384,822)	3,085,393
		5,244,586	5,466,212	(1,693,688)	9,017,110

### *Bolsa del Diablo*

The Bolsa del Diablo project in Peru is the core asset of the Company. Management believes that this project has all the making of a new gold mining camp in northern Peru. The project covers an area of nearly 225 km<sup>2</sup> located near the border with Ecuador. The Company owns 100% of 24 concessions and has the right to acquire 100% of 2 more concessions through option agreements. All the concessions are located on land owned by two communities.

The ground geophysical program was halted in early 2007 in the community that covers the northern part of the concessions because a written permission was deemed required before a diamond drilling program could be initiated. Since that time, the Company has partly halted the exploration program and has affected part of its available manpower to work with the social team. The Company is seeking to obtain permits from those two communities.

The local gold production from artisan miners has decreased in 2007 and they are now seeking help and assistance from the Company. The Company has told the communities that it will continue helping the artisan miners by providing technical help, safety materials and by teaching them the proper way to handle and to dispose of toxic materials, as long as they award the Company permission to pursue its exploration program. In return, the Company will invest a percentage of its exploration budget in local initiatives that will benefit the whole population.

The Company has received, in March 2008, a formal invitation to attend the next town meeting and present its exploration program and benefits to the community.

The decrease in the stock price in 2007 is mainly the result of the slowdown in the exploration program at Bolsa del Diablo. However, the management is confident that a permit will be obtained in a timely manner so that the IP program can be completed and the first drilling program can be carried out in the northern community. Basic geological work involving mapping and sampling is still being carried out on the project.

For the past two and a half years, the Company established good working relationships with the local communities and the local miners present on its concessions. The Company's mine technicians are helping the local miners locate the veins extensions and teach them how to mine in a safe and environmentally friendly way.

Most of field work in 2007 consisted of social work, reconnaissance, prospecting work, geological mapping and sampling on the Bolsa del Diablo project and in the neighboring community adjacent to the Angolos concession.

During the past two years, geologists have uncovered an area measuring approximately 6 km<sup>2</sup> on which a number of artisan miners are pulling gold on a daily basis from trenches or pits. In one pit, Company's geologists got the highest grade sample to date on the property; 635 g/t Au and 24.8 g/t Ag from a vertical channel taken from a vein.

The airborne survey detected a large magnetic and potassic anomaly measuring 2.5km x 2.8km coincident with a mapped intrusive body. Preliminary results from the IP program indicate that high resistivity is consistent with silicification associated with the veins. At 100 meters of depth, the resistivity decreases and the chargeability increases. This may represent an increase in sulphide mineral content that would be consistent with a gold bearing alteration system which is the target the Company is exploring for.

The alteration zone is characterized by low to intense silica and clay hydrothermal alteration. All the volcanic rocks in the area of interest show pervasive argillic alteration and have developed very intense stockwork structures. Gold mineralization occurs partly as fracture fillings in the stockwork and also as dissemination throughout the rock. Limonitization is pervasive throughout the rock. This

intense stockwork was observed in numerous places on the property. There are over 100 pits, some going as deep as 40 metres, and numerous trenches located throughout the property.

Plexmar continue to consolidate its position in the Bolsa del Diablo camp, especially in the neighbouring community where the same pervasive alteration has been observed and where artisan miners have been extracting gold from narrow high grade veins from tunnels and ramps going as deep as 100 metres vertical in some areas. On July 24, 2007, the company signed two agreements for the acquisition of all mining rights in Hans X, XX, XXX properties (collectively “Hans”), Dorado del norte 1 property and Virgen de Carmen de Patatz property (collectively “Dorado”) in consideration of cash payments amounting to US\$3,600,000. An amount of US\$548,500 was paid and other payments are as follows:

	<u>HANS</u>	<u>DORADO</u>	<u>TOTAL</u>
2008	200,000	423,000	623,000
2009	350,000	298,000	648,000
2010	700,000	345,000	1,045,000
2011	-	735,500	735,500

Furthermore, a payment through the issuance of 2,000,000 common shares of the Company for the acquisition of the Dorado’s properties shall be made as follows subject to approval of the transaction by the TSX Venture Exchange: 500,000 shares upon signing of the contract, 500,000 shares thirty days after the signing of the contract, 500,000 shares six months after the signing of the contract and 500,000 shares twelve month after the signing of the contract. To date no shares have been issued.

The Company may terminate these agreements at any time by sending a notary letter.

The Company temporarily stopped payments under the Dorado agreement because of Force Majeure. Payments will resume once the company obtains the social license from the community giving the company the right to perform exploration work.

The Company decided to abandon the Hans properties resulting in a loss of \$149,970.

#### *Ecuador (Escondida)*

#### *Potential changes to mining laws in Ecuador*

On April 18, 2008, the Ecuadorian government through its Constitutional Assembly approved a Mining Mandate (the “Mandate”) which has created uncertainty over the status of tenure to mining concessions in Ecuador. The Company is evaluating the impact of the Mandate as amendments are still possible.

Some of the major features of the new mining mandate that may have an impact on the company are as follows:

- The new mining mandate limits mining companies to holding a maximum of three concessions. The Company will seek to protect all investments made to date at its 24 concessions.
- The new mining mandate invokes an immediate 180-day suspension of activities on virtually all mining concessions in Ecuador while a new mining law is drafted and adopted. The company is awaiting formal notification from the Ministry of Mines and Petroleum of the effects of the mining mandate on the company's operations, as defined in the final provisions of the mandate.

#### *Potential impact on the value of the mining properties in Ecuador*

As at December 31, 2007 the book value of mining properties held in Ecuador is \$3,085,393. The Company’s management believes it has complied with the necessary requirements to ensure that it has maintained title in good standing for all of its mining properties. If this new Mandate is applied as it is now, the Company could experience difficulties upholding title to its mining properties and this would represent an impairment event for its mining properties held in Ecuador and the resulting impairment would be material to the Company and it could be up to the full amount of \$3,085,393.

#### *Potential impact on the Amount receivable from Escondoro Resources Ltd.*

As at December 31, 2007 the amount receivable from Escondoro Resources Ltd (“Escondoro”) upon the Option and Joint Venture agreement as described in note 11 g) is \$874,369. If this new Mandate is applied as it is now, the Company could experience difficulties

recovering this amount as Escondoro could be unable to complete its initial public offering. This would represent an impairment event and the resulting impairment would be material to the Company and it could be up to the full amount of \$874,369.

The company welcomed president Correa's repeated statements that responsible mining will go ahead in Ecuador. He said that the purpose of the mining mandate was to allow the government to get its house in order and new mining laws in place so that responsible mining can proceed. The president invited the mining companies to meet with the ministry (of mines and petroleum) to help formulate the new mining laws, starting this coming Monday, April 28.

The company continues to seek clarity from the government regarding the mining mandate's specific application to the company's operations and will issue updates as information becomes available.

In November 2006, the Company signed a final agreement with the owner, Minera DMG S.A. ("DMG") of the Escondida project in Ecuador to acquire 100% of the mining rights to these properties.

The Escondida project represents one of the largest land positions in the Cordillera del Condor near Aurelian Resources' Fruta del Norte gold discovery. The project covers 84,110 hectares (841.1 km<sup>2</sup>) and borders Aurelian's large land package on the western flank and north of Corriente Resources Mirador deposits. Fruta del Norte is believed to be the one of the most significant gold discoveries made by a junior miner in over a decade.

The Company acquired in 2006 a 100% interest in the properties in return for cash payments totalling US\$2.0M over a 24-month period following the signature of the final contract and the issuance of 6,000,000 shares. Payments totalling US\$1.35 million have been made. With respect to the shares, 4M were issued in May 2007 after the approval of the transaction by the TSX Venture Exchange and the remaining 2M were issued in November 2007.

Under this agreement, Plexmar was required to assign a 60% interest in the properties to a new company and on September 14, 2007, the Company and its subsidiary ('Plexmar Ecuador') entered into an Option and Joint Venture Agreement ("Option Agreement") with Escondoro Resources Ltd. ("Escondoro"), a company managed by the president of the Corporation, and its wholly-owned subsidiary SadcoEcuador S.A. ("Sadco"). Escondoro has filed a final prospectus and would like to complete its initial public offering in 2008. Sadco was granted the sole and exclusive option (the "Option") to acquire up to an undivided 60% interest in properties held by Plexmar Ecuador (the Escondida properties), which is subject to the performance of the following terms and conditions:

1. the payment by Escondoro to Plexmar of an aggregate amount equal to the expenditures previously incurred by Plexmar on the Escondida properties amounting to \$1,384,822 of which \$510,453 was paid on December 31, 2007;
2. the issuance by Escondoro on the listing date of 3,000,000 common shares to Plexmar;
3. the undertaking by Escondoro to bear and pay all payments due by Plexmar or its subsidiary to DMG in regard of the acquisition of the mining rights of the Escondida properties as follows:

	US\$
November 7, 2007 (paid)	200,000
February 7, 2008	200,000
May 7, 2008	200,000
November 7, 2008	250,000

4. Sadco will incur work expenditures aggregating US\$3,000,000 with respect to the exploration and development of the properties in accordance with the following schedule:
  - (i) US\$750,000 on or before one year after the first date that the common shares of Escondoro will be listed on the TSX Venture Exchange Inc. (the "listing date");
  - (ii) US\$1,000,000 on or before two years after the listing date;
  - (iii) US\$1,250,000 on or before three years after the listing date.

5. as long as Plexmar or Plexmar Ecuador is a shareholder of Escondoro, undertaking by Escondoro to propose to its shareholders two Directors designated by Plexmar.

Upon Sadco having acquired a 60% interest in the properties, a joint venture will automatically be formed with Plexmar Ecuador holding a 40% interest. Terms of the joint venture will include:

- Sadco will act as operator of the joint venture and will have the right (but not the obligation) to remain operator for so long as its participating interest is 50% or more; and
- a management committee will be formed for the direction and control of the affairs of the joint venture, with the operator having a preponderant vote on any matter to be determined by this committee.

A 2.5% Net Smelter Royalty (NSR) was awarded to the owner with a right of first refusal assigned jointly to Plexmar and the Escondoro.

In the third quarter of 2007, the stream sediment sampling program started on the central block of concessions in the first quarter was completed and more stream sediments were taken in the southern block of properties near the Peruvian border.

Escondoro filed a revised prospectus in March 2008 that can be consulted on [www.sedar.com](http://www.sedar.com). With the actual situation in Ecuador and as described in the section *Potential changes to mining laws in Ecuador*, Escondoro could be unable to complete its initial public offering.

### *Marilia*

The Marilia group of properties are located in the department of Cajamarca in northern Peru. They cover a total of 1,600 hectares and are situated about 15 km west of the town of Cajabamba. Geographically, Marilia is located in the centre of a gold belt bordered to the north by the Yanacocha mine (Newmont) and to the south by the Pierina mine (Barrick). More precisely, the property is about 3 km north of the Shahuindo property of Sulliden Exploration and 25 km north of Barrick Gold Alto Chicama deposit. Sulliden recently announced excellent drilling results (1,98 g/t Au over 45m and 3,27 g/t Au over 30m). Shahuindo contains resources of approximately 825,000 ounces of gold and 15 million ounces of silver.

The Marilia property possesses several similar characteristics with Alto Chicama and Shahuindo. We note the presence of:

- the porous Chimu sedimentary unit, which contains a large part of the gold in the Alto Chicama deposit;
- granodioritic and dacitic intrusives, which control the gold mineralization;
- hydrothermal alteration in the northeast and southwest, which indicates a significant potential for gold mineralization;
- pyrite, arsenopyrite, chalcopyrite, galena and an anthracite coal horizon in which there is often free gold as found in the Alto Chicama deposit;
- several breccias;
- geochemical anomalies in gold and arsenic;
- surface gold values of up to 2,9 g/t Au.

The Company has only done reconnaissance work on those properties and is waiting for the legal battle regarding the ownership of the nearby Shahuindo deposit to be resolved before resuming the sampling and mapping program

No exploration work was carried out on the Marilia project this year and as the company does not expect to carry out exploration work on that property in 2008, it was decided to write-off \$158,896 i.e. the whole amount invested on that project since inception.

### *Cascajal Project*

The Cascajal package of properties, located in Northern Peru, in the La Libertad department is composed of 6 properties covering 2,500 hectares. The Company owns 5 properties and has currently one purchase agreement on one property. Since 2005, the Company did not carry out any exploration work on the Cascajal project. A local mining Peruvian company has optioned the property that Plexmar dropped in 2004 and apparently had a successful drilling program. We have approached this company to discuss their interest in our package of land surrounding them. Due to renewed interest in the area from other entities, we will keep the mining titles for another year.

The Malin plant, which was purchased in 2004 is located 5 kilometres from Cascajal. It is a 150 TPD flotation plant that has been on standby since 1990. In 2008, the Company will evaluate the possibility of a commercial start up to custom mill gold and silver ores coming from nearby small producers or for ores coming from the Bolsa del Diablo project.

No exploration work was carried out on the Cascajal project this year but the company expects some development on this project in 2008

#### *Almirante Miguel Grau*

On August 18, 2006, the company signed an agreement for the acquisition of all mining rights in the Almirante Miguel Grau in consideration of a cash payment of US\$50,000 and the issuance of 2,000,000 common shares of the company.

No exploration work was carried out on this project in 2007 and the company expects to do reconnaissance work, sampling and mapping in 2008.

#### **Outlook for 2008**

In 2008, the company expects the following:

- Grant of a social permit in the first half of 2008 to resume exploration work on its Bolsa del Diablo project;
- Major exploration program including drilling on Bolsa del Diablo.

Management will monitor closely the evolution of the situation in Ecuador and will keep shareholders informed as important development arise.

#### **Selected financial information**

	<b>Year ended December 31,</b>	
	<b>2007</b>	<b>2006</b>
	\$	\$
<b>Consolidated statements of Earnings</b>		
Professional and maintenance fees	519,276	574,110
Management fees	180,826	160,000
Stock-based compensation costs	1,244,282	937,147
General and administrative expenses	441,888	257,525
Travelling	136,388	65,704
Cost of mining properties abandoned or written-off	308,866	-
Impairment of property, plant and equipment held for sale	30,000	-
Exchange loss	67,449	42,249
Other revenues and expenses	13,039	29,126
<b>Loss and comprehensive loss for the year</b>	<b>2,942,014</b>	<b>2,065,861</b>
<b>Basis and diluted loss per share</b>	<b>0.02</b>	<b>0.02</b>
<b>Consolidated balance sheet data</b>		
<b>Total assets</b>	11,118,182	9,639,200
<b>Long term liabilities</b>	24,250	-

## **Consolidated Statements of earnings**

### *Comparison of years ended December 31, 2007 and 2006*

Professional and maintenance fees decreased by \$55,000 to \$ 519,000 for the ended December 31, 2007 compared to the year ended December 31, 2006. This decrease is due mainly to an administrative reorganisation of the Company completed in June 2007. Prior to that reorganisation the company was sharing offices and paying professional fees for all its accounting and administrative functions. Since the end of June 2007 the company operates on a *stand alone* basis with a new administrative team and moved into a new office.

Management fees increased by \$21,000 for the year ended December 31, 2007 compared to the year ended December 31, 2006. This increase is explained by the administrative reorganisation described earlier as fees for the CFO and the administrative staff are now presented in management fees when it was presented in professional and maintenance fees in 2007.

Stock-based compensation costs increased by \$307,000 for the year ended December 31, 2007 compared to the year ended December 31, 2006. This increase is mainly explained by the amortization over their vesting period of the fair value of options granted at the end of 2006 and in 2007.

General and administrative expenses increased by \$184,000 for the year ended December 31, 2007 compared to the year ended December 31, 2006. This increase is explained by more tradeshow attendance and promotion (\$83,000) and by higher administrative expenses in the Peruvian subsidiary (53,000).

Travelling expenses increased by \$70,000 for the year ended December 31, 2007 compared to the year ended December 31. This increase is explained by more travelling to Peru and Ecuador related to the company's projects in these countries and by more tradeshow attendance.

Depreciation of property plant and equipment increased by \$9,000 in 2007 compared to 2006. This increase is explained by the acquisition in 2007. Depreciation of intangible assets is explained by the acquisition of software in 2007.

No exploration work was carried out on the Marilia project this year and, as the company does not expect to carry out exploration work on that property in 2008, it was decided to write-off \$158,896 i.e. to the whole amount invested on that project since its inception. The Company decided to abandon the Hans properties resulting in a loss of \$149,970. No write-off occurred and no properties were abandoned in 2006.

The property, plant and equipment held for sale is valued in US dollars. As a result of the depreciation of the US dollar compared to the Canadian dollar, the Company has taken an impairment of \$30,000 in 2007. No impairment was taken in 2006.

The exchange loss is \$67,000 for the year ended December 31, 2007 compared to \$42,000 for the year ended December 31, 2006. This variation is explained mainly by the increase in the value of the Canadian dollar compared to the Nuevo Sol in Peru and the US dollar.

Consolidated loss and comprehensive loss for the year ended December 31, 2007 was \$2,942,000 or \$0.02 per basic and diluted share compared to a loss of \$2,066,000 or \$0.02 for the year ended December 31, 2006.

## **Total Consolidated Assets and Long-term Liabilities**

Total consolidated assets were \$11.1 million as of December 31, 2007, an increase of \$1.5 million since December 31, 2006 which is explained mainly by an increase in mining properties of \$3.8 million offset by a decrease in working capital of \$2.9 million.

## Quarterly Summary Financial Information

<i>Unaudited</i>	Quarters ended			
	December 31 2007	September 30 2007	June 30 2007	March 31 2007
Revenues	\$622	\$934	\$532	\$1,306
Net loss	\$1,035,619	\$701,985	\$701,530	\$502,880
Basic and diluted loss per share	\$0.01	\$0.01	\$0.01	\$0.01
	December 31 2006	September 30 2006	June 30 2006	March 31 2006
Revenues	\$ 1,339	\$ 103	\$ -	\$1,369
Net loss	\$809,987	\$531,506	\$283,987	\$440,381
Basic and diluted loss per share	\$0.01	\$0.01	\$0.01	\$0.01

### Fourth Quarter Results

The loss in the fourth quarter of 2007 increased by \$226,000 to \$1,036,000 compared to the fourth quarter of 2006. This increase is mainly the result of the write-off of mining properties for \$159,000 and the mining properties abandoned for \$149,000 in the fourth quarter of 2008, the impairment of property, plant and equipment held for sale in the fourth quarter of 2008 for \$30,000, a decrease in stock-based compensation costs for \$338,000 in the fourth quarter of 2007 compared to the fourth quarter of 2006 and an increase of \$233,885 in professional and maintenance fees. The increase in professional and maintenance fees is the result of a year-end adjustment in 2006 of \$190,000 for a reclassification of share issue expenses from the Statements of Earnings to the Deficit.

### Liquidity, Cash flows and Capital Resources

The Company's primary capital needs are the funds required for the acquisition and exploration of mining properties, administrative expenses and working capital. Since its inception, the Company has mainly financed its cash requirements through issuance of equity instruments and interest income.

With its current working capital position and assuming the completion of the initial public offering of Escondoro Resources Ltd in the first half on 2008, the company has adequate resources to meet anticipated expenditures until the end of the second quarter of 2008.

The Company's ability to continue as a going concern is contingent upon its ability to obtain additional financing. Management is seeking additional forms of financing through the issuance of new equity instruments, the exercise of existing warrants for the purchase of common shares and the exercise of stock options to continue its activities as a going concern, and while it has been successful in doing so in the past, there can be no assurance it will be successful in doing so. See 'Risk factors'.

The Company had cash and cash equivalents totaling \$168,000 on December 31, 2007, a decrease of \$3,548,000 from December 31, 2006. The Company had a working capital of \$347,000 as at December 31, 2007.

Statement of cash flows	For the year ended December 31	
	2007	2006
<b>Operating activities</b>	(\$1,371,000)	(\$1,208,000)
<b>Financing activities</b>	853,000	\$7,406,000
<b>Investing activities</b>	(\$3,031,000)	(\$2,505,000)
<b>Net change in cash</b>	(\$3,549,000)	\$3,693,000

#### *Operating activities*

Cash flow used in operating activities increased by \$163,000 from \$1,208,000 for the year ended December 31, 2006. This increase is explained by a decrease in the change in non-cash working capital items of \$56,000 and the increase in the loss for the year net of items not affecting cash for \$108,000.

### Financing activities

For the year ended December 31, 2007, cash flows from financing activities decreased by \$6,553,000 to \$853,000 as follow:

<i>Cash generated</i>	<b>2007</b>	<b>2006</b>	<b>Variation</b>
<b>Private placement</b>	404,000	3,215,000	(2,811,000)
<b>Warrants exercise</b>	328,000	3,672,000	(3,344,000)
<b>Stock options exercise</b>	122,000	709,000	(587,000)
<b>Share Issue expenses</b>	(25,000)	(190,000)	165,000
<b>Others</b>	24,000	-	24,000
<b>Total</b>	<b>853,000</b>	<b>7,406,000</b>	<b>(6,553,000)</b>

In 2007, the Company completed one private placement, issuing 2,882,145 shares at \$0.14 totalling \$404,000 compared to two private placements in 2006 for the issuance of 26,448,900 shares amounting to \$3,215,000. In 2007, the issuance of shares following warrants exercise amounted to \$328,000 compared to \$3,672,000 in 2006. Cash generated by the exercises of stock options exercise decreased from \$709,000 in 2006 to \$122,000 in 2007. Shares issue expenses decreased by \$165,000 in 2007 as private placements decreased as well.

### Investing activities

Cash flow used in investing activities increased by \$548,000 from \$2,505,000 for the year ended December 31, 2006. This increase is detailed as follow:

<i>Cash used</i>	<b>2007</b>	<b>2006</b>	<b>Variation</b>
<b>Purchase of mining properties and exploration costs</b>			
<b>Peru</b>			
Purchase of mining properties	(1,124,000)	(597,000)	(563,000)
Exploration costs	<u>(646,000)</u>	<u>(907,000)</u>	<u>266,000</u>
	<u>(1,770,000)</u>	<u>(1,504,000)</u>	<u>(297,000)</u>
<b>Ecuador</b>			
Purchase of mining properties	(976,000)	(541,000)	(435,000)
Exploration costs	<u>(411,000)</u>	<u>(269,000)</u>	<u>(132,000)</u>
	<u>(1,387,000)</u>	<u>(810,000)</u>	<u>(567,000)</u>
<b>Total</b>	<u>(3,157,000)</u>	<u>(2,314,000)</u>	<u>(864,000)</u>
<b>Option of mining properties in Ecuador</b>	510,000	-	510,000
<b>Addition to property plant and equipment and intangible assets</b>	(165,000)	(2,000)	(163,000)
<b>Others</b>	(219,000)	(189,000)	(29,000)
<b>Total</b>	<b>(3,031,000)</b>	<b>(2,505,000)</b>	<b>(546,000)</b>

The Company invested \$1,8M on its properties in Peru compared to \$1,5M in 2006, an increase of \$0,3M. Purchase of mining properties amounted to \$1,1M corresponding to payments upon agreements for the acquisition of mining properties. Exploration costs in Peru decreased by \$0,3M in 2007 following the halt of the ground geophysical program in early 2007 in the community that covers the northern part of the concessions because a written permission was deemed required before a diamond drilling program could be initiated as previously described.

The Company invested \$1,4M on its properties in Ecuador compared to \$0,8M in 2006, an increase of \$0,6M. Purchase of mining properties amounted to \$1M corresponding to payments for the acquisition of the Escondida properties until September 14<sup>th</sup> 2007. At that date and as described earlier, the Company and its subsidiary entered into an Option and Joint Venture Agreement with Escondoro Resources Ltd and its wholly-owned subsidiary SadcoEcuador S.A. whereby Sadco was granted the sole and exclusive option to acquire up to an undivided 60% interest in properties held by Plexmar S.A. (the Escondida properties), which is subject to the performance of the following terms and conditions as described earlier:

1. the payment by Escondoro to Plexmar of an aggregate amount equal to the expenditures previously incurred by Plexmar on the Escondida properties amounting to \$1,384,822;
2. the issuance by Escondoro on the listing date of 3,000,000 common shares to Plexmar;

- the undertaking by Escondoro to bear and pay all payments due by Plexmar or its subsidiary to Minera DMG S.A. in regard of the acquisition of the mining rights of the Escondida properties.

Of the \$1,384,822 payable to the Company, \$510,000 was received at the end of the year. The remaining is expected to be received at the closing of the IPO of Escondoro that should occur in the second quarter of 2008.

Additions to property, plant and equipment amounted to \$165,000 in 2007, an increase of \$163,000 over 2006. This increase is related to the fact that the company decided to rent new premises and had to invest in leasehold improvement, office furniture and hardware.

### Contractual obligations

The company has certain contractual obligations and commercial commitments. The following table indicates the Company's cash requirements to comply with these obligations.

Minimum payments under the Company's contractual obligations are as follows as at December 31, 2007:

	Total	2008	2009	2010	2011	2012	Thereafter
<b>Payments on acquisition of mining properties (in US\$) (1)</b>	3,576,500	1,148,000	648,000	1,045,000	715,500	-	-
<b>Operating lease</b>	242,865	24,465	24,465	24,465	24,465	25,922	119,083
<b>Long term debt</b>	24,250	8,699	9,551	6,000	-	-	-

(1): The Company may terminate these agreements at any time.

### Related Party Transactions

In connection with the approval of related party transactions, the Company's policy requires that the terms of all such transactions be comparable to terms available in arm's length transactions.

The Company carried out the following transactions with companies controlled by an officer and directors:

	2007	2006
	\$	\$
<b>Companies controlled by an officer and directors</b>		
Management fees	180,826	160,000
Professional fees	110,000	138,810
Rent – Offices	9,900	19,800
Escondoro Resources Ltd, a company managed by the president of the company		
Recharge of general and administrative expenses	37,911	-

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

In addition, the company and its subsidiary entered into an Option Agreement with Escondoro Resources Ltd, as described earlier. This transaction has been accounted for at its carrying value.

### Financial Instruments and Off Balance Sheet Arrangements

The Company has not entered into any specialized financial agreements to minimize its investment, currency or commodity risks. There are no off-balance sheet arrangements. The principal financial instruments that could be used by the Company are short term deposits which are used to enhance the returns on the Company's cash position. The Company considers these instruments to be very low risk in nature. The fair value of these instruments approximates their carrying costs, unless otherwise stated.

## **Outstanding Share Data**

As at April 25, 2008, the Company has 141 394 134 common shares outstanding, 10,341,167 stock options outstanding and 8,225,430 warrants outstanding.

## **Financial and Other Instruments**

### *Foreign Currency Risk*

The Company is exposed to currency risks due to its operations on an international scale. The Company has no forward exchange contract as of December 31, 2007.

### *Credit Risk*

Financial instruments, which potentially subject the Company to concentrations of credit risk, consist primarily of cash. Cash is maintained with high-credit quality financial institutions. Therefore, management considers the risk of non-performance on this instrument to be remote.

## **Critical Accounting Policies and Estimates**

### *Basis of consolidation*

Use of estimatesThe preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts of assets and liabilities reported in the financial statements. Those estimates and assumptions also affect the disclosure of contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the years. Significant estimates include the carrying value of mining properties, the useful lives of property, plant and equipment, certain accrued liabilities and stock-based compensation. Actual results could differ from those estimates.

### *Foreign currency translation*

#### Foreign currency transactions

Transactions denominated in currencies other than Canadian dollars are translated into the functional currency as follows: monetary assets and liabilities are translated at the exchange rate in effect at the balance sheet date and revenues and expenses are translated at the average exchange rate for the period. Non-monetary assets and liabilities are translated at historical rates. Exchange gains and losses arising from such translation are reflected in the consolidated statements of earnings and comprehensive loss.

#### Foreign subsidiary

The foreign subsidiary is considered to be an integrated foreign operation. As a result, the foreign subsidiary's accounts are remeasured into Canadian dollars using the temporal method. Under this method, monetary assets and liabilities are remeasured at the exchange rates in effect at the balance sheet date. Non-monetary assets and liabilities are remeasured at historical rates. Revenues and expenses are remeasured at the average rate for the year. Exchange gains and losses resulting from remeasurement are reflected in the consolidated statements of earnings and comprehensive loss.

### *Mining properties*

The Corporation records its interests in mining properties and areas of geological interest at cost less option payments received and other recoveries. Exploration costs and other considerations relating to these interests and projects are capitalized on the basis of specific claim blocks or areas of geological interest until the mining properties to which they relate are placed into production. These costs will be amortized over the estimated useful life of mining properties following commencement of production or written off when the properties are abandoned or when cost recovery is uncertain. The Corporation defines the uncertainty as follows: when no financial resources are available for development for three consecutive years or when the results of the exploration work do not justify any additional investment. General exploration costs not related to specific mining properties are expensed as incurred.

### *Income taxes*

The Corporation provides for income taxes using the liability method of tax allocation. Under this method, future income tax assets and liabilities are determined based on deductible or taxable temporary differences between financial statement values and tax values of assets and liabilities using enacted or substantively enacted income tax rates expected to be in effect for the year in which the differences are expected to reverse.

The Corporation establishes a valuation allowance against future income tax assets if, based on available information, it is more likely than not that some or all of the future income tax assets will not be realized.

### *Basic and diluted earnings per share*

Basic earnings per share are determined using the weighted average number of Common Shares outstanding during the period.

Diluted earnings per share are determined using the weighted average number of Common Shares outstanding during the period, plus the effects of dilutive potential Common Shares outstanding during the period. The calculation of diluted earnings per share is made using the treasury stock method, as if all dilutive potential shares had been exercised at the later of the beginning of the period or the date of issuance, as the case may be, and that the funds obtained thereby be used to purchase Common Shares of the Corporation at the average fair value of the Common Shares during the period.

### **New accounting standards**

#### *Accounting changes adopted*

On January 1, 2007, the Corporation adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants ("CICA"):

Section 1506, "Accounting Changes". This section prescribes the criteria for changing accounting policies, together with the accounting treatment and disclosure of changes in accounting policies, changes in accounting estimates and corrections of errors. In particular, this Section allows for voluntary changes in accounting policy only when they result in the financial statements providing reliable and more relevant information. Furthermore, this section requires disclosure of when an entity has not applied a new source of GAAP that has been issued but is not yet effective. Such disclosures are provided below.

Section 1530, "Comprehensive Income". This section establishes standards for reporting and display of certain gains and losses recognized in comprehensive income, but excluded from net income.

Section 3251, "Equity". This section establishes standards for the presentation of equity and changes in equity. The requirements of this section are in addition to those in "Comprehensive Income", Section 1530, "Share capital", Section 3240, and "Reserves", Section 3260.

Section 3855, "Financial Instruments – Recognition and Measurement". This section describes the standards for recognizing and measuring financial assets, financial liabilities, and non-financial derivatives. It also specifies how financial instrument gains and losses are to be presented.

This section requires that:

- All financial assets be measured at fair value, with some exceptions such as loans and investments that are classified as held to maturity;
- All financial liabilities be measured at fair value if they are derivatives or classified as held for trading purposes. Other financial liabilities are measured at their carrying value;
- All derivative financial instruments be measured at fair value, even when they are part of a hedging relationship.

Following the adoption of Section 3855, the Company classified its financial instruments as follows:

Cash	Held for trading
Amounts receivable	Loans and receivables
Loan to an officer	Loans and receivables
Accounts payable and accrued liabilities	Other financial liabilities
Long-term debt	Other financial liabilities

Section 3865, "Hedges". This section provides an alternative to Section 3855 for entities that choose to designate qualifying transactions as hedges for accounting purposes. It replaces and expands on Accounting Guideline AcG-13, "Hedging Relationships", and on the

hedging guidance in Section 1650, "Foreign Currency Translation". The implementation of these standards had no significant impact on the consolidated financial statements of the Corporation, except for the inclusion of the consolidated statement of comprehensive loss.

#### *Future accounting changes*

The CICA published the following new sections that will apply to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007:

Section 3862, "Financial Instruments – Disclosures". This section describes the required disclosure to evaluate the significance of financial instruments for the entity's financial position and performance as well as the nature and extent of risks arising from financial instruments to which the entity is exposed and how the entity manages those risks.

Section 3863, "Financial Instruments – Presentation". This section establishes standards for presentation of financial instruments and non-financial derivatives. It details the presentation of standards described in Section 3861, "Financial Instruments – Disclosure and Presentation".

Section 1535, "Capital Disclosures". This section establishes standards for disclosing information about an entity's capital and how it is managed. It describes the disclosure of the entity's objectives, policies and processes for managing capital as well as summary quantitative data on the elements included in the management of capital. The section seeks to determine if the entity has complied with capital requirements and if not, the consequences of such non-compliance.

The CICA published amendments to the following sections that will apply to interim and annual financial statements:

Relating to fiscal years beginning on or after January 1, 2008:

Section 1400, "General Standards of Financial Statement - Presentation". The CICA change the guidance related to management's responsibility to assess the ability of the entity to continue as a going concern. Management is required to make an assessment of an entity's ability to continue as a going concern and should take into account all available information about the future, which is at least, but not limited to, 12 months from the balance sheet date. Disclosure is required of material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern.

Relating to fiscal years beginning on or after October 1, 2008:

Section 3064, "Goodwill and intangible assets". In February 2008, the CICA issued Section 3064, Goodwill and intangible assets, replacing Section 3062, Goodwill and other intangible assets and Section 3450, Research and development costs. Various changes have been made to other sections of the CICA Handbook for consistency purposes. The new Sections will be implemented for the year beginning January 1, 2009.

The Corporation has not yet completed its assessment of the effect of these new standards on its consolidated financial statements.

#### **Risk factors**

These risk factors are not a definitive list of all risk factors associated with an investment in the Company or in connection with the Company's operations. In this section, the defined term "Company" includes the Company's subsidiary, where applicable.

#### *Liquidity Concerns and Future Financing Requirements*

The Company will require additional financing in order to fund its full exploration program. The ability of the Company to arrange such financing in the future will depend in part upon prevailing capital market conditions, as well as the business success of the Company. There can be no assurance that the Company will be successful in its efforts to arrange additional financing on terms satisfactory to the Company. If additional financing is raised by the issuance of Common Shares from treasury, control of the Company may change and shareholders may suffer additional dilution. If adequate funds are not available, or are not available on acceptable terms, the Company may not be able to exercise its option to acquire the Property, to take advantage of other opportunities, or otherwise remain in business.

#### *Foreign Country*

The Company conducts its exploration, development and mining activities in Peru and Ecuador. There is a sovereign risk of investing in a foreign country, including the risk that the mining concessions may be susceptible to revision or cancellation by new laws or changes in direction by the government in question. These are matters over which the Company has no control. The Company believes that the government and population of this country support the development of natural resources. There is no assurance that future political and

economic conditions in such country will not result in the adoption of different policies or attitudes respecting the development and ownership of mineral resources. Any such changes in policy or attitudes may result in changes in laws affecting ownership of assets, land tenure and mineral concessions, taxation, royalties, rates of exchange, environmental protection, labour relations, repatriation of income and return of capital, which may affect both the Company's ability to undertake exploration and development and mining activities in respect of current and future properties.

#### *Substantial Capital Expenditures Required*

Substantial expenditures are required to establish ore reserves through drilling, to develop metallurgical processes to extract metal from the ore and, in the case of new properties, to develop the mining and processing facilities and infrastructure at any site chosen for mining. Although substantial benefits may be derived from the discovery of a major mineralized deposit, no assurance can be given that minerals will be discovered in sufficient quantities to justify commercial operations or that the funds required for development can be obtained on a timely basis. The discovery of mineral deposits is dependent upon a number of factors. The commercial viability of a mineral deposit once discovered is also dependent upon a number of factors, some of which relate to particular attributes of the deposit, such as size, grade and proximity to infrastructure, and some of which are more general factors such as metal prices and government regulations, including environmental protection. Most of these factors are beyond the control of the Company. In addition, because of these risks, there is no certainty that the expenditures to be made by the Company on the exploration of its Properties as described herein will result in the discovery of commercial quantities of ore.

#### *Additional Funding Requirements*

The further exploration and development of the Properties, and any other mineral properties in which the Company may hold an interest will require additional equity or debt financing. Failure to obtain additional financing could result in delay or indefinite postponement of further exploration and development or forfeiture of some rights in the Company's mineral properties. Events in the equity market may impact the Company's ability to raise additional capital in the future.

Even if the results of exploration are encouraging, the Company may not have sufficient funds to conduct the further exploration that may be necessary to determine whether or not a commercially mineral deposit exists on the Properties. While the Company may generate additional working capital through further equity offerings or through the sale or possible syndication of its Properties, there is no assurance that any such funds will be available. If available, future equity financing may result in substantial dilution to purchasers under the Offering. At present it is impossible to determine what amounts of additional funds, if any, may be required.

#### *Future Acquisitions*

As part of the Company's business strategy, it may seek to grow by acquiring companies, assets or establishing joint ventures that it believes will complement its current or future business. The Company may not effectively select acquisition candidates or negotiate or finance acquisitions or integrate the acquired businesses and their personnel or acquire assets for its business. The Company cannot guarantee that it can complete any acquisition it pursues on favourable terms, or that any acquisitions completed will ultimately benefit its business. Future acquisitions may result in substantial dilution to shareholders.

#### *Exploration and Development*

The Properties are in the exploration stage and is without a known body of commercial ore. Mineral exploration and development involves a degree of risk which even a combination of experience, knowledge and careful evaluation may not be able to mitigate. The vast majority of properties which are explored are not ultimately developed into producing mines. There is no assurance that the Company's mineral exploration and development activities will result in any discoveries of commercial bodies of ore. The long-term profitability of the Company's operations will be in part directly related to the cost and success of its exploration programs, which may be affected by a number of factors.

#### *Operating Hazards and Risks*

Operations in which the Company has a direct or indirect interest will be subject to hazards and risks normally incidental to exploration, development and production of minerals, any of which could result in work stoppages, damage to or destruction of properties, loss of life and environmental damage. The Company does not currently carry any liability insurance for such risks, electing instead to ensure its contractors have adequate insurance coverage. The nature of these risks is such that liabilities might exceed any insurance policy limits, the liabilities and hazards might not be insurable or the Company might not elect to insure itself against such liabilities due to high premium costs or other factors. Such liabilities may have a materially adverse effect upon the Company's financial condition.

#### *Fluctuating Mineral Prices*

The mining industry is heavily dependent upon the market price of the metals or minerals being mined. There is no assurance that, even if commercial quantities of mineral resources are discovered, a profitable market will exist for the sale of the same. There can be no assurance that mineral prices will be such that the Company's properties can be mined at a profit. Factors beyond the control of the Company may affect the marketability of any minerals discovered. The prices of many base and precious metals have experienced volatile and significant price movements over short periods of time, and are affected by numerous factors beyond the control of the

Company.

#### *Foreign Exchange Rate Fluctuations*

Operations in Peru and Ecuador are subject to foreign currency exchange fluctuations. With respect to the official currency of Peru and Ecuador, the Company will transfer funds to its subsidiaries on an as needed basis in order to avoid significant exposure to currency fluctuations. The Company may suffer limited losses due to adverse foreign currency fluctuations.

#### *Price Volatility of Publicly Traded Securities*

In recent years, the securities markets in Canada and in the United States have experienced a high level of price and volume volatility, and the market prices of securities of many companies have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that continual fluctuations in price will not occur. It may be anticipated that any quoted market for the Common Shares will be subject to market trends generally, notwithstanding any potential success of the Company in creating revenues, cash flows or earnings. The value of the Common Shares distributed hereunder will be affected by such volatility.

#### *Competition*

The mining industry is intensely and increasingly competitive, and the Company competes for exploration and exploitation properties with many companies possessing greater financial resources and technical facilities than itself. Competition in the mining business could adversely affect the Company's ability to acquire suitable producing properties or prospects for mineral exploration in the future.

#### *Title Matters*

While the Company has reviewed and is satisfied with the titles to the claims of its Properties, and, to the best of its knowledge, such titles are in good standing, there is no guarantee that titles to such claims will not be challenged or impugned. The Properties may be subject to prior unregistered agreements of transfer or aboriginal land claims, and title may be affected by undetected defects.

#### *Environmental Risks and Other Regulatory Requirements*

The current or future operations of the Company, including exploration or development activities and commencement of production on its properties require permits from various federal and local governmental authorities, and such operations are and will be governed by laws and regulations governing prospecting, development, mining, production, taxes, labour standards, occupational health, waste disposal, toxic substances, land use, environmental protection, mine safety and other matters. Companies engaged in the development and operation of mines and related facilities generally experience increased costs and delays in production and other schedules as a result of the need to comply with the applicable laws, regulations and permits. There can be no assurance that all permits which the Company may require for the construction of mining facilities and conduct of mining operations will be obtainable on reasonable terms or that such laws and regulations would not have an adverse effect on any mining project which the Company might undertake.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment or remedial actions. Parties engaged in mining operations may be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed upon them for violation of applicable laws or regulations.

Amendments to current laws, regulations and permits governing operations and activities of mining companies, or more stringent implementation thereof, could have a material impact on the Company and cause increases in capital expenditures or production costs or reduction in levels of production at producing properties or require abandonment or delays in the development of new mining properties.

#### *Industry Regulation*

The Company currently operates its business in a regulated industry. Any changes in governmental laws, regulations, economic conditions or shifts in political attitudes or stability are beyond the control of the Company and may adversely affect its business. In addition, shortages of skilled labour and deficiencies in infrastructure may negatively influence costs of exploration and development.

#### *Uninsured or Uninsurable Risks*

The Company may become subject to liability for cave-ins, pollution or other hazards against which it cannot insure or against which it may elect not to insure because of high premium costs or for other reasons. The payment of any such liabilities would reduce the funds available for exploration and mining activities. Payments of liabilities for which the Company does not carry insurance may have a material adverse effect on the financial position of the Company.

#### *Conflicts of Interest*

Some of the directors and officers of the Company are engaged and will continue to be engaged in the search for additional business opportunities on behalf of other companies, and situations may arise where these directors and officers will be in direct competition with

the Company. Conflicts, if any, will be dealt with in accordance with the relevant provisions of the *Canada Business Companies Act*. Some of the directors and officers of the Company are or may become directors or officers of other companies engaged in other business ventures.

*Prospect of Dividends*

The Company does not anticipate that any dividends will be paid on the Common Shares in the foreseeable future.

*Dependence on, and Protection of, Key Personnel*

The success of the Company is currently largely dependent on the performance of its directors and officers. The loss of the services of any of these persons could have a materially adverse effect on the Company's business and prospects. There is no assurance the Company can maintain the services of its directors, officers or other qualified personnel required to operate its business.

*(Signed) Pierre Labbé*

**Pierre Labbé CA**

Vice-president and chief financial officer

April 25, 2008

# MANAGEMENT'S REPORT

## Management's responsibility for financial reporting

The Financial Statements of **Plexmar Resources Inc.**, which have been approved by the Board of Directors, were prepared by Management in accordance with Canadian generally accepted accounting principles and contain certain amounts based on best judgment and estimates as their final determination is dependent upon subsequent events. It is the opinion of Management that the accounting policies utilized are appropriate in the circumstances and are adequate for reflecting the financial position and the results of operations within reasonable limits of materiality. The financial information presented elsewhere in this Report is consistent with the information contained in the Financial Statements.

In order to carry out its responsibilities with regard to the Financial Statements, Management maintains internal control systems that aim to provide a reasonable degree of certainty that transactions are duly authorized, that the assets are well protected, and that adequate records are kept.

The Board of Directors' Audit Committee ensures that Management assumes its responsibility in terms of Financial Statements. The functions of the Audit Committee are to:

- Review the Financial Statements and recommend them for approval by the Board of Directors;
- Review the systems of internal control and security;
- Recommend the appointment of the external auditors and their fee agreements to the Board of Directors;
- Review other accounting, financial and security matters as required.

This committee meets regularly with Management and the external auditors. The latter may, as they see fit, meet with the Audit Committee, with or without Management, to discuss matters affecting the audit and financial information.

The external auditors are appointed to report to the shareholders regarding the fairness of the presentation of the Company's Financial Statements. The auditors fulfil this responsibility by carrying out an independent audit of these statements in accordance with Canadian generally accepted auditing standards.

On behalf of Management,

April 25, 2008

*(Signed) Guy Bédard*  
**Guy Bédard**  
CEO and President

*(Signed) Pierre Labbé*  
**Pierre Labbé CA**  
Vice-president and chief financial officer